

Company No. 8515-D

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

Financial Statements
For the Financial Year Ended
31 March 2006
(In Ringgit Malaysia)

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

FINANCIAL STATEMENTS

CONTENTS	PAGE(S)
Directors' report	1 – 16
Report of the auditors	17 - 18
Balance sheets	19 – 20
Income statements	21
Statements of changes in equity	22 – 25
Cash flow statements	26 – 28
Notes to the financial statements	29 – 143
Statement by directors	144
Declaration by the officer primarily responsible for the financial management of the Company	144

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2006.

BUSINESS MERGER AND CHANGE OF NAME

On 31 May 2005, the Bank acquired the entire equity interest in Amlslamic Bank Berhad ("Amlslamic Bank") (formerly known as AMBB Capital Berhad and prior to that, AmBank Berhad), a related company, for a purchase consideration of RM412.7 million based on the unaudited net tangible assets ("NTA") of Amlslamic Bank after adjusting for certain non-transferable assets. The purchase consideration was satisfied by the issuance of 81,961,642 new ordinary shares in the Bank at an issue price of RM5.035 based on the unaudited NTA of the Group at the completion date.

Upon completion of the acquisition of Amlslamic Bank by the Bank, the finance company business of the Bank and the commercial banking business of Amlslamic Bank was merged by way of vesting of Amlslamic Bank'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.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to carry on the business of a licensed commercial bank and finance company which also includes the provision of Islamic banking services.

The principal activities of its subsidiary companies are disclosed in Note 12 to the financial statements.

There have been no other significant changes in the nature of the activities of the Bank and its subsidiary companies during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before taxation	347,784	335,438
Taxation	(109,531)	(105,719)
Profit before minority interests	238,253	229,719
Minority interests	16	-
Net profit attributable to shareholder of the Bank	238,269	229,719

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

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

The merger has also boosted the Bank's reach and scale to extend its leadership market positions in the retail banking sector. The Bank is confident that it 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 Bank has initiated training programmes to increase the sales efficiency of its staff to maximize cross-selling opportunities for the Bank's various products and services using the expanded commercial bank branches as a springboard. The Bank's retail banking business has been transformed into a sales and customer service focused entity. The Bank believes that this transformation process will result in improved sales efficiency and productivity in the near future.

The Bank will also leverage on its wide branch network and strong customer franchise to expand its demand deposit base to rebalance its funding base to be able to better manage its funding costs.

On 1 May 2006, the Islamic banking business of the Bank has been transferred to and vested in Amlslamic Bank, a wholly-owned subsidiary of the Bank, to formalize the corporate separation of the conventional banking business from the Islamic banking business. With the new Islamic operational structures in place and ongoing effective communication with its customers, the Bank is aiming for the maximum optimization of its services to further propel its Islamic banking services.

OUTLOOK FOR THE NEXT FINANCIAL YEAR

Malaysia's economic growth is projected to rise faster but to remain moderate at 6.0% in 2006. Accordingly, the banking business is expected to further expand in 2006 and the asset quality of the banking system is also expected to remain strong. However, a moderating economy coupled with ample liquidity and liberal operating environment in the banking system will have an impact on the profitability of the banking industry's traditional lending business.

Inflation has increased on account of rising cost and potentially the pressure could build up further following higher petroleum product prices. While interest rate would not be directly effective to tame cost-pushed inflation, interest rate adjustment is necessary to positively influence the exchange rate, capital flow and liquidity trend. However, the rate and pace of increase and exchange rate adjustment would not be excessive to disadvantage growth.

Going forward, the Bank will continue to pursue its strategy of expanding its business operations. The Bank is confident that that it has built an infrastructure, customer base and brand-awareness that enables it to take advantage of growth opportunities.

SIGNIFICANT EVENTS

(a) **Sale of 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 sale of 10% equity interest in its related company, AmAssurance Berhad (“AmBank Sale”). The 10,000,000 ordinary shares of RM1.00 each were sold at a price of RM6.44 per share for a cash consideration of RM64.4 million.

The purchase consideration in respect of the AmBank Sale was arrived at on a “willing buyer–willing seller” basis after taking into consideration the valuation by an external professional actuary. There were no liabilities assumed by the Bank. The total consideration of RM64.4 million has been paid by IAG International Pty Ltd.

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

(b) **Incorporation of a wholly owned subsidiary in Hong Kong**

On 21 December 2005, the Bank 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 fully paid-up capital of HK\$2.00 comprising two (2) ordinary shares of HK\$1.00 each. The intended principal activity of AmTrade Services is provision of trade finance services.

(c) **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, a wholly-owned subsidiary of AmBank (M) Berhad, to non-resident investors;**

AMBB Capital (L) Ltd was incorporated on 23 September 2005 and has an authorised 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 (L) Ltd was incorporated for the purpose of issuing the Hybrid Securities. The Bank had, on 6 January 2006 acquired three (3) ordinary shares for a cash consideration of USD3.00, thereby making AMBB Capital (L) Ltd a wholly owned subsidiary of the Bank.

The Hybrid Securities were issued by AMBB Capital (L) Ltd on 27 January 2006 and have the benefit of a subordinated guarantee by the Bank. The gross proceeds of USD200.0 million from the issue of the Hybrid Securities were on-lent to the Bank in the form of a subordinated term loan on 27 January 2006.

The Hybrid Securities were priced at par on a semi-annual coupon of 6.77% per annum for the first ten years. Thereafter, the coupon rate will be at 3 month US dollar LIBOR plus 2.90%.

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, the Bank will be required to issue Substitute Preference Shares to substitute the Hybrid Securities issued by AMBB Capital (L) Ltd. 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 are listed on both the Labuan International Financial Exchange and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

The Hybrid Securities are rated Ba2 by Moody's Investors Services, BB by Standard and Poor's Rating Group and BB by Fitch Ratings Ltd.

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 improves the Bank's capital adequacy ratios and provide the flexibility to fund the growth of its business operations.

SUBSEQUENT EVENTS

(a) Proposed disposal of Freehold Land and Building

On 11 May 2006, the Bank announced the proposal to dispose its freehold land together with its 46-storey office building known as Menara AmBank to AmFIRST Real Estate Investment Trust ("AmFIRST REIT") for a proposed consideration of RM230 million. The consideration will be satisfied through the issuance of 230 million AmFIRST REIT units at an issue price of RM1.00 per unit of which the Bank will sell to its ultimate holding company, AMMB Holdings Berhad ("AHB") for a cash consideration of RM230 million. The cash proceeds of RM230 million receivable from AHB will be utilised as working capital.

The proposed disposal is subject to approval by the relevant authorities.

(b) Transfer of Islamic Banking Business of AmBank (M) Berhad to Amlslamic Bank Berhad ("Amlslamic Bank")

On 1 May 2006, the Islamic banking business of the Bank was transferred to and vested into Amlslamic Bank, a wholly-owned subsidiary of the Bank, pursuant to the vesting order of the High Court of Malaya made pursuant to Section 50 of the Banking and Financial Institutions Act, 1989. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of issue of 250.0 million new ordinary shares of RM1.00 each by Amlslamic Bank to the Bank at RM3.14 per share.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, 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 and of the Bank for the current financial year in which this report is made.

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND ALLOWANCES

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in the financial statements.

ISSUANCE OF SHARES

During the current financial year, 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 arising from the issuance of 81,961,642 shares, as consideration for the acquisition of the entire share capital of Amlslamic Bank.

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements and balance sheets of the Group and of the Bank were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing, and have satisfied themselves that all known bad debts and financing had been written off and adequate allowances had been made for doubtful debts and financing.

At the date of this report, the directors of the Bank are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing, in the financial statements of the Group and of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Bank were made out, the directors took reasonable steps to ascertain that any current assets, other than debts and financing which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- b) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank that would render any amount stated in the financial statements misleading.

DIRECTORS

The directors of the Bank who served on the Board since the date of the last report are:

Tan Sri Dato' Azman Hashim
Tun Mohammed Hanif Omar
Tan Sri Datuk Clifford Francis Herbert (appointed on 1 October 2005)
Tan Kheng Soon (appointed on 1 October 2005)
Cheah Tek Kuang
Mahdi Morad
Mohamed Azmi Mahmood (resigned on 13 March 2006)

In accordance with Article 87 of the Company's Articles of Association, Tun Mhammed Hanif Omar retires by rotation at the forthcoming Annual General Meeting and, being eligible offers himself for re-election.

In accordance with Article 95 of the Company's Articles of Association, Tan Sri Datuk Clifford Francis Herbert and Tan Kheng Soon who were appointed to the Board after the last Annual General Meeting, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The interests in shares and debentures in the holding and ultimate holding company and in related companies, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

In the ultimate holding company, AMMB Holdings Berhad

Shares	No. of ordinary shares of RM1.00 each			
	Balance at 1.4.2005/ Date of Appointment	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	675,490	–	675,490	–
Tan Kheng Soon	18,000	–	–	18,000
Cheah Tek Kuang	23,800	–	–	23,800
Mahdi Morad	238,052	–	–	238,052

Warrants 2003/2008	No. of Warrants			
	Balance at 1.4.2005	Bought	Sold/ Exercised	Balance at 31.3.2006
Cheah Tek Kuang	46,189	–	–	46,189

In a related company, AmlInvestment Group Berhad

Renounceable Rights	No. of Renounceable Rights of RM1.00 each			
	Balance at 1.4.2005	Exercised	Lapsed	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	118,954,848	118,954,848	–	–
Tun Mohammed Hanif Omar	200,000	200,000	–	–
Cheah Tek Kuang	2,620,075	2,620,075	–	–
Mahdi Morad	73,570	73,570	–	–

DIRECT INTERESTS

In a related company, AmInvestment Group Berhad

Shares	No. of ordinary shares of RM1.00 each			
	Balance at 1.4.2005/ Date of Appointment	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	–	118,954,848	24,400,000	94,554,848
Tun Mohammed Hanif Omar	–	200,000	–	200,000
Tan Sri Datuk Clifford Francis Herbert	50,000	–	–	50,000
Tan Kheng Soon	35,000	–	–	35,000
Cheah Tek Kuang	–	2,620,100	1,500,000	1,120,100
Mahdi Morad	–	74,000	–	74,000

DEEMED INTERESTS

In the ultimate holding company, AMMB Holdings Berhad

		No. of ordinary shares of RM1.00 each			
Shares	Name of Company	Balance at 1.4.2005	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad)	658,252,421	13,000,000	–	671,252,421
	AMDB Equipment Trading Sdn Bhd	439,047	–	–	439,047
	Azman Hashim Holdings Sdn Bhd	913,905	–	913,905	–
	Regal Genius Sdn Bhd	29,490,000	–	–	29,490,000
		No. of Warrants			
Warrants 2003/2008	Name of Company	Balance at 1.4.2005	Bought	Sold/ Exercised	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad)	5,954,097	–	–	5,954,097
	AMDB Equipment Trading Sdn Bhd	22,682	–	–	22,682
	Regal Genius Sdn Bhd	2,989,936	–	–	2,989,936
	Corporateview Sdn Bhd	31,658,738	–	–	31,658,738

DEEMED INTERESTS**In a related company, AmInvestment Group Berhad**

Renounceable Rights	Name of Company	No. of Renounceable Rights of RM1.00 each			
		Balance at 1.4.2005	Exercised	Lapsed	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad)	150,896,688	150,896,688	—	—
	AMDB Equipment Trading Sdn Bhd	100,646	100,646	—	—
	Azman Hashim Holdings Sdn Bhd	209,502	209,502	—	—
	Regal Genius Sdn Bhd	6,760,238	6,760,238	—	—
	AMMB Holdings Bhd	1,109,442,000	1,109,442,000	—	—

Shares	Name of Company	No. of ordinary shares of RM1.00 each			
		Balance at 1.4.2005	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad)	—	150,896,688	—	150,896,688
	AMDB Equipment Trading Sdn Bhd	—	100,646	—	100,646
	Azman Hashim Holdings Sdn Bhd	—	209,502	—	209,502
	Regal Genius Sdn Bhd	—	6,760,238	—	6,760,238
	AMMB Holdings Bhd	—	1,109,442,000	436,242,000	673,200,000

By virtue of the directors' shareholding in the holding and ultimate holding company, these directors are deemed to have an interest in the shares of the Bank and its related companies.

Other than as disclosed, none of the directors in office at the end of the financial year had any interest in shares in the Bank or its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 33 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than for the related party transactions as shown in Note 32 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

CORPORATE GOVERNANCE

(a) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Bank and its subsidiary companies.

The Board supervises the management of the Bank's businesses and affairs with the goal of enhancing shareholders' value. The Board meets monthly to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organization structure, business developments (subject to matters reserved for shareholders' meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board comprises six (6) directors, of which three (3) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the management are fully discussed and examined, taking into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Chief Executive Officer of the Bank. The Senior Management team of the Bank are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(b) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to the Board Committees. The Committees, which were created to assist the Board in certain areas of deliberations, are:

1. Nomination Committee
2. Remuneration Committee
3. Audit & Examination Committee
4. Risk Management Committee
5. Executive Committee

The roles and responsibilities of each Committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

The attendance of Board members at the meetings of the Board and the various Board Committees is set out below: -

Number of meetings attended in FY2006						
	Board of Directors	Nomination Committee	Remuneration Committee	Audit and Examination Committee	Risk Management Committee	Executive Committee
Tan Sri Dato' Azman Hashim	13	1 (Member effective 1.12.05)	3	N/A	N/A	18
Tun Mohammed Hanif Bin Omar	12	3	3	11	5 (Resigned as member effective 1.12.05)	15
Tan Sri Datuk Clifford Francis Herbert	6 (Independent Non-Executive Director effective 1.10.05)	1 (Member effective 1.12.05)	2 (Member effective 1.12.05)	3 (Member effective 1.12.05)	1 (Member effective 1.12.05)	N/A
Tan Kheng Soon	6 (Independent Non-Executive Director effective 1.10.05)	1 (Member effective 1.12.05)	N/A	N/A	1 (Member effective 1.12.05)	N/A
Cheah Tek Kuang	13	3	1 (Resigned as member effective 1.12.05)	10 (Resigned as member effective 13.3.06)	5 (Resigned as member effective 1.12.05)	16
Mahdi Morad	11	N/A	N/A	N/A	N/A	15
Number of meetings held in FY2006	13	3	3	11	6	18

Note: All attendances reflect the number of meetings attended during Directors' duration of service.
N/A represents not a member.

Nomination Committee

It is responsible for regularly reviewing the board structure, size and composition, as well as identifying and selecting new directors to be appointed to the Board and the Committees of the Board. On an annual basis, it reviews the mix of skills and experience and other qualities and competencies that Non-Executive Directors should bring to the Board.

During the financial year, three (3) meetings were held to consider nominations and to review the membership of the Board and Board Committees. In addition, the Nomination Committee also reviewed the performance of the Committees' and Board's effectiveness as a whole and the contribution of each Director to the effectiveness of the Board.

Remuneration Committee

All members of this Committee are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board the framework or broad policy for the remuneration of the Directors, the Chief Executive Officer and other Senior Management.

Remuneration is determined at levels which enable the Bank to attract and retain the Directors, the Chief Executive Officer and Senior Management with the relevant expertise in managing the Bank effectively.

Audit and Examination Committee

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Bank's assets and shareholders' investments.

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board acting through the AEC. The AEC met during the year to review the scope of both the internal audit functions and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The financial statements were reviewed by the AEC prior to their submission to the directors of the Bank for adoption.

In addition, the AEC has reviewed the requirements for approval and disclosure of related party transactions, reviewed the procedures set up by the Bank to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions.

Risk Management Committee

Risk management is an integral part of the Bank's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level and also approves the engagement of new products or activities after considering the risk bearing capacity and readiness of the Bank.

The Risk Management Committee oversees the overall management of credit, market, liquidity, operational, legal, capital and strategic risks impacting the Bank, and to ensure that the risk management process is in place and functioning.

The Committee is independent from management and comprises only non-executive directors. The Committee ensures that the Board's risk tolerance level is effectively enforced and reviews high-level risk exposures, and capital allocation decisions to ensure that they are within the overall interests of the Bank. It also assesses the Bank's ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Bank. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodology, and formulation of risk strategies.

Internal Audit and Internal Control Activities

The Internal Audit Department reports to the AEC and to the Group Chief Internal Auditor. It assists the Board in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Internal Audit's annual audit plan each year, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The results of the AEC meetings are formally tabled to the Board for noting and action, where necessary. The Group Chief Internal Auditor and the external auditors also attend the AEC meeting by invitation.

The scope of internal audit covers reviews of adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations as well as management directives, lending practices and information technology, including the various application systems in production, data centres and network security.

The Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive audit risk assessment of all significant auditable areas identified in the Bank. The structured audit risk assessment approach ensures that all risk-rated auditable areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment.

The Internal Audit also participates actively in major system development activities and project committees to advise on risk management and internal control measures.

Executive Committee

The Executive Committee (“EXCO”) comprises the Chairman of the Bank, two Executive Directors and one Independent Non-executive Director of the Board. The EXCO is authorised to consider and approve loans, guarantees and other facilities, interbank deposits, participation in syndicated facilities, bonds, share issues, purchase and sale of securities, other transactions involving the granting of credit facilities or utilization of the Bank’s resources and generally transact and do and decide on all matters and things relating to the Bank including matters which may be usual in connection with the business of a licensed commercial bank and finance company and all matters and things incidental thereto and additionally determine the lending and business policies of the Bank and:

- i) To consider and approve credit facilities and commitments that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt.
- ii) To consider credit facilities and commitments either individually or in aggregate above RM30.0 million approved by the Credit and Commitments Committee, with the powers to, in the interest of the Bank, cause the facilities and commitments approved to be rejected or the terms and conditions of the facilities to be varied.

(c) MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank and its subsidiaries that are important to the Directors’ understanding of the agenda items and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Bank, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

HOLDING AND ULTIMATE HOLDING COMPANY

The directors regard AMFB Holdings Berhad and AMMB Holdings Berhad, both of which are incorporated in Malaysia, as the holding company and the ultimate holding company respectively.

RATING BY EXTERNAL AGENCIES

The Bank’s long term rating and short term rating of A2 (Stable) /P1 was reaffirmed by Rating Agency Malaysia Berhad (“RAM”). Additionally, the Bank’s ratings was complemented by international ratings of Baa2 (Stable) /P3 by Moody’s Investors Services, BBB- (Stable) /A-3 by Standard and Poor’s Rating Group and BBB- (Stable)/ F3 by Fitch Ratings Ltd.

The Bank’s RM200.0 million Redeemable Unsecured Subordinated Bonds’ long-term rating of A3 was also reaffirmed by RAM.

The Hybrid Securities are rated Ba2 by Moody’s Investor Services, BB by Standard and Poor’s Rating Group and BB by Fitch Ratings Ltd.

SHARIAH COMMITTEE

The Shariah Committee was established under Bank Negara Malaysia's "Guidelines on the Governance of Shariah Committee for Islamic Financial Institutions" (BNM/GPS1) to advise and provide guidance to the Board of Directors on all matters pertaining to Shariah principles including product development, marketing and implementation activities. The Shariah advisors also assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors,

TAN SRI DATO' AZMAN HASHIM

Chairman

Kuala Lumpur
31 May 2006

CHEAH TEK KUANG

Chief Executive Officer

REPORT OF THE AUDITORS TO THE MEMBER OF

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 19 to 143. These financial statements are the responsibility of the Bank's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and applicable MASB Approved Accounting Standards in Malaysia with such modifications and exceptions as determined by Bank Negara Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Bank as at 31 March 2006 and of the results and the cash flows of the Group and of the Bank for the financial year then ended; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

Company No. 8515-D

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Gladys Leong
No. 1902/04/08(J)
Partner

Kuala Lumpur, Malaysia
31 May 2006

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies**BALANCE SHEETS****AS AT 31 MARCH 2006**

	Note	The Group		The Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
Cash and short-term funds	4	7,317,898	5,398,793	7,303,343	3,156,862
Deposits and placements with banks and other financial institutions	5	1,121,253	381,003	1,121,150	358,800
Securities held-for-trading	6	2,269,352	1,492,570	2,269,329	956,208
Securities available-for-sale	7	331,513	255,669	331,513	102,949
Securities held-to-maturity	8	1,361,146	1,416,052	1,360,928	924,210
Loans, advances and financing	9	40,736,551	35,636,185	40,736,551	27,282,390
Other assets	10	521,703	502,950	523,838	349,608
Statutory deposit with Bank Negara Malaysia	11	1,532,563	1,301,583	1,532,563	988,930
Deferred tax asset	35	793,184	907,881	640,146	616,284
Investment in subsidiary companies	12	–	–	29,779	29,779
Investment in associated companies	13	545	458	137	150
Property and equipment	14	423,691	416,449	392,096	351,890
TOTAL ASSETS		<u>56,409,399</u>	<u>47,709,593</u>	<u>56,241,373</u>	<u>35,118,060</u>

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies**BALANCE SHEETS****AS AT 31 MARCH 2006**

	Note	The Group		The Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	15	32,494,827	29,161,743	32,496,575	22,273,456
Deposits and placements of banks and other financial institutions	16	13,413,549	9,868,590	13,413,549	6,219,739
Obligation on securities sold under repurchase agreements	17	1,104,621	103,795	1,104,621	33,059
Bills and acceptances payable	18	909,620	515,752	909,620	–
Recourse obligation of loans sold to Cagamas Berhad	19	1,778,955	2,653,650	1,778,955	2,455,723
Other liabilities	20	1,218,297	854,153	1,212,680	612,463
Subordinated term loans	21(a)	1,140,000	1,140,000	1,867,734	680,000
Hybrid securities	21(b)	727,734	–	–	–
Redeemable unsecured subordinated bonds	22	200,000	200,000	200,000	200,000
Total Liabilities		<u>52,987,603</u>	<u>44,497,683</u>	<u>52,983,734</u>	<u>32,474,440</u>
Minority interests	23	70	86	–	–
Share capital	24	610,364	610,364	610,364	528,402
Reserves	25	<u>2,811,362</u>	<u>2,601,460</u>	<u>2,647,275</u>	<u>2,115,218</u>
Shareholder's Equity		<u>3,421,726</u>	<u>3,211,824</u>	<u>3,257,639</u>	<u>2,643,620</u>
TOTAL LIABILITIES AND EQUITY		<u>56,409,399</u>	<u>47,709,593</u>	<u>56,241,373</u>	<u>35,118,060</u>
COMMITMENTS AND CONTINGENCIES	37	<u>20,182,831</u>	<u>13,416,581</u>	<u>20,182,731</u>	<u>6,646,477</u>
NET ASSETS PER SHARE (RM)	38	<u>5.61</u>	<u>5.26</u>	<u>5.34</u>	<u>5.00</u>

The accompanying notes form an integral part of the financial statements.

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies**INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

	Note	The Group		The Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest income	26	2,625,588	2,406,796	2,540,536	1,919,030
Interest expense	27	(1,357,565)	(1,187,969)	(1,308,267)	(908,469)
Net interest income		1,268,023	1,218,827	1,232,269	1,010,561
Income from Islamic banking operations	49	458,121	332,659	448,644	317,571
Other operating income	28	171,943	162,699	155,990	82,829
Net income		1,898,087	1,714,185	1,836,903	1,410,961
Other operating expenses	29	(880,018)	(766,306)	(834,870)	(552,457)
Operating profit		1,018,069	947,879	1,002,033	858,504
Allowance for losses on loans and financing	30	(742,485)	(715,797)	(736,735)	(448,458)
Impairment written back/(loss)	31	72,015	(33,474)	70,140	(38,558)
Profit before share in results of associated companies and taxation		347,599	198,608	335,438	371,488
Share of profits in associated companies		185	281	–	–
Profit before taxation		347,784	198,889	335,438	371,488
Taxation	34	(109,531)	(95,590)	(105,719)	(133,837)
Profit before minority interests		238,253	103,299	229,719	237,651
Minority interests		16	15	–	–
Net profit attributable to shareholder of the Bank		238,269	103,314	229,719	237,651
Basic earnings per ordinary share (sen)	36	39.04	16.93	38.59	44.98

The accompanying notes form an integral part of the financial statements.

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2005**

The Group	← Non-distributable →					Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Securities Available-for- Sale Reserve RM'000	Unappropriated Profits 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	–	–	–	–	–	45,798	409	46,207
Deemed issue of shares	81,962	–	–	–	–	–	–	81,962
As restated	610,364	379,953	578,712	626,632	623,959	45,798	172,795	3,038,213
Transfer from capital reserve to unappropriated profit	–	–	–	–	(278,342)	–	278,342	–
Adjustment in Merger Reserve and Capital Reserve arising from increase in share capital of a subsidiary company	–	–	–	53,125	31,875	–	–	85,000
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(14,703)	–	(14,703)
Transfer to statutory reserve	–	–	45,332	–	–	–	(45,332)	–
Profit for the year	–	–	–	–	–	–	103,314	103,314
Balance as at 31 March 2005	610,364	379,953	624,044	679,757	377,492	31,095	509,119	3,211,824

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006**

The Group	← Non-distributable					→ Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Securities Available-for- Sale Reserve RM'000	Unappro- priated Profits 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 (Note 48)	–	–	–	–	–	31,095	1,336	32,431
Deemed issue of shares	81,962	–	–	–	–	–	–	81,962
As restated	610,364	379,953	624,044	679,757	377,492	31,095	509,119	3,211,824
Transfer to unappropriated profits	–	–	(95,642)	–	–	–	95,642	–
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(28,367)	–	(28,367)
Transfer to statutory reserve	–	–	57,430	–	–	–	(57,430)	–
Profit for the year	–	–	–	–	–	–	238,269	238,269
Balance as at 31 March 2006	610,364	379,953	585,832	679,757	377,492	2,728	785,600	3,421,726

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2005**

The Bank	← Non-distributable				→ Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Securities Available-for- Sale Reserve RM'000	Unappro- priated 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	–	–	–	–	45,798	409	46,207
As restated	528,402	379,953	483,070	278,342	45,798	705,107	2,420,672
Transfer from capital reserve to unappropriated profit	–	–	–	(278,342)	–	278,342	–
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	(14,703)	–	(14,703)
Transfer to statutory reserve	–	–	45,332	–	–	(45,332)	–
Profit for the year	–	–	–	–	–	237,651	237,651
Balance as at 31 March 2005	528,402	379,953	528,402	–	31,095	1,175,768	2,643,620

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

**STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 MARCH 2006**

The Bank	Non-distributable				Securities Available-for- Sale Reserve RM'000	Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000		Unappro- priated Profits RM'000		
Balance as at 1 April 2005								
As previously stated	528,402	379,953	528,402	–	–	1,174,432	2,611,189	
Prior year adjustments (Note 48)	–	–	–	–	31,095	1,336	32,431	
As restated	528,402	379,953	528,402	–	31,095	1,175,768	2,643,620	
Issue of shares	81,962	–	–	–	–	–	81,962	
Arising from return of capital by a subsidiary company	–	–	–	330,705	–	–	330,705	
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	(28,367)	–	(28,367)	
Transfer to statutory reserve	–	–	57,430	–	–	(57,430)	–	
Profit for the year	–	–	–	–	–	229,719	229,719	
Balance as at 31 March 2006	610,364	379,953	585,832	330,705	2,728	1,348,057	3,257,639	

The accompanying notes form an integral part of the financial statements

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	347,784	198,889	335,438	371,488
Adjustments for:				
Loan and financing loss and allowances, net of writeback	742,485	715,797	736,735	448,458
Interest in suspense - net	129,251	84,550	127,075	68,600
Depreciation of property and equipment	54,159	49,415	52,160	40,630
Impairment loss on property and equipment	–	29,834	–	28,386
Transfer to profit equalisation reserve	6,414	55,754	6,098	45,353
Accretion of discount less amortisation of premium	(990)	(17,072)	743	(4,604)
Property and equipment written off	1,725	3,907	1,725	3,907
Share of profits of associated company	(185)	(281)	–	–
Gross dividend income from securities available-for-sale	(27,257)	(6,574)	(26,314)	(4,581)
Gross dividend income from securities held- to-maturity	(3,493)	(667)	(3,445)	(612)
Net loss on sale of securities held-for-trading	25,228	13,312	25,284	10,662
Net (gain)/loss on revaluation of securities held-for-trading	(32,300)	13,412	(33,252)	11,716
Net loss on sale of securities held-to-maturity	39,510	450	40,050	1,726
Impairment (writeback)/loss on securities	(84,724)	(4,287)	(82,674)	6,261
Net gain on sale of securities available-for- sale	(25,626)	(14,668)	(25,626)	(14,668)
Impairment loss on foreclosed property	22	2,000	22	2,000
Impairment loss on investment in associated company	–	–	13	–
Gain on disposal of property and equipment	(1,221)	(3,250)	(1,221)	(688)
Gain on disposal of foreclosed properties	(26)	(567)	(26)	(185)
Gain on disposal of subsidiary company (note a)	–	(402)	–	–
Impairment on amount recoverable under asset-backed securitisation transaction	10,500	–	10,500	–
Allowance for doubtful debts – sundry receivables	2,187	5,927	1,999	1,911
Amortisation of cost capitalised for issue of Hybrid securities	250	–	250	–

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unrealised gain on foreign exchange of Hybrid securities	(13,480)	–	(13,480)	–
Operating Profit Before Working Capital Changes	1,170,213	1,125,479	1,152,054	1,015,760
(Increase)/Decrease In Operating Assets:				
Deposits and placements with banks and financial institutions	(740,250)	(339,725)	(679,094)	(339,668)
Securities held-for-trading	(768,584)	304,964	(759,641)	99,225
Loans, advances and financing	(5,972,102)	(3,297,692)	(5,917,928)	(1,862,977)
Other assets	(14,182)	(205,595)	(19,405)	(102,831)
Statutory deposit with Bank Negara Malaysia	(230,980)	(86,160)	(224,068)	(65,194)
Increase/(Decrease) In Operating Liabilities:				
Deposits from customers	3,333,084	2,069,697	2,978,000	1,859,869
Deposits and placements of banks and other financial institutions	3,544,959	2,296,528	3,306,058	1,156,328
Obligation on securities sold under repurchase agreements	1,000,826	(175,918)	1,045,824	(241,932)
Bills and acceptance payable	393,868	251,157	306,279	–
Recourse obligation of loans sold to Cagamas Berhad	(874,695)	(1,260,106)	(856,451)	(1,219,884)
Other liabilities	357,730	(206,646)	616,160	(253,898)
Cash Generated From Operations	1,199,887	475,983	947,788	44,798
Net taxation refund/(paid)	5,306	(8,988)	5,578	(8,047)
Net Cash Generated From/(Used in) Operating Activities	1,205,193	466,995	953,366	36,751
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sale/(purchase) of securities held-to-maturity	21,399	3,951	14,746	14,580
Net sale/(purchase) of securities available-for-sale	–	111,263	–	98,640
Net dividend received from securities available-for-sale	19,031	5,550	19,341	3,541
Net dividend received from securities held-to-maturity	2,515	480	2,480	441
Proceeds from disposal of property and equipment	1,489	19,916	1,489	1,640
Purchase of property and equipment	(71,486)	(59,431)	(70,460)	(51,289)

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Transfer of cash and cash equivalent from subsidiary company	–	–	2,815,260	–
Net assets transferred from subsidiary company	–	–	(412,667)	–
Net Cash (Used In)/Generated From Investing Activities	(27,052)	81,729	2,370,189	67,553
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of Hybrid securities	750,100	–	–	–
Proceeds from subordinated term loan	–	–	750,100	–
Issuance expense on Hybrid securities	(9,136)	–	(9,136)	–
Proceeds from issuance of shares	–	85,000	81,962	–
Net Cash Generated From Financing Activities	740,964	85,000	822,926	–
Net Increase In Cash And Cash Equivalents	1,919,105	633,724	4,146,481	104,304
Cash And Cash Equivalents At Beginning Of Year	5,398,793	4,765,069	3,156,862	3,052,558
Cash And Cash Equivalents At End Of Year (Note 4)	7,317,898	5,398,793	7,303,343	3,156,862

Note a: The summary of the effects of the disposal of the subsidiary company in the previous year, on the financial position of the Group is as follows:

	2005 RM'000
Net assets disposed:	
Other assets	2,250
Other liabilities	(2,652)
Net assets	(402)
Net gain on disposal of subsidiary company	402
Total consideration received from disposal	–

The accompanying notes form an integral part of the financial statements.

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

And Its Subsidiary Companies

Notes To The Financial Statements

For the year ended 31 March 2006

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

On 31 May 2005, the Bank acquired the entire equity interest in AmIslamic Bank and upon completion of the said acquisition, the finance company business of the Bank and the commercial banking business of AmIslamic Bank was merged by way of vesting of AmIslamic Bank's assets and liabilities (save for non-transferable assets) to the Bank on 1 June 2005 pursuant to a High Court Vesting Order made under section 50 of the Banking and Financial Institutions Act, 1989.

Arising from the above, the principal activity of the Bank is to carry on the business of a licensed commercial bank and finance company which also includes the provision of Islamic banking services.

The principal activities of its subsidiary companies are disclosed in Note 12.

There have been no other significant changes in the nature of the activities of the Bank and its subsidiary companies during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 22nd Floor, Bangunan AmBank Group, Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business for the Retail and Business Banking Divisions are located at Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur and Menara Dion, Jalan Sultan Ismail, 50250 Kuala Lumpur respectively.

The financial statements of the Group and the Bank have been approved by the Board of Directors for issuance on 26 April 2006.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, Bank Negara Malaysia ("BNM") Guidelines and the applicable MASB Approved Accounting Standards in Malaysia with such modifications and exceptions as determined by Bank Negara Malaysia. The financial statements incorporate those activities relating to the Islamic Banking Business undertaken by the Group and the Bank.

The Islamic Banking Business refers generally to the acceptance of deposits and granting of financing under the Shariah principles. The financial position as at 31 March 2006 and the results for the financial year ended on that date of the Islamic Banking Business of the Group and the Bank are shown in Note 49.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of:

- (i) the Revised Guidelines on Financial Reporting for Licensed Institutions ("Revised BNM/GP8") issued by BNM on 5 October 2004 which became effective during the current financial year and has been adopted retrospectively.

The adoption of the Revised BNM/GP8 resulted in the adoption of the following new accounting policies:

- the recognition and measurement of holding of investment and dealing securities portfolio as securities held-for-trading, securities held-to-maturity and securities available-for-sale
- 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 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.

Comparatives figures have been adjusted to conform with the requirements of the Revised BNM/GP8 that had been applied retrospectively.

The effects of the changes are reflected as prior year adjustments in the statement of changes in equity and are disclosed in Note 48 to the financial statements.

The specific and general allowances for loans, advances and financing are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirement and is consistent with the adoption made in the previous financial statements.

- (ii) The adoption of the merger accounting method for the reporting of the business combination of the Bank and Amlslamic Bank, as permitted under Financial Reporting Standard ("FRS") 122 Business Combinations.

(a) Basis of Accounting

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

(b) Basis of Consolidation

The financial statements of the Group include the financial statements of the Bank and all its subsidiary companies listed under Note 12 made up to the end of the financial year.

The Bank adopts the acquisition method in preparing the consolidated financial statements except where the criteria for the merger accounting method as permitted under FRS 122: Business Combinations are met.

Under the acquisition method, the excess of the cost of investments in the subsidiary companies over the attributable share in the fair value of the net assets of the subsidiary companies at the date of the acquisition is taken up as goodwill on consolidation. The interest of minority shareholders is stated at the minority shareholders' proportion of the fair values of the assets and liabilities recognised. The results of subsidiary companies acquired or disposed during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances have been eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Where the merger accounting method is used, the cost of investment in the Bank's records are recorded at the nominal value of ordinary shares issued and the difference between the carrying value of the investment and the nominal value of ordinary shares acquired is treated as a merger reserve or merger deficit. The results and financial position of companies being merged are included as if the merger had been effected throughout the current financial year and earliest period presented and comparatives have been restated.

The merger accounting method has been adopted in respect of the acquisition of Amlslamic Bank pursuant to an internal reorganisation of the AMMB Holdings Berhad Group which was completed during the current financial year.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets.

(c) Operating Revenue

Operating revenue of the Group and the Bank comprise net interest and financing income but before amortisation of premiums less accretion of discounts, fee income, net trading income from money market securities, net gain/loss on sale of quoted investments, gross dividend income from quoted and unquoted investments and income from Islamic Banking Business before income attributable to depositors.

(d) Interest and Financing Income and Expense Recognition

Interest and financing income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest and financing income includes the amortisation of premium or accretion of discount. Interest and financing income on investments are recognised on an effective yield basis.

Interest and financing income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements. Interest and financing income from hire purchase financing and block discounting of the Group and Bank is recognised using the 'sum-of-digits' method.

When a loan becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, interest on the non-performing loan shall be recognised as income on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three (3) months from first day of default or after maturity date for trade bills, bankers' acceptances and trust receipts.

The classification of non-performing loans and financing is in conformity with Bank Negara Malaysia's Guideline On Classification of Non-Performing Loans and Allowance for Bad and Doubtful Debts ("BNM/GP3") and Revised BNM/GP8 guidelines.

Interest expense and attributable income (pertaining to activities relating to Islamic Banking Business) on deposits and borrowings of the Bank are accrued on a straight-line basis and expensed as incurred.

Handling fees paid to motor vehicle dealers for hire purchase loans is expensed when incurred.

(e) Recognition of Fees and Other Income

Loan arrangement fees, participation fees and commissions are recognised as income when all conditions precedent are fulfilled.

Guarantee fees are recognised as income upon issuance and where the guarantee period is longer than one year, over the duration of the guarantee period.

Other fees on a variety of services and facilities extended to customers are recognised on inception of such transactions.

Property rental are recognised on an accrual basis.

Dividends from securities are recognised when received. Dividends from subsidiary and associated companies are recognised when the shareholder's right to receive payment is established.

(f) Employee Benefits

(i) Short-Term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Bank and the Group.

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred. Once the contributions have been paid, the Bank and the Group have no further payment obligations.

(g) Allowance for Doubtful Debts and Financing

Based on management's evaluation of the portfolio of loans, advances and financing, specific allowances for doubtful debts and financing are made when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on set percentages of the net increase in receivables is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowance, if necessary.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

The Group's basis and policy for allowance and doubtful debts are in accordance with the requirements of BNM/GP3 and Revised BNM/GP8 guidelines.

(h) Provisions

Provisions are recognised when the Group or the Bank has a present legal obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(i) Profit Equalisation Reserve ("PER")

PER refers to the amount appropriated, under the Islamic Banking Business, out of the gross income in order to maintain a market based return for depositors. It is deducted from the total gross income (in deriving the net gross income) as approved and endorsed by the National Advisory Council for Islamic Banking and Takaful of Bank Negara Malaysia. The PER is generally deducted at a rate that does not exceed the maximum amount of 15% of total gross income of each financial year and is maintained up to the maximum of 30% of total Islamic Banking Capital Fund.

(j) Impairment of Assets

The carrying values of assets are reviewed for impairment when there is an indication that the asset might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. An impairment loss is charged to the income statements immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately.

(k) Income Tax

Income tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statements except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based on the taxable profits.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Temporary differences are not recognised for goodwill or from the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

(l) Securities

The holdings of the securities portfolio of the Group are recognised 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 are stated at fair value and any gain or loss arising from a change in their fair values or the derecognition of securities held-for-trading are recognised in the income statements.

(ii) 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.

(iii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-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 the derecognition of securities held-to-maturity are recognised in the income statement.

(m) Trade and Other Receivables

Trade and other receivables are stated at book value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

(n) Other Assets

i) Amount Recoverable Under Asset-Backed Securitisation (“ABS”) Transactions

This relates to the balance of sale consideration under ABS transactions due from the Special Purpose Vehicle (“SPV”), which the amount will be recovered upon maturity of the underlying bonds. Under the ABS, portfolios of receivables are sold to a SPV which are funded through the issuance of bonds secured by the receivables.

When an indication of impairment exists, the carrying amount of the amount recoverable under ABS transaction is assessed and written down to its recoverable amount.

The difference between the sale consideration and the receivables sold is recognised to the income statement.

ii) Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment losses in value, if any, of such properties.

(o) Investment in Subsidiary Companies

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investment in subsidiary companies, which are eliminated on consolidation, are stated in the Bank’s financial statements at cost or directors’ valuation, and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments. The impairment loss is charged to the income statement.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts are recognised in the income statement.

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary companies attributable to shares owned, directly or indirectly other than by the Bank or its subsidiary companies.

(p) Investment in Associated Companies

An associated company is a company in which the Group has a long term equity interest of between 20% and 50% and where the Group has representation on the Board and is in a position to exercise significant influence in its management.

Investments in associated companies are stated at cost and are written down when the directors consider there is an impairment loss that is other than temporary on the value of such investments in the Bank's financial statements. The impairment loss is charged to the income statement. In the consolidated financial statements, the results of associated companies are accounted for under the equity method whereby the Group's share of post-acquisition profits less losses of associated companies is included in the consolidated income statement and the Group's interest in associated companies is stated at cost plus adjustments to reflect changes in the Group's share of the net assets of the associated companies in the consolidated balance sheet.

On disposal of such investments, the differences between the net disposal proceeds and their carrying amounts are recognised in the income statement.

(q) Property and Equipment and Depreciation

Property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Freehold land and capital work in progress are not depreciated. Short term leasehold land is amortised over the term of leases of between 20 to 49 years. Long term leasehold land is amortised over the term of leases of between 66 to 999 years. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates for the various classes of property and equipment are as follows:

Buildings	2% or over the short term lease of between 20 to 49 years
Leasehold improvements	10% - 20%
Office equipment	10% - 20%
Furniture and fittings	10% - 25%
Computer equipment and software	20% - 33 ¹ / ₃ %
Motor vehicles	20% - 25%

Gain or loss arising from disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

(r) Assets Purchased under lease

Assets purchased under finance leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the Group's incremental borrowing rate is used.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

As at 31 March 2006, the Group and the Bank do not have any assets purchased under lease.

(s) Repurchase Agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitments to resell the securities are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank had sold from its portfolio, with commitment to repurchase at future dates for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts at amortised cost or fair value depending on their classification while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as a liabilities on the balance sheet.

(t) Bills and Acceptances Payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(u) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Provision for Commitments and Contingencies

Based on management's evaluation of the guarantees given on behalf of customers, specific provisions for commitments and contingencies are made when in the event of call or potential liability and there is a shortfall in the security value supporting these guarantees.

(w) Interest -Bearing Instruments

These are interest-bearing loans and bonds with remaining maturity of more than one year, and are recognised at the amount of proceeds received net of related expenses. All financial liabilities are measured at amortised cost using the effective interest method.

(x) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

The transaction costs of equity are accounted for as deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(y) Foreign Exchange

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange prevailing at transaction dates or, if covered by foreign exchange contracts, at contracted rates. Where settlement has not taken place at balance sheet date, translation into Ringgit Malaysia is at the approximate exchange rates prevailing at that date or at contracted rates. All foreign exchange gains or losses are taken up in the income statement.

(z) Financial Instruments

Financial instruments are recognised in balance sheet when the Bank has become a party to the contractual provisions of the instrument. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instruments classified as liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Bank has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(aa) Forward Exchange Contracts

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

(ab) Interest Rate Swap Contracts

The Bank uses interest rate swaps as a hedging instrument. Interest income or interest expense associated with interest rate swaps is recognised over the life of the swap agreements as a component of interest income or interest expense.

(ac) Cash Flow Statement

The Group and the Bank adopt the indirect method in the preparation of the cash flow statements.

(ad) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash on hand and at bank, deposit at call and short term highly liquid investments, which have an insignificant risk of changes in value, net of outstanding overdrafts.

4. CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and balances with banks and other financial institutions	194,536	287,373	179,981	201,142
Money at call and deposits placements maturing within one month	<u>7,123,362</u>	<u>5,111,420</u>	<u>7,123,362</u>	<u>2,955,720</u>
	<u>7,317,898</u>	<u>5,398,793</u>	<u>7,303,343</u>	<u>3,156,862</u>

Deposits of the Group amounting to RM103,000 (2005: RM103,000) are pledged to a bank for banking facilities granted to a subsidiary company.

Included in the above are interbank lending by the Group and the Bank of RM7,096,649,000 (2005: RM5,111,420,000) and RM7,096,649,000 (2005: RM2,955,720,000) respectively.

As at 31 March 2006, the net interbank lending of the Group and of the Bank are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interbank lending				
Cash and short term funds	7,096,649	5,111,420	7,096,649	2,955,720
Deposits with banks and other financial institutions (Note 5)	<u>1,121,150</u>	<u>380,900</u>	<u>1,121,150</u>	<u>358,800</u>
	8,217,799	5,492,320	8,217,799	3,314,520
Interbank borrowing (Note 16)	<u>(1,850,077)</u>	<u>(177,860)</u>	<u>(1,850,077)</u>	<u>—</u>
Net interbank lending	<u>6,367,722</u>	<u>5,314,460</u>	<u>6,367,722</u>	<u>3,314,520</u>

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	321,089	62,203	320,986	40,000
Licensed merchant bank	736,620	—	736,620	—
Bank Negara Malaysia	26,713	318,800	26,713	318,800
Other financial institutions	<u>36,831</u>	<u>—</u>	<u>36,831</u>	<u>—</u>
	<u>1,121,253</u>	<u>381,003</u>	<u>1,121,150</u>	<u>358,800</u>

Included in the above are interbank lending by the Group and the Bank of RM1,121,150,000 (2005: RM380,900,000) and RM1,121,150,000 (2005: RM358,800,000) respectively.

6. SECURITIES HELD-FOR-TRADING

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At fair value				
Money Market Securities:				
Malaysian Government Securities	43,084	119,252	43,084	119,252
Malaysian Government Investment Certificates	119,975	150,556	119,975	104,225
Cagamas bonds	173,848	174,476	173,848	174,476
Negotiable instruments of deposit	1,611,642	645,185	1,611,642	401,075
Khazanah bonds	–	110,214	–	81,384
Treasury bills	48,395	–	48,395	–
	<u>1,996,944</u>	<u>1,199,683</u>	<u>1,996,944</u>	<u>880,412</u>
Quoted Securities:				
Shares in Malaysia	93,644	90,132	93,621	75,796
	<u>93,644</u>	<u>90,132</u>	<u>93,621</u>	<u>75,796</u>
Unquoted Securities:				
Private debt securities	178,764	202,755	178,764	–
	<u>178,764</u>	<u>202,755</u>	<u>178,764</u>	<u>–</u>
Total securities held-for-trading	<u>2,269,352</u>	<u>1,492,570</u>	<u>2,269,329</u>	<u>956,208</u>

Certain money market securities held for investment have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 17.

7. SECURITIES AVAILABLE-FOR-SALE

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At fair value:				
Quoted Securities In Malaysia:				
- Quoted shares	63,250	84,851	63,250	61,429
- Quoted shares with options and/or collateral	174,714	74,076	174,714	41,520
Unquoted Securities In Malaysia:				
- Unquoted shares	—	359	—	—
- Private debt securities	93,549	96,383	93,549	—
Total securities available-for- sale	<u>331,513</u>	<u>255,669</u>	<u>331,513</u>	<u>102,949</u>

Quoted equity securities in Malaysia which the Bank has received as a result of loan conversion include investments with a carrying value of RM162,615,000 including amounts vested over from Amlslamic Bank of RM19,658,000 (2005: RM20,304,000) where the Bank has equity interest between 20% - 50% but their results were not equity accounted as the Bank does not have significant influence in the companies and it is held exclusively with a view to their disposal.

8. SECURITIES HELD-TO-MATURITY

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At amortised cost				
Quoted Securities In Malaysia:				
- Quoted shares	9,298	11,431	9,201	1,190
- Quoted debt securities	–	19,783	–	2,241
- Quoted debt securities with options and/or collateral	486,404	455,295	486,404	354,203
- Warrants	15	15	15	15
	<u>495,717</u>	<u>486,524</u>	<u>495,620</u>	<u>357,649</u>
Unquoted Securities In Malaysia:				
- Unquoted shares	147,146	191,735	146,729	118,083
- Unquoted debt securities	144,219	190,429	144,219	92,807
- Unquoted debt securities with options and/or collateral	835,903	871,403	835,903	562,707
	<u>1,127,268</u>	<u>1,253,567</u>	<u>1,126,851</u>	<u>773,597</u>
Unquoted Securities Outside Malaysia:				
- Unquoted shares	13	432	13	–
	<u>13</u>	<u>432</u>	<u>13</u>	<u>–</u>
Total	1,622,998	1,740,523	1,622,484	1,131,246
Less: Accumulated impairment losses	<u>(261,852)</u>	<u>(324,471)</u>	<u>(261,556)</u>	<u>(207,036)</u>
Total securities held-to-maturity	<u>1,361,146</u>	<u>1,416,052</u>	<u>1,360,928</u>	<u>924,210</u>

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Market value				
Quoted Securities In Malaysia:				
- Quoted shares	4,191	6,052	4,176	1,288
- Quoted debt securities	201	14,589	201	1,539
- Quoted debt securities with options and/or collateral	164,755	386,725	164,755	323,247
- Warrants	136	385	136	267
	<u>169,283</u>	<u>407,751</u>	<u>169,268</u>	<u>326,341</u>

9. LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Overdrafts	1,031,079	833,065	1,031,079	–
Term loans facilities:				
Housing loans/financing	9,791,514	8,174,357	9,791,514	4,959,174
Hire-purchase receivables	26,551,141	21,674,599	26,551,141	21,674,599
Other loans/financing	7,689,487	7,564,006	7,689,487	4,625,974
Card receivables	2,138,331	1,933,632	2,138,331	1,383,852
Bills receivables	6,878	10,636	6,878	–
Trust receipts	200,702	211,647	200,702	–
Claims on customers under acceptance credits	1,247,649	809,482	1,247,649	–
Revolving credits	1,311,396	1,577,143	1,311,396	1,004,875
Staff loans	153,310	139,457	153,310	106,484
	<u>50,121,487</u>	<u>42,928,024</u>	<u>50,121,487</u>	<u>33,754,958</u>
Unearned interest and unearned income	<u>(5,478,757)</u>	<u>(4,440,967)</u>	<u>(5,478,757)</u>	<u>(4,230,155)</u>
Gross loans, advances and financing	44,642,730	38,487,057	44,642,730	29,524,803
Less: Islamic financing sold to Cagamas Berhad	<u>(2,205,827)</u>	<u>(928,658)</u>	<u>(2,205,827)</u>	<u>(925,365)</u>
	42,436,903	37,558,399	42,436,903	28,599,438
Allowance for bad and doubtful debts and financing:				
– General (Note 9 (vi))	(656,794)	(556,695)	(656,794)	(429,408)
– Specific (Note 9 (vi))	<u>(1,043,558)</u>	<u>(1,365,519)</u>	<u>(1,043,558)</u>	<u>(887,640)</u>
Net loans, advances and financing	<u>40,736,551</u>	<u>35,636,185</u>	<u>40,736,551</u>	<u>27,282,390</u>

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

Maturing within one year	12,642,911	12,711,238	12,642,911	8,703,577
One year to three years	11,084,073	9,075,133	11,084,073	8,578,288
Three years to five years	7,450,508	6,053,850	7,450,508	5,654,597
Over five years	<u>13,465,238</u>	<u>10,646,836</u>	<u>13,465,238</u>	<u>6,588,341</u>
Gross loans, advances and financing	<u>44,642,730</u>	<u>38,487,057</u>	<u>44,642,730</u>	<u>29,524,803</u>

(ii) Loans, advances and financing analysed by type of customer are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Domestic non-bank financial institutions	423,180	438,549	423,180	124,673
Domestic business enterprises				
– Small medium enterprises	4,559,306	2,794,164	4,559,306	1,737,480
– Others	5,447,887	7,202,920	5,447,887	3,730,272
Government and statutory bodies	21,075	21,194	21,075	61
Individuals	34,117,969	27,965,429	34,117,969	23,880,502
Other domestic entities	34,249	23,602	34,249	22,378
Foreign entities	39,064	41,199	39,064	29,437
Gross loans, advances and financing	<u>44,642,730</u>	<u>38,487,057</u>	<u>44,642,730</u>	<u>29,524,803</u>

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

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fixed rate				
– Housing loans/financing	3,047,954	1,483,383	3,047,954	272,184
– Hire purchase receivables	22,131,546	18,089,715	22,131,546	18,086,421
– Other fixed rate loan/financing	5,481,071	4,200,557	5,481,071	2,160,026
Variable rate				
– Base lending rate plus	12,959,713	12,082,056	12,959,713	7,753,560
– Cost plus	642,963	1,293,030	642,963	–
– Other variable rates	379,483	1,338,316	379,483	1,252,612
Gross loans, advances and financing	<u>44,642,730</u>	<u>38,487,057</u>	<u>44,642,730</u>	<u>29,524,803</u>

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

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Agriculture	437,359	456,719	437,359	333,348
Mining and quarrying	34,463	35,239	34,463	23,121
Manufacturing	1,980,688	1,678,226	1,980,688	775,641
Electricity, gas and water	134,102	265,407	134,102	13,803
Construction	2,397,181	2,336,680	2,397,181	1,551,835
Real estate	612,737	786,024	612,737	255,288
Purchase of landed property				
– Residential	9,668,152	8,113,708	9,668,152	5,209,734
– Non-residential	1,468,397	1,574,452	1,468,397	946,699
General commerce	1,897,268	1,435,189	1,897,268	715,709
Transport, storage and communication	427,135	458,277	427,135	358,240
Finance, insurance and business services	810,518	935,494	810,518	223,025
Purchase of securities	632,724	875,295	632,724	485,611
Purchase of transport vehicles	20,161,013	16,165,198	20,161,013	16,165,198
Consumption credit	3,489,982	2,928,128	3,489,982	2,180,880
Community, social and personal services	414,389	364,441	414,389	275,565
Others	76,622	78,580	76,622	11,106
Gross loans, advances and financing	<u>44,642,730</u>	<u>38,487,057</u>	<u>44,642,730</u>	<u>29,524,803</u>

- (v) Movements in the non-performing loans, advances and financing (including interest and income receivables) are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
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 year	1,944,974	846,378	1,834,296	765,619
Reclassification to performing loans, advances and financing	(1,626,684)	(742,031)	(1,250,279)	(456,085)
Amount recovered	(472,071)	(291,735)	(449,610)	(209,026)
Debt equity conversion	(7,088)	(39,401)	(7,088)	(39,401)
Amount written off	(1,224,730)	(432,034)	(1,222,117)	(394,768)
Amount vested from subsidiary company	—	—	1,779,464	—
Balance at end of year	4,992,850	6,378,449	4,992,850	4,308,184
Less:				
Specific allowance	(1,043,558)	(1,365,519)	(1,043,558)	(887,640)
Non-performing loans, advances and financing (net)	<u>3,949,292</u>	<u>5,012,930</u>	<u>3,949,292</u>	<u>3,420,544</u>
Ratio of non-performing loans, advances and financing to loans, advances and financing - net	<u>9.06%</u>	<u>13.50%</u>	<u>9.06%</u>	<u>11.94%</u>

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

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
General Allowance				
Balance at 1 April	556,695	516,173	429,408	405,255
Allowance made during the year (Note 30)	100,099	40,522	99,100	24,153
Amount vested from subsidiary company	—	—	128,286	—
Balance at end of year	<u>656,794</u>	<u>556,695</u>	<u>656,794</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 year (Note 30)	1,315,891	1,247,729	1,281,815	877,367
Amount written back in respect of recoveries (Note 30)	<u>(429,035)</u>	<u>(323,067)</u>	<u>(406,574)</u>	<u>(278,830)</u>
Net charge to income statements	886,856	924,662	875,241	598,537
Debt equity conversion	(3,251)	(1,005)	(3,251)	—
Amount written off/ Adjustment to Asset Deficiency Account	(1,205,566)	(702,546)	(1,202,954)	(385,847)
Amount vested from subsidiary company	—	—	486,882	—
Balance at end of year	<u>1,043,558</u>	<u>1,365,519</u>	<u>1,043,558</u>	<u>887,640</u>

(vii) Non-performing loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Agriculture	44,731	22,460	44,731	17,807
Mining and quarrying	7,058	12,076	7,058	3,472
Manufacturing	252,616	363,941	252,616	138,456
Electricity, gas and water	109,959	177,523	109,959	1,247
Construction	855,698	1,116,364	855,698	834,620
Real estate	195,168	445,667	195,168	207,153
Purchase of landed property				
- Residential	1,354,295	1,415,234	1,354,295	941,296
- Non-residential	560,375	690,542	560,375	514,170
General commerce	126,241	254,916	126,241	168,694
Transport, storage and communication	36,619	48,956	36,619	43,805
Finance, insurance and business services	142,953	161,788	142,953	91,104
Purchase of securities	152,124	449,613	152,124	279,061
Purchase of transport vehicles	860,869	916,347	860,869	916,347
Consumption credit	211,226	185,793	211,226	82,807
Community, social and personal services	56,978	95,878	56,978	61,750
Others	25,940	21,351	25,940	6,395
Gross loans, advances and financing	<u>4,992,850</u>	<u>6,378,449</u>	<u>4,992,850</u>	<u>4,308,184</u>

10. OTHER ASSETS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred assets	64,578	77,140	64,578	77,140
Other receivables, deposits and prepayments (net)	275,095	240,238	277,230	89,921
Amount recoverable under asset-backed securitisation transaction net of impairment loss of RM10,500,000 (2005: Nil)	87,066	97,566	87,066	97,566
Foreclosed properties net of impairment loss of RM92,986,000 (2005: RM87,129,000)	94,964	88,006	94,964	84,981
	<u>521,703</u>	<u>502,950</u>	<u>523,838</u>	<u>349,608</u>

The Group and Bank	
2006 RM'000	2005 RM'000

(i) **Deferred Assets**

Arising from takeover of Kewangan Usahasama Makmur Berhad	61,184	61,184
Arising from takeover of Abrar Finance Berhad	3,394	15,956
Balance at end of year	<u>64,578</u>	<u>77,140</u>

- (a) In 1988, the Bank took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co-operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434 million; subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operatives. The tax benefit is a fixed monetary sum and is not dependent on any changes in tax rates.

The net tax benefit is shown as a deferred asset and the utilisation of the deferred tax benefit is based on the receipt of notices of assessment and subsequent remission of the tax liabilities by the relevant authority net of the amount payable to the tax authorities for purposes of Section 108 tax credit.

- (b) In 1998, the holding company, AMFB Holdings Berhad ("AMFB"), participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya, whereby certain assets and liabilities of Abrar Finance Berhad ("AFB"), a licensed finance company incorporated in Malaysia, were transferred with effect from 18 December 1998 to AMFB with financial assistance from BNM.

Subsequent to the vesting of assets and liabilities from AMFB to the Bank, the deferred assets arising from the takeover of AFB were vested over to the Bank.

The net asset deficiency representing the excess of liabilities over the assets transferred from AFB arising from the scheme, is shown as deferred asset, and is reduced progressively by net income derived from the utilisation of the deposit placed by BNM, as mentioned in Note 16, and net recoveries of defaulted loans of AFB computed based on a formula determined by BNM.

- (ii) Included under the gross amount of other receivables, deposits and prepayments of the Group and Bank are outstanding balances totalling RM4,320,000 (2005: RM1,024,000) and RM8,431,000 (2005: RM8,300,000) respectively owing by other related companies. These amounts are interest-free and represent amounts paid on behalf.
- (iii) Other receivables, deposits and prepayments are net of allowance for doubtful debts of the Group and Bank of RM9,414,000 (2005:RM6,698,000) and RM7,311,000 (2005: RM4,595,000) respectively.

11. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities.

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2006 RM'000	2005 RM'000
Unquoted shares at cost	39,779	39,779
Impairment losses	(10,000)	(10,000)
Net	<u>29,779</u>	<u>29,779</u>

Details of the subsidiary companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2006	2005
			%	%
AmIslamic Bank Berhad (formerly known as AMBB Capital Berhad and prior to that, AmBank Berhad)	Malaysia	Islamic Banking	100.0	–
AmTrade Services Limited *	Hong Kong	Trade finance services	100.0	–
AMBB Capital (L) Limited	Labuan, Malaysia	Special purpose vehicle	100.0	–
AmProperty Holdings Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
Bougainvillaea Development Sdn. Bhd.	Malaysia	Property holding	100.0	100.0
MBf Information Services Sdn. Bhd.	Malaysia	Property holding	100.0	100.0
MBf Trustees Berhad	Malaysia	Trustee services	60.0	60.0
MBf Nominees (Tempatan) Sdn. Bhd.	Malaysia	Nominee company	100.0	100.0
MBf Equity Partners Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Natprop Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Teras Oak Pembangunan Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Komuda Credit & Leasing Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
AmCredit & Leasing Sdn Bhd	Malaysia	Dormant	100.0	100.0
Li & Ho Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Annling Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
MBf Nominees (Asing) Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Malco Properties Sdn. Bhd.	Malaysia	Dormant	51.0	51.0
Lekir Development Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Crystal Land Sdn. Bhd.	Malaysia	Dormant	80.0	80.0

* Audited by an affiliate of Ernst & Young

The details of the acquisition of AmIslamic Bank and the vesting of AmIslamic Bank's assets and liabilities save for certain non-transferrable assets are as set out in Note 43.

13. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares, at cost	100	100	150	150
Less: Impairment loss	–	–	(13)	–
	100	100	137	150
Share of post-acquisition results, net of tax	445	358	–	–
	<u>545</u>	<u>458</u>	<u>137</u>	<u>150</u>

The associated companies, which are incorporated in Malaysia are as follows:

	Principal Activity
AmTrustee Berhad	Trustee Services
MBf Trustees Berhad	Trustee Services

The effective equity interests are as follows:

	The Group		The Bank	
	Effective Equity Interest 2006	Effective Equity Interest 2005	Effective Equity Interest 2006	Effective Equity Interest 2005
AmTrustee Berhad	20%	20%	20%	20%
MBf Trustees Berhad	<u>60%</u>	<u>60%</u>	<u>20%</u>	<u>20%</u>

The investment in MBf Trustees Berhad is classified as investment in subsidiary companies at Group level through additional equity interest held by another subsidiary company.

As at 31 March 2006, the carrying value of the investment in associated companies is represented by:

	The Group	
	Effective Equity Interest 2006 RM'000	Effective Equity Interest 2005 RM'000
Group's share of aggregate net tangible assets	<u>941</u>	<u>854</u>

14. PROPERTY AND EQUIPMENT

The Group

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
COST							
At beginning of year	299,248	31,364	153,858	105,828	445,851	6,954	1,043,103
Additions	–	–	15,382	12,527	43,481	96	71,486
Disposals	(77)	–	(50)	(1,161)	(6,944)	–	(8,232)
Write offs	(140)	–	–	(26)	(1,597)	–	(1,763)
Adjustments*	–	(8,783)	–	–	–	–	(8,783)
At end of year	299,031	22,581	169,190	117,168	480,791	7,050	1,095,811
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At beginning of year							
Accumulated depreciation	37,070	4,277	112,393	78,480	359,579	5,021	596,820
Accumulated impairment losses	29,834	–	–	–	–	–	29,834
	66,904	4,277	112,393	78,480	359,579	5,021	626,654
Current depreciation charge	5,120	439	9,838	10,449	27,590	723	54,159
Disposals	–	–	(50)	(970)	(6,944)	–	(7,964)
Write offs	(12)	–	–	(26)	–	–	(38)
Adjustments*	–	(703)	–	12	–	–	(691)
At end of year	72,012	4,013	122,181	87,945	380,225	5,744	672,120

* the adjustments relate to reclassification to Other Assets

The Group

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
Analysed as:							
Accumulated depreciation	42,178	4,013	122,181	87,945	380,225	5,744	642,286
Accumulated impairment losses	29,834	—	—	—	—	—	29,834
	<u>72,012</u>	<u>4,013</u>	<u>122,181</u>	<u>87,945</u>	<u>380,225</u>	<u>5,744</u>	<u>672,120</u>
NET BOOK VALUE							
As at 31.3.2006	<u>227,019</u>	<u>18,568</u>	<u>47,009</u>	<u>29,223</u>	<u>100,566</u>	<u>1,306</u>	<u>423,691</u>
As at 31.3.2005	<u>232,344</u>	<u>27,087</u>	<u>41,465</u>	<u>27,348</u>	<u>86,272</u>	<u>1,933</u>	<u>416,449</u>
Depreciation charge for the year ended 31.3.2005	<u>5,268</u>	<u>691</u>	<u>9,214</u>	<u>10,549</u>	<u>22,927</u>	<u>766</u>	<u>49,415</u>
Details as at 1.4.2004							
Cost	312,613	36,890	135,700	94,959	426,993	7,956	1,015,111
Accumulated depreciation	<u>33,632</u>	<u>4,787</u>	<u>105,124</u>	<u>70,058</u>	<u>338,841</u>	<u>5,829</u>	<u>558,271</u>

The Bank

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
COST							
At beginning of year	263,653	26,420	132,598	93,072	375,977	5,685	897,405
Amount vested from subsidiary company	–	–	21,241	12,787	70,850	1,269	106,147
Additions	–	–	15,367	12,491	42,506	96	70,460
Disposals	(77)	–	(50)	(1,161)	(6,944)	–	(8,232)
Write offs	(140)	–	–	(26)	(1,597)	–	(1,763)
Adjustments*	–	(8,783)	–	–	–	–	(8,783)
At end of year	263,436	17,637	169,156	117,163	480,792	7,050	1,055,234
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At beginning of year							
Accumulated depreciation	30,989	3,407	96,630	67,868	314,111	4,124	517,129
Accumulated impairment losses	28,386	–	–	–	–	–	28,386
	59,375	3,407	96,630	67,868	314,111	4,124	545,515
Amount vested from subsidiary company	–	–	16,021	10,781	46,430	924	74,156
Current depreciation charge	4,628	375	9,561	10,273	26,627	696	52,160
Disposals	–	–	(50)	(970)	(6,944)	–	(7,964)
Write offs	(12)	–	–	(26)	–	–	(38)
Adjustments*	–	(703)	–	12	–	–	(691)
At end of year	63,991	3,079	122,162	87,938	380,224	5,744	663,138

* Adjustments refer to reclassification to Other Assets.

The Bank

	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
Analysed as:							
Accumulated depreciation	35,605	3,079	122,162	87,938	380,224	5,744	634,752
Accumulated impairment losses	28,386	—	—	—	—	—	28,386
	<u>63,991</u>	<u>3,079</u>	<u>122,162</u>	<u>87,938</u>	<u>380,224</u>	<u>5,744</u>	<u>663,138</u>
NET BOOK VALUE							
As at 31.3.2006	<u>199,445</u>	<u>14,558</u>	<u>46,994</u>	<u>29,225</u>	<u>100,568</u>	<u>1,306</u>	<u>392,096</u>
As at 31.3.2005	<u>204,278</u>	<u>23,013</u>	<u>35,968</u>	<u>25,204</u>	<u>61,866</u>	<u>1,561</u>	<u>351,890</u>
Depreciation charge for the year ended 31.3.2005	<u>4,628</u>	<u>537</u>	<u>7,342</u>	<u>9,386</u>	<u>18,117</u>	<u>620</u>	<u>40,630</u>
Details as at 1.4.2004							
Cost	263,848	26,420	117,001	82,620	362,127	5,914	857,930
Accumulated depreciation	<u>26,409</u>	<u>2,870</u>	<u>91,233</u>	<u>60,601</u>	<u>298,183</u>	<u>4,158</u>	<u>483,454</u>

(a) Details of leasehold land and buildings are as follows:

The Group	Long term leasehold land and buildings	Short term leasehold land and buildings	Total
	RM'000	RM'000	RM'000
Cost	21,633	948	22,581
Accumulated Depreciation	(3,599)	(414)	(4,013)
	<u>18,034</u>	<u>534</u>	<u>18,568</u>
The Bank			
Cost	17,382	255	17,637
Accumulated Depreciation	(2,846)	(233)	(3,079)
	<u>14,536</u>	<u>22</u>	<u>14,558</u>

The long term leasehold properties for the Group and the Bank are for lease periods of 66-999 years and 85-855 years respectively and with unexpired lease periods of 53-874 years and 62-787 years respectively.

The short term leasehold properties for the Group and the Bank are for lease periods of 20-49 years and 20 years respectively and with unexpired lease periods of 1-33 years.

- (b) Included in the net book value of computer equipment and software is capital work-in-progress for the Group and Bank of RM39,033,000 (2005:RM14,776,000).
- (c) Details of fully depreciated property and equipment of the Group and the Bank, which are still in use are as follows:

The Group and the Bank	Freehold land and building	Leasehold improvements	Office equipment, furniture and fittings	Computer equipment and software	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost	75	88,563	56,035	308,009	3,850	456,532

15. DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current deposits	1,558,199	1,334,289	1,558,199	–
Savings deposits	2,940,219	2,878,783	2,940,219	2,688,669
Fixed/Investment deposits	26,690,987	24,654,210	26,692,735	19,365,562
Negotiable certificates of deposits	<u>1,305,422</u>	<u>294,461</u>	<u>1,305,422</u>	<u>219,225</u>
	<u>32,494,827</u>	<u>29,161,743</u>	<u>32,496,575</u>	<u>22,273,456</u>

(i) The maturity structure of deposits from customers is as follows:

Due within six months	24,902,065	22,172,025	24,903,813	16,103,233
Six months to one year	6,044,164	5,340,560	6,044,164	4,689,867
One year to three years	798,764	933,480	798,764	853,386
Three years to five years	<u>749,834</u>	<u>715,678</u>	<u>749,834</u>	<u>626,970</u>
	<u>32,494,827</u>	<u>29,161,743</u>	<u>32,496,575</u>	<u>22,273,456</u>

(ii) The deposits are sourced from the following types of customers:

Individuals	19,888,946	18,236,389	19,888,946	16,395,827
Business enterprises	8,556,161	7,773,619	8,557,910	3,877,767
Government and other statutory bodies	3,537,375	2,748,974	3,537,374	1,682,335
Others	<u>512,345</u>	<u>402,761</u>	<u>512,345</u>	<u>317,527</u>
	<u>32,494,827</u>	<u>29,161,743</u>	<u>32,496,575</u>	<u>22,273,456</u>

16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	2,502,692	2,169,685	2,502,692	1,597,184
Licensed finance companies	–	309,676	–	19,928
Licensed merchant banks	4,141,430	793,298	4,141,430	–
Non-banking institutions	5,611,948	5,364,139	5,611,948	3,452,393
Bank Negara Malaysia (“BNM”)	<u>1,157,479</u>	<u>1,231,792</u>	<u>1,157,479</u>	<u>1,150,234</u>
	<u>13,413,549</u>	<u>9,868,590</u>	<u>13,413,549</u>	<u>6,219,739</u>

Included under deposits and placements of other financial institutions of the Group and of the Bank are the following:

Negotiable instruments of deposits	6,589,820	4,436,193	6,589,820	2,581,594
Interbank borrowing (Note 4)	<u>1,850,077</u>	<u>177,860</u>	<u>1,850,077</u>	<u>–</u>
	<u>8,439,897</u>	<u>4,614,053</u>	<u>8,439,897</u>	<u>2,581,594</u>

Included under deposits from BNM are long-term deposits and interest-free loans placed with the Group and the Bank in connection with the transfer of certain assets and liabilities of Abrar Finance Berhad and Kewangan Usahasama Makmur Berhad to the Bank as mentioned in Note 10.

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Soft deposit	135,000	135,000	135,000	135,000
Soft loan	513,000	513,000	513,000	513,000
Commercial loan	160,000	160,000	160,000	160,000
	<u>808,000</u>	<u>808,000</u>	<u>808,000</u>	<u>808,000</u>

Included in the above are soft deposit of RM135,000,000 (2005: RM135,000,000) and soft loan of RM180,000,000 (2005: RM180,000,000) bearing interest of 1% (2005: 1%) per annum. The remaining soft loan and the commercial loan are interest free. The soft loan of RM180,000,000 (2005: RM180,000,000) is repayable on 18 December 2008 or when the deferred assets relating to AFB referred to in Note 10 are fully utilised, whichever is earlier. The remaining loans and soft deposit are repayable when the deferred assets relating to KUMB referred to in Note 10 are fully utilised.

17. OBLIGATION ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements represent the obligations to repurchase these securities sold as mentioned in Note 6.

18. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

19. RECOURSE OBLIGATION OF LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation of loans sold to Cagamas Berhad represents the proceeds received from loans (excluding Islamic financing) sold directly and indirectly to Cagamas Berhad with recourse to the Bank. Under this arrangement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria.

20. OTHER LIABILITIES

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest payable	301,540	230,133	301,542	181,783
Other creditors and accruals (i)	760,431	461,564	754,829	280,955
General allowance for commitment and contingencies (ii)	–	13,000	–	13,000
Profit equalisation reserve	116,480	110,065	116,480	97,352
Lease deposits and advance rentals	39,829	39,373	39,829	39,373
Tax payable	17	18	–	–
	<u>1,218,297</u>	<u>854,153</u>	<u>1,212,680</u>	<u>612,463</u>

(i) Other creditors and accruals

Included under other creditors and accruals of the Group and of the Bank are outstanding balances totalling RM10,067,000 (2005:RM48,252,000) and RM11,363,000 (2005:RM48,515,000) respectively owing to other related companies. The amounts are interest-free and represent amounts paid on behalf.

(ii) General allowance for commitment and contingencies

	The Group and Bank	
	2006 RM'000	2005 RM'000
Balance at beginning of year	13,000	52,000
Payment during the year	<u>(13,000)</u>	<u>(39,000)</u>
Balance at end of year	<u>–</u>	<u>13,000</u>

The above general provision for contingencies is in connection with three legal suits relating to the Highland Towers tragedy, whereby the plaintiffs had contended that AMFB Holdings caused or contributed to the collapse of Block 1 and forced evacuation of Blocks 2 and 3 of the Highland Towers.

By a Vesting Order of the High Court of Malaya dated 21 May 2002 pursuant to Section 50 of the Banking and Financial Institutions Act, 1989, all rights and liabilities (including rights and liabilities under and or in respect of any past, pending or future litigation) accruing to, owed or incurred by AMFB Holdings in relation to its finance bank business have been transferred to and assumed by the Bank with effect from 15 June 2002 and AMFB Holdings shall cease to be liable in respect of such liabilities with effect therefrom.

On 31 May 2004, the Bank entered into a settlement agreement with the plaintiffs in respect of the legal suits whereby the Bank agreed to pay plaintiffs a settlement sum of RM52.0 million in full and final settlement inclusive of costs and the plaintiffs shall, among others, release and assign to the Bank all their rights of action in the suits against Highland Properties Sdn. Bhd. (the developer of Highland Towers) as well as all their rights and title to their individual apartment units and their rights to common property, unencumbered and free from claims of end financiers. The Bank had made full provision in prior years of which RM39.0 million has been paid during the previous financial year and the balance of RM13.0 million was paid during the current financial year.

21(a).SUBORDINATED TERM LOANS

	Note	The Group		The Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Subordinated term loan – RM680 million	(i)	680,000	680,000	680,000	680,000
Subordinated term loan – RM460 million	(ii)	460,000	460,000	460,000	–
Subordinated term loan – USD 200 million (net of capitalised issuance expense of RM8,886,000)	(iii)	–	–	727,734	–
		<u>1,140,000</u>	<u>1,140,000</u>	<u>1,867,734</u>	<u>680,000</u>

- (i) The subordinated term loan is unsecured, subordinated to all other liabilities and was obtained from Danamodal Nasional Berhad (“Danamodal”), a company incorporated for the purpose of recapitalising the local banking and financial institutions, to strengthen the Bank’s capital base.

Pursuant to the acquisition of the Bank by AMFB Holdings on 20 December 2001, Danamodal extended the loan for a further period of ten (10) years to be repaid on 20 December 2011. The loan bore interest at 6.5% per annum for the first five years and at 7.5% per annum or 1.0% above 3 months KLIBOR, whichever is higher, for the next five years. The interest is payable on a half yearly basis.

On 28 October 2003, the Bank entered into a Supplemental Facility Agreement with Danamodal whereby the subordinated term loan was novated to Astute Assets Berhad, a special purpose vehicle. In accordance with the new terms of agreement, interest on the loan is charged at 6.5% per annum until 19 December 2006, 7.0% per annum from 20 December 2006 until 19 December 2007, and 7.5% per annum from 20 December 2007 until 19 December 2011.

- (ii) The subordinated term loan represents an unsecured loan obtained from a related company, AmMerchant Bank Berhad for the purpose of supplementing the Bank’s capital adequacy position and it is subordinated to all other liabilities. The term loan is repayable in a lump sum at the end of ten (10) years from the date of drawdown and interest is charged at a rate of 6.875% per annum for the first 5 years and 7.00% to 9.00% per annum or 3% per annum plus yield of 5-year Malaysian Government Securities, whichever is the higher for the next 5 years. The term loan was drawdown on 30 September 2003.
- (iii) The subordinated term loan which was on-lent from the proceeds of the issue of the Hybrid Securities as explained in Note 21(b) is for a period of 50 years to mature on 27 January 2056 with an option to make a first call on 27 January 2016.

The interest rate of the subordinated term loan has been fixed at 6.77% per annum from the date of issue to the date of the first call on 27 January 2016. For interest thereafter to 27 January 2056, a floating rate per annum of 3 month US Dollar LIBOR plus 2.9% will be charged.

21(b) HYBRID SECURITIES

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-cumulative Non-Voting Guaranteed Preference Shares– USD200 million (net of capitalised issuance expense of RM8,886,000)	<u>727,734</u>	<u>–</u>	<u>–</u>	<u>–</u>

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of the Bank issued United States (“USD”) 200,000,000 Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each (“Hybrid Securities”). The Hybrid Securities are guaranteed by the Bank on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Securities were on-lent to the Bank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing Bank’s working capital requirements.

The salient features of the Hybrid Securities are as follows:

- (a) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, at a floating rate equal to three (3) months US dollar LIBOR plus 2.90% if not redeemed on 27 January 2016. The non-cumulative dividends are payable on semi-annual basis.
- (b) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) under certain circumstances.

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

The Hybrid Securities are classified as liabilities in accordance with FRS 132: Financial Instruments - Disclosure and Presentation. FRS 132 requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As the coupon of the Hybrid Securities will step up at the end of year ten to a level that is considered to be sufficiently higher than market rate, AMBB Capital (L) Ltd is deemed likely to redeem the Hybrid Securities at that time. As such, they have been accounted for as long-term liabilities.

22. REDEEMABLE UNSECURED SUBORDINATED BONDS

Pursuant to a Trust Deed dated 24 April 2003, the Bank issued RM200,000,000 nominal amount of Negotiable Interest-bearing Redeemable Unsecured Subordinated Bonds (“Subordinated Bonds”) for the purpose of increasing the Bank’s capital funds.

The salient features of the Subordinated Bonds are as follows:

- (a) The Subordinated Bonds bear interest at 7.95% per annum for the first five years and subsequently at 8.45% to 10.45% per annum. The interest is payable on a semi-annual basis.

- (b) The Subordinated Bonds are for a period of ten years maturing on 30 April 2013. However, subject to the prior approval of Bank Negara Malaysia, the Bank may redeem the Subordinated Bonds on 30 April 2008 or on each anniversary date thereafter, at nominal value together with interest accrued to the date of redemption.

23. MINORITY INTERESTS

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary companies attributable to shares owned, directly or indirectly other than by the Bank or subsidiary companies.

The movements in minority interests in subsidiary companies are as follows:

	The Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year	86	101
Share in net results of subsidiary companies	(16)	(15)
Balance at end of year	<u>70</u>	<u>86</u>

24. SHARE CAPITAL

The Bank	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Authorised				
Balance at beginning and end of year				
Ordinary shares of RM1.00 each	1,386,250	1,386,250	1,386,250	1,386,250
8% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
	<u>3,886,250</u>	<u>3,886,250</u>	<u>3,886,250</u>	<u>3,886,250</u>
Issued and fully paid				
Ordinary shares of RM1.00 each				
Balance at beginning of year	610,364	528,402	528,402	528,402
Deemed issued arising from merger accounting	–	81,962	–	–
Issued during the year	–	–	81,962	–
Balance at end of year	<u>610,364</u>	<u>610,364</u>	<u>610,364</u>	<u>528,402</u>

During the financial year, the Bank issued 81,961,462 new ordinary shares of RM1.00 each at an issue price of RM5.035 per ordinary share amounting RM412,677,000 as settlement of purchase consideration for the acquisition of Amlslamic Bank. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Bank.

As the merger accounting method is used for the acquisition of Amlslamic Bank, the cost of investment in the Bank's records are recorded at the nominal value of ordinary shares issued and the difference between the carrying value of the investment and the nominal value of ordinary shares acquired is treated as a merger reserve at the Group level.

25. RESERVES

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-distributable Reserves:				
Share premium	379,953	379,953	379,953	379,953
Statutory reserve	585,832	624,044	585,832	528,402
Capital reserve	377,492	377,492	330,705	–
Securities available-for-sale reserve	2,728	31,095	2,728	31,095
Merger reserve	679,757	679,757	–	–
Total non-distributable reserves	2,025,762	2,092,341	1,299,218	939,450
Distributable Reserves:				
Unappropriated profits	785,600	509,119	1,348,057	1,175,768
	<u>2,811,362</u>	<u>2,601,460</u>	<u>2,647,275</u>	<u>2,115,218</u>

Movements in reserves are shown in the statements of changes in equity on pages 22 to 25.

Share premium is used to record premium arising from new shares issued in the Bank.

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

The capital reserve of the Group represents reserve arising from the acquisition of Amlslamic Bank which is accounted for using the merger accounting method. The capital reserve of the Bank is in respect of reserves arising from return of capital by Amlslamic Bank.

Securities available-for-sale reserve is in respect of unrealised fair value gains and losses on securities available-for sale.

Distributable reserves are those available for distribution by way of dividends. There is no tax credit available under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of the Bank's distributable reserves as at 31 March 2006.

26. INTEREST INCOME

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans and advances				
- Interest income other than recoveries from NPL	2,134,731	1,994,102	2,073,325	1,661,504
- Recoveries from NPLs	261,596	192,499	254,366	147,348
Money at call, deposits and placements with financial institutions	154,762	139,072	142,427	63,064
Securities held-for-trading	41,421	33,165	39,542	20,050
Securities available-for-sale	2,247	3,697	1,624	—
Securities held-to-maturity	52,579	65,198	49,882	33,142
Others	104,588	50,712	103,953	50,676
	<u>2,751,924</u>	<u>2,478,445</u>	<u>2,665,119</u>	<u>1,975,784</u>
Net interest suspended (Amortisation of premium) /accretion of discounts	(115,900)	(70,496)	(114,173)	(55,364)
	<u>(10,436)</u>	<u>(1,153)</u>	<u>(10,410)</u>	<u>(1,390)</u>
	<u><u>2,625,588</u></u>	<u><u>2,406,796</u></u>	<u><u>2,540,536</u></u>	<u><u>1,919,030</u></u>

27. INTEREST EXPENSE

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposit from customers	827,524	731,106	799,101	567,151
Deposits and placements of banks and other financial institutions	223,010	172,106	209,195	94,867
Recourse obligation of loans sold to Cagamas Berhad	77,349	133,325	76,076	125,332
Subordinated term loans and bonds	91,875	91,856	95,644	60,144
Hybrid securities	9,204	—	—	—
Others	128,603	59,576	128,251	60,975
	<u>1,357,565</u>	<u>1,187,969</u>	<u>1,308,267</u>	<u>908,469</u>

28. OTHER OPERATING INCOME

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) Fee Income:				
Commissions	29,463	25,103	28,336	19,188
Guarantee fees	7,622	6,063	6,934	1,085
Income from asset securitisation	–	42,838	–	42,838
Other fee income	95,265	74,609	83,286	12,599
	<u>132,350</u>	<u>148,613</u>	<u>118,556</u>	<u>75,710</u>
(b) Investment income:				
Net loss on sale of:				
Securities held-for-trading	(26,095)	(13,616)	(26,101)	(10,622)
Securities available-for-sale	25,626	14,668	25,626	14,668
Securities held-to-maturity	(39,510)	(450)	(40,050)	(1,726)
Net gain/(loss) on revaluation of securities held-for-trading	30,400	(13,341)	31,237	(11,645)
Gross dividend income from:				
Securities held-for-trading	2,683	3,751	2,652	3,010
Securities available-for-sale	27,257	6,574	26,314	4,581
Securities held-to-maturity	3,493	667	3,445	612
Gain on disposal of subsidiary company	–	402	–	–
	<u>23,854</u>	<u>(1,345)</u>	<u>23,123</u>	<u>(1,122)</u>
(c) Other Income:				
Foreign exchange gain	6,230	2,651	5,476	–
Rental income	8,105	8,157	7,468	7,365
Gain on disposal of property and equipment	1,221	3,250	1,221	688
Gain on disposal of foreclosed property	26	567	26	185
Gain on disposal of leased assets	–	3	–	3
Amount recovered from Danaharta	–	803	–	–
Other operating income	157	–	120	–
	<u>15,739</u>	<u>15,431</u>	<u>14,311</u>	<u>8,241</u>
	<u>171,943</u>	<u>162,699</u>	<u>155,990</u>	<u>82,829</u>

29. OTHER OPERATING EXPENSES

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Personnel costs				
Salaries, allowances and bonuses	348,858	285,552	330,910	201,244
Others	19,944	16,832	16,769	13,047
Establishment costs				
Depreciation	54,159	49,415	52,160	40,630
Rental	29,583	27,104	29,679	20,916
Cleaning, maintenance & security	21,746	16,746	20,946	15,134
Computerisation cost	58,658	57,400	55,911	38,965
Others	15,401	14,171	14,272	10,960
Marketing and communication expenses				
Handling fees	118,916	99,842	118,916	99,842
Commission	40,547	40,144	37,484	22,570
Advertising & marketing expenses	63,211	49,496	58,784	24,558
Communication	43,763	39,751	41,829	26,793
Others	5,978	5,811	5,729	4,669
Administration and general expenses				
Professional services	23,161	14,464	21,978	8,863
Others	36,093	49,578	29,503	24,266
	<u>880,018</u>	<u>766,306</u>	<u>834,870</u>	<u>552,457</u>

The above expenditure includes the following statutory disclosure:

Directors' remuneration (Note 33)	3,154	3,205	3,060	2,881
Depreciation	54,159	49,415	52,160	40,630
Rental of premises				
- subsidiary companies	–	–	1,852	4,971
- others	29,583	27,104	27,827	15,945
Hire of equipment	3,081	1,619	2,956	1,419
Auditors' remuneration:				
Statutory audit	485	416	450	300
Special audit	385	160	385	120
Reporting accountants	635	25	635	25
Others	95	20	95	19
Property and equipment written off	<u>1,725</u>	<u>3,907</u>	<u>1,725</u>	<u>3,907</u>

The total number of employees of the Group and of the Bank as at 31 March 2006 were 7,101 (2005: 6,765) and 7,101 (2005: 5,335), respectively.

Staff costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund of the Group and the Bank amounted to RM44,597,000 (2005: RM31,195,000) and RM42,208,000 (2005: RM20,956,000), respectively.

30. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
- made in the financial year	1,315,891	1,247,729	1,281,815	877,367
- written back	(429,035)	(323,067)	(406,574)	(278,830)
General allowance	100,099	40,522	99,100	24,153
Bad debts and financing recovered	(244,470)	(249,387)	(237,606)	(174,232)
	<u>742,485</u>	<u>715,797</u>	<u>736,735</u>	<u>448,458</u>

31. IMPAIRMENT WRITTEN BACK/(LOSS)

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Securities	84,724	4,287	82,674	(6,261)
Foreclosed properties	(22)	(2,000)	(22)	(2,000)
Amount recoverable under asset-backed securitisation transaction	(10,500)	–	(10,500)	–
Sundry receivables	(2,187)	(5,927)	(1,999)	(1,911)
Investment in associated companies	–	–	(13)	–
Property and equipment	–	(29,834)	–	(28,386)
	<u>72,015</u>	<u>(33,474)</u>	<u>70,140</u>	<u>(38,558)</u>

32. HOLDING AND ULTIMATE HOLDING COMPANIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The holding and ultimate holding companies are AMFB Holdings Berhad and AMMB Holdings Berhad respectively, both of which are incorporated in Malaysia.

During the financial year, the significant related party transactions and balances are as follows:

(a) The significant transactions and balances of the Bank with its holding and ultimate holding companies and related companies are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income				
<u>Related companies</u>				
Interest on deposits and placement	22,167	7,473	22,167	2,292
Interest on investment securities	–	9,095	–	7,842
Interest on loans and advances	6,634	7,502	6,634	–
Other income	19,143	22,956	18,403	17,184
<u>Subsidiary companies</u>				
Interest on deposits and placement	–	–	167	1,244
Interest on investment securities	–	–	–	1,659
Interest on loans and advances	–	–	276	616
Expenditure				
<u>Ultimate holding company</u>				
Interest on deposits and placements	628	1,660	628	28
<u>Holding company</u>				
Interest on deposits and placements	–	88	–	–
<u>Related companies</u>				
Interest on subordinated loans	36,910	31,712	31,625	–
Interest on deposits and placements	25,865	22,449	25,865	9,204
Other expenses	13,027	6,145	13,027	4,988
<u>Subsidiary companies</u>				
Interest on subordinated loans	–	–	9,204	–
Interest on deposits and placements	–	578	56	635
Other expenses	–	–	1,852	4,749
<u>Associated company</u>				
Interest on deposits and placements	4	6	4	6

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amount due from				
<u>Related companies</u>				
Loans and advances	130,224	147,795	130,224	–
Cash and short-term fund	–	19,000	–	–
Deposits and placements	1,160,282	127,600	1,160,282	127,600
Securities held-for-trading	1,315,518	421,207	1,315,518	401,102
Interest receivable	10,264	327	10,264	81
<u>Subsidiary companies</u>				
Loans and advances	–	–	–	3,881
Deposits and placements	–	–	–	99,700
Interest receivable	–	–	–	225
Amount due to				
<u>Ultimate holding company</u>				
Deposits and placements	–	331	–	331
<u>Related companies</u>				
Deposits and placements	4,138,109	1,545,471	4,138,109	812,315
Subordinated term loan	460,000	460,000	460,000	–
Interest payable	23,919	1,506	23,919	1,132
Commitments and contingencies	4,183,932	1,700,000	4,183,932	1,700,000
<u>Subsidiary companies</u>				
Deposits and placements	–	–	392	1,699
Subordinated term loan	–	–	727,734	–
Interest payable	–	–	8,747	–
<u>Associated company</u>				
Deposits and placements	100	100	100	100
Interest payable	1	1	1	1
<u>Holding company</u>				
Deposits and placements	–	480	–	–
Interest payable	–	1	–	–

The above 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.

(b) Directors related transactions

The significant non-banking transactions of the Group and the Bank with companies in which Tan Sri Dato' Azman Hashim is deemed to have a substantial interest, are as follows:

The Group	Types of transactions	2006 RM'000	2005 RM'000
Expenses			
MCM Systems Sdn Bhd	Computer maintenance and consultancy services	7,326	866
MCM Horizon Sdn Bhd	Computer maintenance and consultancy services	1,894	1,730
MCM Consulting Sdn Bhd	Computer maintenance and consultancy services	1,504	2,876
Dion Realities Sdn Bhd	Rental of premises and car park	3,469	3,841
Troosts Sdn Bhd	Rental of premises	253	309
Medan Delima Sdn Bhd	Rental of premises	–	83
Modular Corp. (M) Sdn Bhd	EMV card personalization and fulfillment services	5,608	4,658
Arab-Malaysian Realty Sdn Bhd	Rental of premises and property maintenance costs	234	234
AON Insurance Brokers (M) Sdn Bhd	Brokerage for insurance brokers' services	3,133	2,338
Harpers Travel (M) Sdn Bhd	Provision of airline ticketing services	297	–
Capital Expenditure			
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	12,886	2,333
MCM Consulting Sdn Bhd	Purchase of computer hardware and related consultancy services	840	2,644
MCM Horizon Sdn Bhd	Purchase of computer hardware, software and related consultancy services	48	289
Computer Systems Advisors (M) Berhad	Purchase of computer hardware, software and related consultancy services	–	572

The Bank	Types of transactions	2006 RM'000	2005 RM'000
Expenses			
MCM Horizon Sdn Bhd	Computer maintenance and consultancy services	1,894	1,730
MCM Consulting Sdn Bhd	Computer maintenance and consultancy services	1,504	2,876
Dion Realties Sdn Bhd	Rental of premises and car park	2,821	–
Troosts Sdn Bhd	Rental of premises	201	–
MCM Systems Sdn Bhd	Computer maintenance	7,326	205
Modular Corporation (M) Sdn Bhd	Provision of PMPC cards	5,608	1,025
Arab-Malaysian Realty Sdn Bhd	Rental of premises and property maintenance costs	234	234
AON Insurance Brokers (M) Sdn Bhd	Insurance brokerage fees	3,133	2,338
Harpers Travel (M) Sdn Bhd	Provision of airline ticketing services	297	–
Capital expenditure			
MCM Consulting Sdn Bhd	Purchase of computer hardware, software and related consultancy services	840	2,440
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	12,886	2,333
MCM Horizon Sdn Bhd	Purchase of computer hardware, software and related consultancy services	48	289

The significant non-banking transactions of the Group and the Bank with companies in which Tun Mohammed Hanif Omar is also a director is as follows:

The Bank	Types of transactions	2006 RM'000	2005 RM'000
Expense			
Unigaya Protection Systems Sdn Bhd	Provision of security services	254	373

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are not materially different from those arranged with independent parties.

As at 31 March 2006 and 31 March 2005, there are no outstanding balances arising from directors related transactions.

33. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for the Bank's directors charged to the income statements for the financial year are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Executive directors				
Fees	74	–	14	–
Bonuses	897	865	897	865
Salaries and other remuneration	1,490	1,360	1,478	1,360
Benefits-in-kind	125	110	125	110
	<u>2,586</u>	<u>2,335</u>	<u>2,514</u>	<u>2,335</u>
Non-executive directors				
Fees	75	82	60	–
Other remuneration	493	788	486	546
	<u>568</u>	<u>870</u>	<u>546</u>	<u>546</u>
Total	<u>3,154</u>	<u>3,205</u>	<u>3,060</u>	<u>2,881</u>
Total (excluding benefits-in-kind)	<u>3,029</u>	<u>3,095</u>	<u>2,935</u>	<u>2,771</u>

Directors' fees for directors who are executives of companies of the Group are paid to their respective companies.

The number of directors of the Bank whose total remuneration for the financial year which fall within the required disclosure bands is as follows:

	Number of Directors	
	2006	2005
Executive director		
Below RM50,000	1	–
RM750,001 – RM1,000,000	1	1
RM1,250,001 – RM1,500,000	–	1
RM1,500,001 – RM1,750,000	1	–
Non-executive director		
Below RM50,000	2	4
RM50,001 – RM100,000	1	–
RM300,001 – RM500,000	1	1

34. TAXATION

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Estimated current tax payable	315	63	–	–
Net transfer from deferred taxation (Note 35)	114,697	86,466	111,297	125,290
Share in taxation of associated company	97	73	–	–
	<u>115,109</u>	<u>86,602</u>	<u>111,297</u>	<u>125,290</u>
Under/(Over) provision of current taxation in respect of prior years	–	941	–	500
Prior year tax expense in respect of business vested over from AMFB Holdings Berhad	2,402	8,047	2,402	8,047
Tax recovered in respect of business vested over from Amlslamic Bank	(7,980)	–	(7,980)	–
	<u>109,531</u>	<u>95,590</u>	<u>105,719</u>	<u>133,837</u>

Taxation of the Group is in respect of estimated taxable income of certain subsidiary companies. There is no tax charge for the Bank for the current year and prior year due to the utilisation of unabsorbed tax losses of RM469.4 million (2005: RM403.9million).

As at 31 March 2006, the Bank has unabsorbed tax losses and unutilised capital allowances amounting to approximately RM586.0 million (2005: RM1,055.4million) and RM195.8 million (2005: RM201.9 million) respectively, which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before taxation	<u>347,784</u>	<u>198,889</u>	<u>335,438</u>	<u>371,488</u>
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	97,380	55,689	93,922	104,017
Income not subject to tax	(14,036)	(1,094)	(14,036)	(1,094)
Expenses not deductible for tax purposes	5,416	19,198	5,062	9,558
Deferred tax asset charged out	<u>26,349</u>	<u>12,809</u>	<u>26,349</u>	<u>12,809</u>
Tax charge for the year	<u>115,109</u>	<u>86,602</u>	<u>111,297</u>	<u>125,290</u>

35. DEFERRED TAX ASSET

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Balance at beginning of year				
As previously reported	(908,401)	(994,506)	(616,804)	(741,733)
Prior year adjustments (Note 48) *	520	159	520	159
As restated	(907,881)	(994,347)	(616,284)	(741,574)
Amount vested from subsidiary company	–	–	(135,159)	
Transfer to income statements	114,697	86,466	111,297	125,290
Balance at end of year	<u>(793,184)</u>	<u>(907,881)</u>	<u>(640,146)</u>	<u>(616,284)</u>

* The prior year adjustment is in respect of the increase in utilisation of unabsorbed tax losses resulting from the change in accounting policy as a result of adoption of the revised BNM/GP8.

The deferred tax (assets)/liabilities are in respect of the following temporary differences:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unabsorbed tax losses	(317,104)	(445,130)	(164,066)	(295,509)
Temporary differences between depreciation and tax allowances on property and equipment	21,159	17,797	21,159	15,496
Temporary differences arising from impairment loss on foreclosed properties	(26,036)	(24,396)	(26,036)	(24,396)
Temporary differences arising from allowance on amount recoverable from Danaharta	(114,541)	(114,541)	(114,541)	(74,357)
Temporary difference arising from impairment on securities held-to-maturity	(137,464)	(139,495)	(137,464)	(85,363)
Temporary difference arising from securities held-for-trading	275	(11,949)	275	(4,242)
General allowance for bad and doubtful debts and financing	(183,902)	(155,874)	(183,902)	(120,234)
Others	(35,571)	(34,293)	(35,571)	(27,679)
	<u>(793,184)</u>	<u>(907,881)</u>	<u>(640,146)</u>	<u>(616,284)</u>

36. EARNINGS PER SHARE

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

	The Group		The Bank	
	2006 RM'000/000	2005 RM'000/000	2006 RM'000/000	2005 RM'000/000
Net profit attributable to shareholders of the Bank	<u>238,269</u>	<u>103,314</u>	<u>229,719</u>	<u>237,651</u>
Number of ordinary shares at beginning of year	610,364	610,364	528,402	528,402
Effect of the issuance of shares	–	–	66,949	–
Weighted average number of ordinary shares in issue	<u>610,364</u>	<u>610,364</u>	<u>595,351</u>	<u>528,402</u>
Basic earnings per share (sen)	<u>39.04</u>	<u>16.93</u>	<u>38.59</u>	<u>44.98</u>

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

37. 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	2006			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	540,826	540,826	438,374	336,192	336,192	266,506
Certain transaction-related contingent items	206,010	103,005	103,005	196,288	98,144	98,144
Short-term self liquidating trade-related contingencies	345,374	69,075	69,075	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	8,811,423	–	–	6,549,611	–	–
- maturing more than one year	1,279,823	639,911	639,911	1,829,304	914,652	914,652
Foreign exchange related contracts:						
- less than one year	1,695,579	16,466	4,143	1,098,396	11,189	5,595
Interest rate swap contracts:						
- maturing within one year	550,000	1,311	262	250,000	500	100
- maturing more than one year to less than five years	3,562,189	74,100	14,820	1,886,200	34,110	6,822
- maturing more than five years	736,620	66,296	13,259	–	–	–
Islamic financing sold to Cagamas Berhad with recourse	2,205,827	2,205,827	2,205,827	928,658	928,658	927,011
Other commitments	108,910	–	–	31,772	–	–
Total	20,182,831	3,787,067	3,558,926	13,416,581	2,427,677	2,301,958

The Bank	2006	2005		2006	2005	
	Credit	Credit	Risk	Credit	Credit	Risk
	Equivalent	Equivalent	Weighted	Equivalent	Equivalent	Weighted
	Amount*	Amount*	Amount	Amount*	Amount*	Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Principal			Principal		
	Amount			Amount		
	RM'000			RM'000		
Direct credit substitutes	540,826	540,826	438,374	51,404	51,404	15,300
Certain transaction-related contingent items	206,010	103,005	103,005	–	–	–
Short-term self liquidating trade-related contingencies	345,374	69,075	69,075	–	–	–
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	8,811,423	–	–	3,056,148	–	–
- maturing more than one year	1,279,823	639,911	639,911	483,410	241,705	241,705
Foreign exchange related contracts:						
- less than one year	1,695,579	16,466	4,143	–	–	–
Interest rate swap contracts:						
- maturing within one year	550,000	1,311	262	250,000	500	100
- maturing more than one year to less than five years	3,562,189	74,100	14,820	1,880,000	33,986	6,797
- maturing more than five years	736,620	66,296	13,259	–	–	–
Islamic financing sold to Cagamas Berhad with recourse	2,205,827	2,205,827	2,205,827	925,365	925,365	925,365
Other commitments	108,910	–	–	–	–	–
Total	20,182,731	3,786,967	3,558,826	6,646,477	1,253,110	1,189,417

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

38. NET ASSETS PER SHARE (RM)

Net assets per share represent the balance sheet total assets value less total liabilities and minority interests expressed as an amount per ordinary share.

Net assets per share is calculated as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Total assets	56,409,399	47,709,593	56,241,373	35,118,060
Less:				
Total Liabilities	52,987,603	44,497,683	52,983,734	32,474,440
Minority interests	70	86	–	–
	<u>52,987,673</u>	<u>44,497,769</u>	<u>52,983,734</u>	<u>32,474,440</u>
Net assets	<u>3,421,726</u>	<u>3,211,824</u>	<u>3,257,639</u>	<u>2,643,620</u>
Issued and fully paid up ordinary shares of RM1.00 each ('000)	<u>610,364</u>	<u>610,364</u>	<u>610,364</u>	<u>528,402</u>
Net assets per share (RM)	<u>5.61</u>	<u>5.26</u>	<u>5.34</u>	<u>5.00</u>

39. **SEGMENT ANALYSIS**

Analysis by activity

The Group 31 March 2006	Bank RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Operating Revenue				
External revenue	3,475,980	357	–	3,476,337
Inter-segment revenue	276	1,852	(2,128)	–
Total revenue	<u>3,476,256</u>	<u>2,209</u>	<u>(2,128)</u>	<u>3,476,337</u>
Results				
Profit before share in results of associated companies and taxation	347,614	11	(26)	347,599
Share of profits of associated company	–	–	185	<u>185</u>
Profit before tax	347,614	11	159	347,784
Taxation	(109,119)	(314)	(98)	<u>(109,531)</u>
Profit after taxation	238,495	(303)	61	<u>238,253</u>
Other information				
Capital additions	71,486	–	–	71,486
Depreciation	53,595	528	36	54,159
Loan and financing loss and allowance (net of recoveries)	742,485	–	–	742,485
Impairment writeback/(loss) on securities	84,724	–	–	84,724
Accretion of discounts less amortisation of premium	990	–	–	990
Property and equipment written off	1,725	–	–	1,725
Impairment on amount recoverable under asset-backed securitisation transaction	10,500	–	–	<u>10,500</u>
Consolidated Balance Sheet				
Assets				
Segment assets	56,394,274	79,703	(65,123)	56,408,854
Investment in associated companies	137	–	408	<u>545</u>
Consolidated total assets				<u>56,409,399</u>
Liabilities				
Segment liabilities	52,983,734	146,926	(143,057)	<u>52,987,603</u>
Consolidated total liabilities				<u>52,987,603</u>

The Group 31 March 2005	Finance RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Operating Revenue				
External revenue	3,152,308	366	–	3,152,674
Inter-segment revenue	616	4,749	(5,365)	–
Total revenue	<u>3,152,924</u>	<u>5,115</u>	<u>(5,365)</u>	<u>3,152,674</u>
Results				
Profit before share in results of associated companies and taxation	195,010	3,231	367	198,608
Share of profits of associated company	–	–	281	<u>281</u>
Profit before tax	195,010	3,231	648	198,889
Taxation	(95,013)	(504)	(73)	<u>(95,590)</u>
Profit after taxation	99,997	2,727	575	<u>103,299</u>
Other information				
Capital additions	59,431	–	–	59,431
Depreciation	48,614	765	36	49,415
Loan and financing loss and allowance (net of recoveries)	715,797	–	–	715,797
Impairment written back/(loss) on securities	4,253	34	–	4,287
Accretion of discounts less amortisation of premium	(17,072)	–	–	(17,072)
Property and equipment written off	3,907	–	–	3,907
Impairment written back/(loss) on property and equipment	(28,386)	(1,448)	–	<u>(29,834)</u>
Consolidated Balance Sheet				
Assets				
Segment assets	47,697,221	86,941	(75,027)	47,709,135
Investment in associated companies	150	–	308	<u>458</u>
Consolidated total assets				<u>47,709,593</u>
Liabilities				
Segment liabilities	44,496,823	153,863	(153,003)	<u>44,497,683</u>
Consolidated total liabilities				<u>44,497,683</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.

40. CAPITAL COMMITMENTS

As at the balance sheet date, the Group and the Bank have the following commitments:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Authorised and contracted for:				
Purchase of computer equipment and software	32,886	36,816	32,886	36,816
Leasehold improvements	6,949	18,530	6,949	18,530
	<u>39,835</u>	<u>55,346</u>	<u>39,835</u>	<u>55,346</u>
Authorised but not contracted for:				
Purchase of computer equipment and software	14,127	–	14,127	–
	<u>14,127</u>	<u>–</u>	<u>14,127</u>	<u>–</u>
	<u>53,962</u>	<u>55,346</u>	<u>53,962</u>	<u>55,346</u>

41. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

Year ending	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
2006	–	19,318	–	19,318
2007	28,416	18,423	28,416	18,423
2008	25,075	19,040	25,075	19,040
2009	20,702	17,955	20,702	17,955
2010 and thereafter	137,832	106,053	137,832	106,053
	<u>212,025</u>	<u>180,789</u>	<u>212,025</u>	<u>180,789</u>

The lease commitments represent minimum rentals not adjusted for operating expenses which the Bank is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than rental expenses for the financial year.

42. CAPITAL ADEQUACY RATIO

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 12.14% (2005: 11.51%) exceeds the minimum requirements of BNM.

	The Bank	
	2006	2005*
	RM'000	RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	610,364	528,402
Innovative Tier 1 capital	461,506	–
Share premium	379,953	379,953
Statutory reserve	585,832	528,402
Capital reserve	330,705	–
Unappropriated profit at end of year	<u>1,348,057</u>	<u>1,174,432</u>
	3,716,417	2,611,189
Less: Deferred tax asset	<u>(640,146)</u>	<u>(600,173)</u>
Total Tier 1 capital	<u>3,076,271</u>	<u>2,011,016</u>
<u>Tier 2 capital</u>		
Innovative Tier 1 capital	275,114	–
Subordinated term loans	1,140,000	680,000
Subordinated bonds	200,000	200,000
General allowance for bad and doubtful debts and financing	<u>655,374</u>	<u>425,857</u>
Total Tier 2 capital	<u>2,270,488</u>	<u>1,305,857</u>
	5,346,759	3,316,873
Less: Investment in subsidiary companies	<u>(29,779)</u>	<u>(29,779)</u>
Capital base	<u><u>5,316,980</u></u>	<u><u>3,287,094</u></u>

	The Bank			
	2006		2005	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
Notional risk-weighted assets:				
Categories				
0%	8,328,926	–	4,022,069	–
10%	67,059	6,706	294,805	29,481
20%	4,222,296	844,459	1,498,658	299,731
50%	8,119,385	4,059,693	3,889,353	1,944,677
100%	<u>38,871,146</u>	<u>38,871,146</u>	<u>26,271,294</u>	<u>26,271,294</u>
	<u>59,608,812</u>	<u>43,782,004</u>	<u>35,976,179</u>	<u>28,545,183</u>

Capital Ratios

Core capital ratio	7.03%	7.04%
Risk-weighted capital ratio	<u>12.14%</u>	<u>11.51%</u>

The risk weighted capital adequacy ratio of the Group are as follows:

	The Group	
	2006 RM'000	2005* RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	610,364	528,402
Innovative Tier 1 capital	463,469	–
Share premium	379,953	379,953
Statutory reserve	585,832	528,402
Capital reserve	377,492	–
Merger reserve	679,757	–
Unappropriated profit at end of year	785,600	585,504
Minority interests	70	86
	<u>3,882,537</u>	<u>2,022,347</u>
Less: Deferred tax asset	(793,184)	–
	<u>3,089,353</u>	<u>2,022,347</u>
<u>Tier 2 capital</u>		
Innovative Tier 1 capital	273,151	–
Subordinated term loans	1,140,000	680,000
Subordinated bonds	200,000	200,000
General allowance for bad and doubtful debts and financing	<u>655,374</u>	<u>425,857</u>
Total tier 2 capital	<u>2,268,525</u>	<u>1,305,857</u>
Capital base	<u>5,357,878</u>	<u>3,328,204</u>

	The Group			
	2006		2005	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
Notional risk-weighted assets:				
Categories				
0%	8,328,926	–	4,022,069	–
10%	67,059	6,706	294,805	29,481
20%	4,236,954	847,390	1,516,895	303,379
50%	8,119,385	4,059,693	3,889,353	1,944,677
100%	<u>38,901,332</u>	<u>38,901,332</u>	<u>26,295,026</u>	<u>26,295,026</u>
	<u>59,653,656</u>	<u>43,815,121</u>	<u>36,018,148</u>	<u>28,572,563</u>
Capital Ratios				
Core capital ratio		7.05%		7.08%
Risk-weighted capital ratio		<u>12.23%</u>		<u>11.65%</u>

* The capital ratios for the Group and the Bank as at 31 March 2005 represent the capital ratios of AmFinance Group and AmFinance Berhad respectively. Since these capital ratios are compliance ratios, they had not been adjusted for prior year adjustments.

43. ACQUISITION OF AMISLAMIC BANK BERHAD

On 31 May 2005, the Bank acquired the entire equity interest in AmIslamic Bank Berhad (“AmIslamic Bank”) (formerly known as AMBB Capital Berhad and prior to that, AmBank Berhad), a related company, for a purchase consideration of RM412.7 million based on the unaudited net tangible assets (“NTA”) of AmIslamic Bank 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.

Upon completion of the acquisition of AmIslamic Bank by the Bank, the finance company business of the Bank and the commercial banking business of AmIslamic Bank was merged by way of vesting of AmIslamic Bank’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 commercial banking and finance company operates under a single entity.

The merger accounting method has been adopted as the acquisition of AmIslamic Bank was pursuant to an internal reorganisation of the AMMB Holdings Berhad Group.

Amounts of assets and liabilities contributed by the Bank and Amlslamic Bank as at the date of the merger are as follows:

	The Bank RM'000	Amlslamic Bank RM'000
ASSETS		
Cash and short-term funds	1,902,210	2,815,260
Deposits and placements with banks and other financial institutions	79,422	83,256
Securities held-for-trading	1,147,678	546,145
Securities available-for-sale	52,852	150,343
Securities held-to-maturity	951,954	483,733
Loans, advances and financing	28,068,760	8,415,042
Other assets	381,406	142,470
Deferred tax asset	602,104	135,159
Statutory deposit with Bank Negara Malaysia	1,014,214	319,565
Investment in subsidiary companies	29,779	–
Investment in associated companies	150	–
Property and equipment	343,429	31,991
TOTAL ASSETS	34,573,958	13,122,964
LIABILITIES		
Deposits from customers	22,391,537	7,245,119
Deposits and placements of banks and other financial institutions	5,465,971	3,887,752
Obligation on securities sold under repurchase agreements	265,448	25,738
Bills and acceptances payable	–	603,341
Recourse obligation of loans sold to Cagamas Berhad	1,996,124	179,683
Other liabilities	905,109	308,664
Subordinated term loans	680,000	460,000
Redeemable unsecured subordinated bonds	200,000	–
TOTAL LIABILITIES	31,904,189	12,710,297
NET ASSETS	2,669,769	412,667

44. **SIGNIFICANT EVENTS**

(a) Sale of 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 sale of 10% equity interest in its related company, AmAssurance Berhad (“AmBank Sale”). The 10,000,000 ordinary shares of RM1.00 each were sold at a price of RM6.44 per share for a cash consideration of RM64.4 million.

The purchase consideration in respect of the AmBank Sale was arrived at on a “willing buyer–willing seller” basis after taking into consideration the valuation by an external professional actuary. There were no liabilities assumed by the Bank. The total consideration of RM64.4 million has been paid by IAG International Pty Ltd.

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

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

On 21 December 2005, the Bank 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 fully paid-up capital of HK\$2.00 comprising two (2) ordinary shares of HK\$1.00 each. The intended principal activity of AmTrade Services is provision of trade finance services.

(c) 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, a wholly-owned subsidiary of AmBank (M) Berhad, to non-resident investors;

AMBB Capital (L) Ltd was incorporated on 23 September 2005 and has an authorised 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 (L) Ltd was incorporated for the purpose of issuing the Hybrid Securities. The Bank had, on 6 January 2006 acquired three (3) ordinary shares for a cash consideration of USD3.00, thereby making AMBB Capital (L) Ltd a wholly owned subsidiary of the Bank.

The Hybrid Securities were issued by AMBB Capital (L) Ltd on 27 January 2006 and have the benefit of a subordinated guarantee by the Bank. The gross proceeds of USD200.0 million from the issue of the Hybrid Securities were on-lent to the Bank in the form of a subordinated term loan on 27 January 2006.

The Hybrid Securities were priced at par on a semi-annual coupon of 6.77% per annum for the first ten years. Thereafter, the coupon rate will be at 3 month US dollar LIBOR plus 2.90%.

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, the Bank will be required to issue Substitute Preference Shares to substitute the Hybrid Securities issued by AMBB Capital (L) Ltd. 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 are listed on both the Labuan International Financial Exchange and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

The Hybrid Securities are rated Ba2 by Moody's Investors Services, BB by Standard and Poor's Rating Group and BB by Fitch Ratings Ltd.

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 improves the Bank's capital adequacy ratios and provide the flexibility to fund the growth of its business operations.

45. **SUBSEQUENT EVENTS**

(a) Proposed disposal of Freehold Land and Building

On 11 May 2006, the Bank announced the proposal to dispose its freehold land together with its 46-storey office building known as Menara AmBank to AmFIRST Real Estate Investment Trust ("AmFIRST REIT") for a proposed consideration of RM230 million. The consideration will be satisfied through the issuance of 230 million AmFIRST REIT units at an issue price of RM1.00 per unit of which the Bank will sell to its ultimate holding company, AMMB Holdings Berhad ("AHB") for a cash consideration of RM230 million. The cash proceeds of RM230 million receivable from AHB will be utilised as working capital.

The proposed disposal is subject to approval by the relevant authorities.

(b) Transfer of Islamic Banking Business of AmBank (M) Berhad to Amlslamic Bank Berhad ("Amlslamic Bank")

On 1 May 2006, the Islamic banking business of the Bank was transferred to and vested into Amlslamic Bank, a wholly-owned subsidiary of the Bank, pursuant to the vesting order of the High Court of Malaya made pursuant to Section 50 of the Banking and Financial Institutions Act, 1989. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of issue of 250.0 million new ordinary shares of RM1.00 each by Amlslamic Bank to the Bank at RM3.14 per share.

46. **RISK MANAGEMENT POLICY**

Risk management is about managing uncertainties such that deviations from the Group's intended objectives are kept within acceptable levels. Sustainable profitability forms the core objectives of the Group's risk management strategy.

Every risk assumed by the Group carries with it potential for gains as well as potential to erode shareholders' value. The Group's risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

The management approach towards the significant risks of the Group are enumerated below.

MARKET RISK MANAGEMENT

Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates, foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Group to reduce its position without incurring potential loss that is beyond the sustainability of the Group.

The market risk of the Group's trading and non-trading portfolio is managed separately using value at risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur, brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market condition. For the Group's trading portfolio, the Group's value at risk measurement takes a more sophisticated form by taking into account the correlation effects of various instruments in the portfolio.

The Group controls its market risk exposure of its trading and non-trading activities primarily through a series of threshold limits. Stop loss, value at risk and position sensitivity limits are the primary means of control governing the trading activities of the Group while value at risk limits governs the non-trading positions.

To complement value at risk measurement, the Group also institutes a set of scenario analysis under various potential market conditions such as shifts in currency rates, general equity prices and interest rate movements to assess the changes in portfolio value.

Company No. 8515-D

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.

2006	Non-Trading Book							Trading Book	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	Non-interest sensitive			
The Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	5,973,362	–	–	–	–	–	1,344,536	–	7,317,898	3.42
Deposits and placements with banks and other financial institutions	–	128,908	116,665	36,934	736,620	–	102,126	–	1,121,253	3.37
Securities held-for-trading	–	–	–	–	–	–	511,272	1,758,080	2,269,352	3.28
Securities available-for-sale	–	–	–	–	19,848	73,701	237,964	–	331,513	4.85
Securities held-to-maturity	–	–	21,902	83,401	441,251	705,936	108,656	–	1,361,146	3.41
Loans, advances and financing										
- Performing	11,069,819	580,017	902,780	206,669	6,788,679	11,680,037	6,216,052	–	37,444,053	7.41
- Non-performing *	–	–	–	–	–	–	3,292,498	–	3,292,498	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,271,686	–	3,271,686	–
TOTAL ASSETS	17,043,181	708,925	1,041,347	327,004	7,986,398	12,459,674	15,084,790	1,758,080	56,409,399	
LIABILITIES AND EQUITY										
Deposits from customers	12,533,107	4,764,273	3,759,426	5,721,536	1,502,264	–	4,214,221	–	32,494,827	3.09
Deposits and placements of banks and other financial institutions	3,584,735	2,152,032	781,105	1,345,291	793,656	1,657,500	3,099,230	–	13,413,549	3.41
Obligation on securities sold under repurchase agreements	1,011,886	92,735	–	–	–	–	–	–	1,104,621	3.19
Bills and acceptances payables	223,500	364,670	92,996	–	–	–	228,454	–	909,620	–
Recourse obligation of loans sold to Cagamas Berhad	141,141	55,928	14,520	647,849	919,517	–	–	–	1,778,955	3.89
Subordinated term loans	–	–	–	–	1,140,000	–	–	–	1,140,000	6.65
Hybrid securities	–	–	–	–	–	727,734	–	–	727,734	6.77
Redeemable unsecured subordinates bonds	–	–	–	–	200,000	–	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	1,218,297	–	1,218,297	–
Total Liabilities	17,494,369	7,429,638	4,648,047	7,714,676	4,555,437	2,385,234	8,760,202	–	52,987,603	
Minority interests	–	–	–	–	–	–	70	–	70	
Shareholder's Equity	–	–	–	–	–	–	3,421,726	–	3,421,726	
TOTAL LIABILITIES AND EQUITY	17,494,369	7,429,638	4,648,047	7,714,676	4,555,437	2,385,234	12,181,998	–	56,409,399	
On-balance sheet interest sensitivity gap	(451,188)	(6,720,713)	(3,606,700)	(7,387,672)	3,430,961	10,074,440	2,902,792	1,758,080	–	
Off-balance sheet interest sensitivity gap	967,189	2,695,000	(50,000)	(450,000)	(3,162,189)	–	–	–	–	
Total interest sensitivity gap	<u>516,001</u>	<u>(4,025,713)</u>	<u>(3,656,700)</u>	<u>(7,837,672)</u>	<u>268,772</u>	<u>10,074,440</u>	<u>2,902,792</u>	<u>1,758,080</u>	<u>–</u>	

2005	Non-Trading Book							Trading Book	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	Non-interest sensitive			
The Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	4,701,409	–	–	–	–	–	697,384	–	5,398,793	2.67
Deposits and placements with banks and other financial institutions	–	336,700	–	103	–	–	44,200	–	381,003	2.61
Securities held-for-trading	–	–	–	–	–	–	630,308	862,262	1,492,570	3.58
Securities available-for-sale	–	–	–	–	20,073	76,310	159,286	–	255,669	2.36
Securities held-to-maturity	–	–	36,596	66,911	152,287	759,474	400,784	–	1,416,052	3.82
Loans, advances and financing										
– Performing	10,322,519	582,899	1,006,267	1,395,617	8,534,644	3,043,319	6,294,685	–	31,179,950	7.54
– Non-performing*	–	–	–	–	–	–	4,456,235	–	4,456,235	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,129,321	–	3,129,321	–
TOTAL ASSETS	15,023,928	919,599	1,042,863	1,462,631	8,707,004	3,879,103	15,812,203	862,262	47,709,593	
LIABILITIES AND EQUITY										
Deposits from customers	9,831,539	5,016,693	3,427,908	5,200,351	1,533,572	–	4,151,680	–	29,161,743	3.00
Deposits and placements of banks and other financial institutions	1,699,881	1,605,886	966,898	488,909	346,956	908,000	3,852,060	–	9,868,590	2.75
Obligation on securities sold under repurchase agreements	103,795	–	–	–	–	–	–	–	103,795	2.56
Bills and acceptances payables	127,238	238,952	106,108	–	–	–	43,454	–	515,752	–
Recourse obligation of loans sold to Cagamas Berhad	343,350	157,830	115,458	234,245	1,675,724	127,043	–	–	2,653,650	3.93
Subordinated term loans	–	–	–	–	680,000	460,000	–	–	1,140,000	6.66
Hybrid securities	–	–	–	–	–	–	–	–	–	–
Redeemable unsecured subordinated bonds	–	–	–	–	200,000	–	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	854,153	–	854,153	–
Total Liabilities	12,105,803	7,019,361	4,616,372	5,923,505	4,436,252	1,495,043	8,901,347	–	44,497,683	
Minority interests	–	–	–	–	–	–	86	–	86	
Shareholder's Equity	–	–	–	–	–	–	3,211,824	–	3,211,824	
TOTAL LIABILITIES AND EQUITY	12,105,803	7,019,361	4,616,372	5,923,505	4,436,252	1,495,043	12,113,257	–	47,709,593	
On-balance sheet interest sensitivity gap	2,918,125	(6,099,762)	(3,573,509)	(4,460,874)	4,270,752	2,384,060	3,698,946	862,262	–	
Off-balance sheet interest sensitivity gap	860,000	1,220,000	–	(150,000)	(1,930,000)	–	–	–	–	
Total interest sensitivity gap	<u>3,778,125</u>	<u>(4,879,762)</u>	<u>(3,573,509)</u>	<u>(4,610,874)</u>	<u>2,340,752</u>	<u>2,384,060</u>	<u>3,698,946</u>	<u>862,262</u>	<u>–</u>	

2006	Non-Trading Book							Trading Book	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	Non-interest sensitive			
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	5,973,362	–	–	–	–	–	1,329,981	–	7,303,343	3.42
Deposits and placements with banks and other financial institutions	–	128,908	116,665	36,831	736,620	–	102,126	–	1,121,150	3.37
Securities held-for-trading	–	–	–	–	–	–	511,248	1,758,081	2,269,329	3.28
Securities available-for-sale	–	–	–	–	19,848	73,701	237,964	–	331,513	4.85
Securities held-to-maturity	–	–	21,902	83,401	441,251	705,936	108,438	–	1,360,928	3.41
Loans, advances and financing										
- Performing	11,069,819	580,017	902,780	206,669	6,788,679	11,680,037	6,216,052	–	37,444,053	7.41
- Non-performing *	–	–	–	–	–	–	3,292,498	–	3,292,498	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,118,559	–	3,118,559	–
TOTAL ASSETS	17,043,181	708,925	1,041,347	326,901	7,986,398	12,459,674	14,916,866	1,758,081	56,241,373	
LIABILITIES AND EQUITY										
Deposits from customers	12,534,855	4,764,273	3,759,426	5,721,536	1,502,264	–	4,214,221	–	32,496,575	3.09
Deposits and placements of banks and other financial institutions	3,584,735	2,152,032	781,105	1,345,291	793,656	1,657,500	3,099,230	–	13,413,549	3.41
Obligation on securities sold under repurchase agreements	1,011,886	92,735	–	–	–	–	–	–	1,104,621	3.19
Bills and acceptances payables	223,500	364,670	92,996	–	–	–	228,454	–	909,620	–
Recourse obligation of loans sold to Cagamas Berhad	141,141	55,928	14,520	647,849	919,517	–	–	–	1,778,955	3.89
Subordinated term loans	–	–	–	–	1,140,000	–	–	–	1,140,000	6.65
Hybrid securities	–	–	–	–	–	727,734	–	–	727,734	6.77
Redeemable unsecured subordinated bonds	–	–	–	–	200,000	–	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	1,212,680	–	1,212,680	–
Total Liabilities	17,496,117	7,429,638	4,648,047	7,714,676	4,555,437	2,385,234	8,754,585	–	52,983,734	
Shareholder's Equity	–	–	–	–	–	–	3,257,639	–	3,257,639	
TOTAL LIABILITIES AND EQUITY	17,496,117	7,429,638	4,648,047	7,714,676	4,555,437	2,385,234	12,012,224	–	56,241,373	
On-balance sheet interest sensitivity gap	(452,936)	(6,720,713)	(3,606,700)	(7,387,775)	3,430,961	10,074,440	2,904,642	1,758,081	–	
Off-balance sheet interest sensitivity gap	967,189	2,695,000	(50,000)	(450,000)	(3,162,189)	–	–	–	–	
Total interest sensitivity gap	514,253	(4,025,713)	(3,656,700)	(7,837,775)	268,772	10,074,440	2,904,642	1,758,081	–	

2005	Non-Trading Book							Trading Book	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	Non-interest sensitive			
The Bank	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 banks and other financial institutions	–	336,700	–	–	–	–	22,100	–	358,800	2.60
Securities held-for-trading	–	–	–	–	–	–	261,404	694,804	956,208	3.68
Securities available-for-sale	–	–	–	–	–	–	102,949	–	102,949	2.20
Securities held-to-maturity	–	–	–	67,786	150,672	371,888	333,864	–	924,210	2.86
Loans, advances and financing										
– Performing	6,201,736	308,951	785,750	1,394,522	8,211,160	1,963,188	5,425,947	–	24,291,254	7.75
– Non-performing*	–	–	–	–	–	–	2,991,136	–	2,991,136	–
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	11,924,533	694,804	35,118,060	
LIABILITIES AND EQUITY										
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	957,154	926,745	423,872	199,773	313,434	908,000	2,490,761	–	6,219,739	2.66
Obligation on securities sold under repurchase agreements	33,059	–	–	–	–	–	–	–	33,059	2.46
Bills and acceptances payables	–	–	–	–	–	–	–	–	–	–
Recourse obligation of loans sold to Caammas Berhad	341,683	154,481	110,392	223,961	1,498,163	127,043	–	–	2,455,723	3.92
Subordinated term loans	–	–	–	–	680,000	–	–	–	680,000	6.50
Hybrid securities	–	–	–	–	–	–	–	–	–	–
Redeemable unsecured subordinated bonds	–	–	–	–	200,000	–	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	612,463	–	612,463	–
Total Liabilities	8,374,415	4,559,011	3,377,379	5,004,609	4,056,875	1,035,043	6,067,108	–	32,474,440	
Shareholder's Equity	–	–	–	–	–	–	2,643,620	–	2,643,620	
TOTAL LIABILITIES AND EQUITY	8,374,415	4,559,011	3,377,379	5,004,609	4,056,875	1,035,043	8,710,728	–	35,118,060	
On-balance sheet interest sensitivity gap	533,691	(3,913,360)	(2,591,629)	(3,542,301)	4,304,957	1,300,033	3,213,805	694,804	–	
Off-balance sheet interest sensitivity gap	860,000	1,220,000	–	(150,000)	(1,930,000)	–	–	–	–	
Total interest sensitivity gap	<u>1,393,691</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>3,213,805</u>	<u>694,804</u>	<u>–</u>	

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

LIQUIDITY RISK

Liquidity risk is the risk that the organisation will not be able to fund its day-to-day operations at a reasonable cost.

The primary objective of liquidity risk management framework is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they come due.

The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base, and maturity period.

The ongoing liquidity risk management at the Group is based on the following key strategies:

- Management of cash-flow; an assessment of potential cash flow mismatches that may arise over a period of one-year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of Bank Negara Malaysia.
- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

In the event of actual liquidity crisis occurring, a Contingency Funding Plan provides a formal process to identify a liquidity crisis and detailing responsibilities among the relevant departments to ensure orderly execution of procedures to restore the liquidity position and confidence in the Group.

Company No. 8515-D

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on contractual terms:

2006

The Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	7,317,898	–	–	–	–	–	–	7,317,898
Deposits and placements with banks and other financial institutions	–	231,034	116,665	36,934	736,620	–	–	1,121,253
Securities held-for-trading	1,032,971	402,077	128,812	263,059	291,636	57,153	93,644	2,269,352
Securities available-for-sale	–	–	–	–	19,848	73,701	237,964	331,513
Securities held-to-maturity	–	–	21,902	83,401	441,251	705,936	108,656	1,361,146
Loans, advances and financing	4,978,148	2,332,744	2,329,995	3,569,140	14,175,905	13,350,619	–	40,736,551
Other assets	–	–	–	–	–	–	521,703	521,703
Deferred tax asset	–	–	–	–	–	–	793,184	793,184
Statutory deposit with Bank Negara Malaysia	–	–	–	–	–	–	1,532,563	1,532,563
Investment in associated companies	–	–	–	–	–	–	545	545
Property and equipment	–	–	–	–	–	–	423,691	423,691
TOTAL ASSETS	13,329,017	2,965,855	2,597,374	3,952,534	15,665,260	14,187,409	3,711,950	56,409,399
LIABILITIES AND EQUITY								
Deposits from customers	15,129,574	5,498,498	4,293,728	6,014,429	1,558,598	–	–	32,494,827
Deposits and placements of banks and other financial institutions	4,413,839	2,762,840	1,303,386	1,473,225	1,802,759	1,657,500	–	13,413,549
Obligation on securities sold under repurchase agreements	1,011,886	92,735	–	–	–	–	–	1,104,621
Bills and acceptances	291,371	497,626	120,623	–	–	–	–	909,620
Recourse obligation of loans sold to Cagamas Berhad	141,141	55,928	14,520	647,849	919,517	–	–	1,778,955
Other liabilities	–	–	–	–	–	–	1,218,297	1,218,297
Subordinated term loans	–	–	–	–	–	1,140,000	–	1,140,000
Hybrid securities	–	–	–	–	–	727,734	–	727,734
Redeemable unsecured subordinated bonds	–	–	–	–	–	200,000	–	200,000
Total Liabilities	20,987,811	8,907,627	5,732,257	8,135,503	4,280,874	3,725,234	1,218,297	52,987,603
Minority interests	–	–	–	–	–	–	70	70
Shareholder's Equity	–	–	–	–	–	–	3,421,726	3,421,726
TOTAL LIABILITIES AND EQUITY	20,987,811	8,907,627	5,732,257	8,135,503	4,280,874	3,725,234	4,640,093	56,409,399
Net maturity mismatch	(7,658,794)	(5,941,772)	(3,134,883)	(4,182,969)	11,384,386	10,462,175	(928,143)	–

Company No. 8515-D

2005

The Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non-Specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	5,398,793	–	–	–	–	–	–	5,398,793
Deposits and placements with banks and other financial institutions	–	380,900	–	103	–	–	–	381,003
Securities held-for-trading	114,535	10,087	320,984	201,015	727,205	42,948	75,796	1,492,570
Securities available-for-sale	–	–	–	–	20,073	76,310	159,286	255,669
Securities held-to-maturity	–	–	36,596	226,841	284,703	758,838	109,074	1,416,052
Loans, advances and financing	5,467,939	1,932,087	2,131,614	3,773,156	13,509,926	8,821,463	–	35,636,185
Other assets	–	–	–	–	–	–	502,950	502,950
Deferred tax asset	–	–	–	–	–	–	907,881	907,881
Statutory deposit with Bank Negara Malaysia	–	–	–	–	–	–	1,301,583	1,301,583
Investment in associated companies	–	–	–	–	–	–	458	458
Property and equipment	–	–	–	–	–	–	416,449	416,449
TOTAL ASSETS	<u>10,981,267</u>	<u>2,323,074</u>	<u>2,489,194</u>	<u>4,201,115</u>	<u>14,541,907</u>	<u>9,699,559</u>	<u>3,473,477</u>	<u>47,709,593</u>
LIABILITIES AND EQUITY								
Deposits from customers	12,633,189	5,778,595	3,760,241	5,340,560	1,649,158	–	–	29,161,743
Deposits and placements of banks and other financial institutions	2,789,951	2,932,080	1,287,382	1,065,348	885,829	908,000	–	9,868,590
Obligation on securities sold under repurchase agreements	103,795	–	–	–	–	–	–	103,795
Bills and acceptances	134,051	253,965	127,736	–	–	–	–	515,752
Recourse obligation of loans sold to Cagamas Berhad	343,350	157,830	115,458	234,245	1,675,724	127,043	–	2,653,650
Other liabilities	–	–	–	–	–	–	854,153	854,153
Subordinated term loans	–	–	–	–	–	1,140,000	–	1,140,000
Hybrid securities	–	–	–	–	–	–	–	–
Redeemable unsecured subordinated bonds	–	–	–	–	–	200,000	–	200,000
Total Liabilities	16,004,336	9,122,470	5,290,817	6,640,153	4,210,711	2,375,043	854,153	44,497,683
Minority interests	–	–	–	–	–	–	86	86
Shareholder's Equity	–	–	–	–	–	–	3,211,824	3,211,824
TOTAL LIABILITIES AND EQUITY	<u>16,004,336</u>	<u>9,122,470</u>	<u>5,290,817</u>	<u>6,640,153</u>	<u>4,210,711</u>	<u>2,375,043</u>	<u>4,066,063</u>	<u>47,709,593</u>
Net maturity mismatch	<u>(5,023,069)</u>	<u>(6,799,396)</u>	<u>(2,801,623)</u>	<u>(2,439,038)</u>	<u>10,331,196</u>	<u>7,324,516</u>	<u>(592,586)</u>	<u>–</u>

Company No. 8515-D

2006

The Bank	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	7,303,343	–	–	–	–	–	–	7,303,343
Deposits and placements with financial institutions	–	231,034	116,665	36,831	736,620	–	–	1,121,150
Securities held-for-trading	1,032,971	402,077	128,812	263,059	291,636	57,153	93,621	2,269,329
Securities available-for-sale	–	–	–	–	19,848	73,701	237,964	331,513
Securities held-to-maturity	–	–	21,902	83,401	441,251	705,936	108,438	1,360,928
Loans, advances and financing	4,978,148	2,332,744	2,329,995	3,569,140	14,175,905	13,350,619	–	40,736,551
Other assets	–	–	–	–	–	–	523,838	523,838
Deferred tax asset	–	–	–	–	–	–	640,146	640,146
Statutory deposit with Bank Negara Malaysia	–	–	–	–	–	–	1,532,563	1,532,563
Investment in subsidiary companies	–	–	–	–	–	–	29,779	29,779
Investment in associated companies	–	–	–	–	–	–	137	137
Property and equipment	–	–	–	–	–	–	392,096	392,096
TOTAL ASSETS	13,314,462	2,965,855	2,597,374	3,952,431	15,665,260	14,187,409	3,558,582	56,241,373
LIABILITIES AND EQUITY								
Deposits from customers	15,131,322	5,498,498	4,293,728	6,014,429	1,558,598	–	–	32,496,575
Deposits and placements of banks and other financial institutions	4,413,839	2,762,840	1,303,386	1,473,225	1,802,759	1,657,500	–	13,413,549
Obligation on securities sold under repurchase agreements	1,011,886	92,735	–	–	–	–	–	1,104,621
Bills and acceptances	291,371	497,626	120,623	–	–	–	–	909,620
Recourse obligation of loans sold to Cagamas Berhad	141,141	55,928	14,520	647,849	919,517	–	–	1,778,955
Other liabilities	–	–	–	–	–	–	1,212,680	1,212,680
Subordinated term loans	–	–	–	–	–	1,140,000	–	1,140,000
Hybrid securities	–	–	–	–	–	727,734	–	727,734
Redeemable unsecured subordinated bonds	–	–	–	–	–	200,000	–	200,000
Total Liabilities	20,989,559	8,907,627	5,732,257	8,135,503	4,280,874	3,725,234	1,212,680	52,983,734
Shareholder's Equity	–	–	–	–	–	–	3,257,639	3,257,639
TOTAL LIABILITIES AND EQUITY	20,989,559	8,907,627	5,732,257	8,135,503	4,280,874	3,725,234	4,470,319	56,241,373
Net maturity mismatch	(7,675,097)	(5,941,772)	(3,134,883)	(4,183,072)	11,384,386	10,462,175	(911,737)	–

Company No. 8515-D

2005

The Bank	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-specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	3,156,862	–	–	–	–	–	–	3,156,862
Deposits and placements with banks and other financial institutions	–	358,800	–	–	–	–	–	358,800
Securities held-for-trading	100,212	–	300,863	68,281	411,056	–	75,796	956,208
Securities available-for-sale	–	–	–	–	–	–	102,949	102,949
Securities held-to-maturity	–	–	–	227,716	283,126	371,888	41,480	924,210
Loans, advances and financing	2,821,272	1,276,637	1,819,088	3,444,389	12,178,803	5,742,201	–	27,282,390
Other assets	–	–	–	–	–	–	349,608	349,608
Deferred tax asset	–	–	–	–	–	–	616,284	616,284
Statutory deposit with Bank Negara Malaysia	–	–	–	–	–	–	988,930	988,930
Investment in subsidiary companies	–	–	–	–	–	–	29,779	29,779
Investment in associated companies	–	–	–	–	–	–	150	150
Property and equipment	–	–	–	–	–	–	351,890	351,890
TOTAL ASSETS	6,078,346	1,635,437	2,119,951	3,740,386	12,872,985	6,114,089	2,556,866	35,118,060
LIABILITIES AND EQUITY								
Deposits from customers	8,744,447	4,198,546	3,160,240	4,689,867	1,480,356	–	–	22,273,456
Deposits and placements of banks and other financial institutions	1,581,428	1,600,866	620,406	683,360	825,679	908,000	–	6,219,739
Obligation on securities sold under repurchase agreements	33,059	–	–	–	–	–	–	33,059
Recourse obligation of loans sold to Cagamas Berhad	341,683	154,481	110,392	223,961	1,498,163	127,043	–	2,455,723
Other liabilities	–	–	–	–	–	–	612,463	612,463
Subordinated term loans	–	–	–	–	–	680,000	–	680,000
Hybrid securities	–	–	–	–	–	–	–	–
Redeemable unsecured subordinated bonds	–	–	–	–	–	200,000	–	200,000
Total Liabilities	10,700,617	5,953,893	3,891,038	5,597,188	3,804,198	1,915,043	612,463	32,474,440
Shareholder's Equity	–	–	–	–	–	–	2,643,620	2,643,620
TOTAL LIABILITIES AND EQUITY	10,700,617	5,953,893	3,891,038	5,597,188	3,804,198	1,915,043	3,256,083	35,118,060
Net maturity mismatch	(4,622,271)	(4,318,456)	(1,771,087)	(1,856,802)	9,068,787	4,199,046	(699,217)	–

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending and guarantee activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.

The primary objective of the credit risk management framework is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

For non-retail credits, risk management begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores which are then translated into a rating grade, which ranges from 'AAA' (lowest risk) to 'C' (highest risk). Credit risk is quantified based on Expected Default Frequencies and Expected Losses on default from its portfolio of loans and off-balance sheet credit commitments. Expected Default Frequencies are calibrated to the internal rating model while Loan Loss Estimates are based on past portfolio default experiences.

For retail credits, an in-house developed credit-scoring system to support the housing and hire purchase applications is being used to complement the credit assessment process.

The Group's lending activities are guided by internal credit policies and guidelines that are approved by the Board of Directors. Within these policies, single customer limits restrict total exposure allowed to corporate groups according to their level of creditworthiness, while sector limits ensure that the Group's total credit exposure to each economic sector is within prudent thresholds.

OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

Operational risk management is the discipline of systematically identifying the critical potential points and causes of failure, assess the potential cost and to minimise the impact of such risk through the initiation of risk mitigating measures and policies.

The Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking contingency planning. These are supported by independent reviews by the Group's Internal Audit team.

LEGAL AND REGULATORY RISK

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organisation to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimise these risks, staff training and assessments, provision of advice and disseminating of information.

RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

Purpose of engaging in financial derivatives

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

The principal exchange rate contracts used are forward foreign exchange contracts. 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.

The principal interest rate contracts used are interest rate swaps. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

For revenue purposes, the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate and foreign exchange rate exposure. Derivative transactions generate income for the Group from the buy-sell spreads.

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

Fair value of financial derivatives

The estimated fair values of the Group's outstanding derivative financial instruments are as below.

These values are stand alone without taking into account their potential offsetting relationship with other non-derivatives exposures of the Group.

	2006		2005	
	Principal Amount RM'000	Fair Value RM'000	Principal Amount RM'000	Fair Value RM'000
Interest rate related contracts:				
– Interest rate swaps	<u>4,848,809</u>	<u>(10,249)</u>	<u>2,130,000</u>	<u>(8,472)</u>

Risk associated with financial derivatives

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

Market risk of derivatives used for trading purposes

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

Credit risk of derivatives

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

As at 31 March 2006, the Group and the Bank has a counterparty credit risk of RM16,519,000 (2005: Nil) being the cost to replace the positive value contracts. This may vary 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.

47. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiary companies and taxation are excluded, as they do not fall within the scope of FRS132 (Financial Instruments: Disclosure and Presentation) (formerly known as Malaysian Accounting Standards Board ("MASB") 24), which requires the fair value information to be disclosed.

The estimated fair values of the Group's and the Bank's financial instruments are as follows:

The Group	2006		2005	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	7,317,898	7,317,898	5,398,793	5,398,793
Deposits and placements with banks and other financial institutions	1,121,253	1,121,253	381,003	381,003
Securities held-for -trading	2,269,352	2,269,352	1,492,570	1,492,570
Securities available-for-sale	331,513	351,311	255,669	255,669
Securities held-to-maturity	1,361,146	1,580,796	1,416,052	1,626,899
Loans, advances and financing *	41,393,345	41,912,182	36,192,880	36,922,046
Other financial assets	457,125	457,125	420,579	420,579
	<u>54,251,632</u>	<u>55,009,917</u>	<u>45,557,546</u>	<u>46,497,559</u>
Non-financial assets	<u>2,157,767</u>	<u>2,157,767</u>	<u>2,152,047</u>	<u>2,152,047</u>
TOTAL ASSETS	<u>56,409,399</u>	<u>57,167,684</u>	<u>47,709,593</u>	<u>48,649,606</u>
Financial Liabilities				
Deposits from customers	32,494,827	32,566,718	29,161,743	29,267,900
Deposits and placements of banks and other financial institutions	13,413,549	12,994,386	9,868,590	9,770,050
Obligation on securities sold under repurchase agreements	1,104,621	1,104,621	103,795	103,795
Recourse obligation of loans sold to Cagamas Berhad	1,778,955	1,768,802	2,653,650	2,649,300
Bills and acceptances payables	909,620	909,620	515,752	515,752
Subordinated term loans	1,140,000	1,224,654	1,140,000	1,136,246
Hybrid securities	727,734	767,499	–	–
Redeemable unsecured subordinated bonds	200,000	211,381	200,000	201,622
Other financial liabilities	1,101,800	1,101,800	731,088	731,088
	<u>52,871,106</u>	<u>52,649,481</u>	<u>44,374,618</u>	<u>44,375,753</u>
Non-Financial Liabilities				
Other non-financial liabilities	116,497	116,497	123,065	123,065
Minority interests	70	70	86	86
Shareholder's equity	3,421,726	3,421,726	3,211,824	3,211,824
	<u>3,538,293</u>	<u>3,538,293</u>	<u>3,334,975</u>	<u>3,334,975</u>
TOTAL LIABILITIES AND EQUITY	<u>56,409,399</u>	<u>56,187,774</u>	<u>47,709,593</u>	<u>47,710,728</u>

* The general allowance for the Bank amounting to RM656,794,000 (2005: RM556,695,000) has been included under non-financial assets.

	2006		2005	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
The Bank				
Financial Assets				
Cash and short-term funds	7,303,343	7,303,343	3,156,862	3,156,862
Deposits and placements with banks and other financial institutions	1,121,150	1,121,150	358,800	358,800
Securities held-for-trading	2,269,329	2,269,329	956,208	956,208
Securities available-for-sale	331,513	351,311	102,949	102,949
Securities held-to-maturity	1,360,928	1,580,578	924,210	1,109,880
Loans, advances and financing *	41,393,345	41,912,182	27,711,798	28,440,964
Other financial assets	454,344	454,344	267,238	267,238
	<u>54,233,952</u>	<u>54,992,237</u>	<u>33,478,065</u>	<u>34,392,901</u>
Non-financial assets	2,007,421	2,007,421	1,639,995	1,639,995
TOTAL ASSETS	<u>56,241,373</u>	<u>56,999,658</u>	<u>35,118,060</u>	<u>36,032,896</u>
Financial Liabilities				
Deposits from customers	32,496,575	32,568,467	22,273,456	22,360,908
Deposits and placements of banks and other financial institutions	13,413,549	12,994,386	6,219,739	6,118,623
Obligation on securities sold under repurchase agreements	1,104,621	1,104,621	33,059	33,059
Recourse obligation of loans sold to Cagamas Berhad	1,778,955	1,768,802	2,455,723	2,451,554
Bills and acceptances payables	909,620	909,620	–	–
Other financial liabilities	1,096,200	1,096,200	502,110	502,110
Subordinated term loans	1,140,000	1,224,654	680,000	670,269
Hybrid securities	727,734	767,499	–	–
Redeemable unsecured subordinated bonds	200,000	211,382	200,000	201,622
	<u>52,867,254</u>	<u>52,645,631</u>	<u>32,364,087</u>	<u>32,338,145</u>
Non-Financial Liabilities				
Other non-financial liabilities	116,480	116,480	110,353	110,353
Shareholder's equity	3,257,639	3,257,639	2,643,620	2,643,620
	<u>3,374,119</u>	<u>3,374,119</u>	<u>2,753,973</u>	<u>2,753,973</u>
TOTAL LIABILITIES AND EQUITY	<u>56,241,373</u>	<u>56,019,750</u>	<u>35,118,060</u>	<u>35,092,118</u>

* The general allowance for the Bank amounting to RM656,794,000 (2005: RM429,408,000) has been included under non-financial assets.

The fair value of derivatives financial instruments are shown in Note 46.

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallise. The Group assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no allowances is necessary to be made.

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2006:

(a) Cash And Short-Term Funds

The carrying values are a reasonable estimate of the fair values because of negligible credit risk, short-term nature or frequent repricing.

(b) Securities Purchased Under Repurchased Agreements And Deposits With Financial Institutions

The fair values of securities purchased under repurchased agreements and deposits with financial institutions with remaining maturities less than six months are estimated to approximate their carrying values. For securities purchased under repurchase agreements and deposits with financial institutions with maturities of more than six months, the fair value are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

(c) Securities Held-For-Trading, Securities Available-For-Sale And Securities Held-To-Maturity

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at par value, taking into consideration the underlying collateral values or their carrying amount at the balance sheet date.

(d) Loans, Advances And Financing (“Loans And Financing”)

The fair value of variable rate loans and financing are estimated to approximate their carrying values. For fixed rate loans and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing indicative rates adjusted for credit risk. In respect of non-performing loans and financing, the fair values are deemed to approximate the carrying value, net of specific allowance for bad and doubtful debts and financing.

(e) Deposits From Customers, Deposits Of Banks And Other Financial Institutions And Securities Sold Under Repurchase Agreements

The fair value of deposits liabilities payable on demand (“current and savings deposits”) or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair value of term deposits, negotiable instrument of deposits and securities sold under repurchase agreements with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates and interest rate swap rates.

(f) Recourse Obligation on Loans Sold To Cagamas Berhad

The fair values for amount due to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at balance sheet date.

(g) Bills and Acceptances Payables

The carrying values are reasonable estimate of their fair values because of their short-term nature.

(h) Subordinated Term Loans, Redeemable Unsecured Subordinated Bonds and Hybrid Securities (“Borrowings”)

The fair value of borrowings with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair value of borrowings with remaining maturities of more than six months are estimated based on discounted cash flows using market indicative rates of instruments with similar risk profiles at balance sheet date.

(i) Interest Rate Swaps

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

The fair value of the other financial assets and other financial liabilities, which are considered short term in nature, are estimated to be approximately their carrying value.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting value estimates.

48. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES

(a) Change in Accounting Policies

During the financial year ended 31 March 2006, 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 are stated at fair value and any gain or loss arising from a change in their fair values or 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 have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-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 the derecognition of securities held-to-maturity are recognised in the income statement.

- (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) 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) Comparative figures

Changes in comparative figures arising from the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia have been applied retrospectively. These comparative amounts which have been reclassified to conform with the current year's presentation are as follows.

	As previously stated	Effect of change	As restated
	RM'000	RM'000	RM'000
The Group *			
At 31 March 2005			
Balance Sheets			
Dealing Securities	272,468	(272,468)	–
Investment Securities	2,858,872	(2,858,872)	–
Securities held-for-trading	–	1,492,570	1,492,570
Securities available-for-sale	–	255,669	225,669
Securities held-to-maturity	–	1,416,052	1,416,052
Deferred tax assets	908,401	(520)	907,881
Reserves	2,569,029	32,431	2,601,460
Income Statements			
Income from Islamic Banking operations	387,894	(55,235)	332,659
Non-interest income	161,372	1,327	162,699
Impairment writeback/(loss) on securities held-to-maturity (Allowances)/ Writeback of allowance for diminution in value of investment - net	–	4,287	4,287
Transfer to profit equalisation reserves	4,845	(4,845)	–
Taxation	(55,754)	55,754	–
	(95,229)	(361)	(95,590)

* The comparative figures of the Group as at 31 March 2005 as previously stated incorporates balances and amounts in respect of the acquisition of Amlslamic Bank in accordance with merger accounting.

	As previously stated RM'000	Effect of change RM'000	As restated RM'000
The Bank			
At 31 March 2005			
Balance Sheets			
Dealing Securities	75,796	(75,796)	–
Investment Securities	1,874,620	(1,874,620)	–
Securities held-for-trading	–	956,208	956,208
Securities available-for-sale	–	102,949	102,949
Securities held-to-maturity	–	924,210	924,210
Deferred tax assets	616,804	(520)	616,284
Reserves	2,082,787	32,431	2,115,218
Income Statements			
Income from Islamic Banking operations	362,995	(45,424)	317,571
Non-interest income	79,806	3,023	82,829
Impairment writeback/(loss) on securities held-to-maturity (Allowances)/ Writeback of allowance for diminution in value of investment - net	–	(6,261)	(6,261)
Transfer to profit equalisation reserves	(4,597)	4,597	–
Taxation	(133,476)	(361)	(133,837)

49. THE OPERATIONS OF ISLAMIC BANKING SCHEME

The state of affairs as at 31 March 2006 (1 Rabiulawal 1427 Hijrah) and the results for the financial year ended on that date under the Islamic Banking Scheme are summarised as follows:

BALANCE SHEET AS AT 31 MARCH 2006

	Note	The Group		The Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
Cash and short-term funds	(b)	1,154,550	451,268	1,154,550	249,385
Deposits and placements with banks and other financial institutions	(c)	102,126	44,200	102,126	22,100
Securities held-for-trading	(d)	511,248	554,166	511,248	185,608
Securities available-for-sale	(e)	—	—	—	—
Financing, advances and other loans	(f)	6,431,606	6,514,868	6,431,606	5,602,309
Statutory deposit with Bank Negara Malaysia		275,350	231,181	275,350	204,938
Property and equipment		6	15	6	15
Other assets	(g)	8,541	12,528	8,541	11,068
Deferred tax asset	(r)	68,685	81,720	68,685	53,450
TOTAL ASSETS		<u>8,552,112</u>	<u>7,889,946</u>	<u>8,552,112</u>	<u>6,328,873</u>
LIABILITIES AND ISLAMIC BANKING FUND					
Deposits from customers	(h)	4,214,221	3,267,568	4,214,221	2,963,884
Deposits and placements of banks and other financial institutions	(i)	3,087,829	3,598,781	3,087,829	2,490,761
Bills and acceptances payable		228,454	43,454	228,454	—
Other liabilities	(j)	249,386	339,188	249,386	233,273
Total Liabilities		<u>7,779,890</u>	<u>7,248,991</u>	<u>7,779,890</u>	<u>5,687,918</u>
Capital funds	(k)	460,542	420,542	460,542	420,542
Unappropriated profits		311,680	220,413	311,680	220,413
Islamic Banking Funds		<u>772,222</u>	<u>640,955</u>	<u>772,222</u>	<u>640,955</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		<u>8,552,112</u>	<u>7,889,946</u>	<u>8,552,112</u>	<u>6,328,873</u>
COMMITMENTS AND CONTINGENCIES	(u)	<u>3,360,090</u>	<u>1,933,823</u>	<u>3,360,090</u>	<u>1,100,797</u>

The accompanying notes form an integral part of the Islamic Banking Business financial statements.

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006 (1 Rabiulawal 1427 Hijrah)

	Note	The Group		The Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and others	(l)	666,978	558,802	651,005	498,298
Allowance for losses on financing, advances and other loans	(m)	(155,648)	(186,113)	(153,938)	(113,535)
Impairment loss on securities		94	113	94	–
Transfer to profit equalisation reserve		(6,414)	(55,754)	(6,098)	(45,353)
Total attributable income		505,010	317,048	491,063	339,410
Income attributable to the depositors	(n)	(255,279)	(224,499)	(248,690)	(185,035)
Income attributable to the Bank		249,731	92,549	242,373	154,375
Income derived from investment of Islamic Banking Capital Fund	(o)	52,836	54,110	52,427	49,661
Total net income		302,567	146,659	294,800	204,036
Other operating expenses	(p)	(164,144)	(35,857)	(163,823)	(33,532)
Profit before taxation		138,423	110,802	130,977	170,504
Taxation	(q)	(39,710)	(31,093)	(39,710)	(47,809)
Net profit for the year		<u>98,713</u>	<u>79,709</u>	<u>91,267</u>	<u>122,695</u>

The accompanying notes form an integral part of the Islamic Banking Business financial statements.

**STATEMENTS OF CHANGES IN ISLAMIC BANKING FUND
FOR THE YEAR ENDED 31 MARCH 2006**

The Group	Capital RM'000	Unappro- priated profit RM'000	Total RM'000
Balance as at 1 April 2004			
As previously stated	360,542	97,418	457,960
Prior year adjustments	–	300	300
As restated	360,542	97,718	458,260
Increase in capital fund	60,000	–	60,000
Profit for the year	–	79,709	79,709
Loss attributable to period prior to merger	–	42,986	42,986
Balance as at 31 March 2005 (As restated)	420,542	220,413	640,955
Balance as at 1 April 2005			
As previously stated	420,542	220,164	640,706
Prior year adjustments (note y)	–	249	249
As restated	420,542	220,413	640,955
Increase in capital fund	40,000	–	40,000
Profit for the year	–	98,713	98,713
Profit attributable to period prior to merger	–	(7,446)	(7,446)
Balance as at 31 March 2006	460,542	311,680	772,222

The accompanying notes form an integral part of the Islamic Banking Business financial statements.

**STATEMENTS OF CHANGES IN ISLAMIC BANKING FUND
FOR THE YEAR ENDED 31 MARCH 2006**

The Bank	Capital RM'000	Unappro- priated profit RM'000	Total RM'000
Balance as at 1 April 2004			
As previously stated	360,542	97,418	457,960
Prior year adjustments	–	300	300
As restated	360,542	97,718	458,260
Increase in capital fund	60,000	–	60,000
Profit for the year	–	122,695	122,695
Balance as at 31 March 2005 (As restated)	420,542	220,413	640,955
Balance as at 1 April 2005			
As previously stated	420,542	220,164	640,706
Prior year adjustments (note y)	–	249	249
As restated	420,542	220,413	640,955
Increase in capital fund	40,000	–	40,000
Profit for the year	–	91,267	91,267
Balance as at 31 March 2006	460,542	311,680	772,222

The accompanying notes form an integral part of the Islamic Banking Business financial statements.

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	138,423	110,802	130,977	170,504
Adjustments for:				
Loan and financing loss and allowances, net of recoveries	155,648	186,113	153,938	113,535
Income suspended - net	13,351	14,054	12,902	13,236
Depreciation of property and equipment	–	17	–	17
Transfer to profit equalisation reserve	6,414	55,754	6,098	45,353
Accretion of discount	(11,426)	(18,225)	(9,667)	(5,994)
(Gain)/Loss on revaluation of securities held-for-trading	(1,900)	(519)	(2,015)	71
(Gain)/Loss on disposal of securities held-for-trading	(867)	(304)	(817)	–
Impairment writeback/(loss) on securities	–	(113)	–	–
Operating Profit Before Working Capital Changes	299,643	347,579	291,416	336,722
(Increase)/Decrease In Operating Assets:				
Deposits and placements with financial institutions	(57,926)	(44,200)	(69,827)	(22,100)
Securities held-for-trading	57,111	77,981	57,011	(24,006)
Financing activities	(85,737)	(787,333)	(65,963)	(567,324)
Other assets	3,987	(10,615)	3,664	(10,685)
Statutory deposit with Bank Negara Malaysia	(44,169)	(32,031)	(43,953)	(19,753)
Increase/(Decrease) In Operating Liabilities:				
Deposits from customers	946,653	392,724	836,819	417,360
Deposits and placements of banks and other financial institutions	(510,952)	362,812	(351,959)	22,782
Bills and acceptances payables	185,000	43,303	123,130	–
Other liabilities	(130,320)	(118,616)	(121,688)	(15,083)
Net Cash Generated From Operating Activities	663,290	231,604	658,650	117,913

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(8)	–	(8)	–
Net proceeds on disposal of securities-held-to-maturity	–	113	–	–
Cash and cash equivalent acquired from subsidiary company	–	–	206,523	–
Net Cash (Used in)/Generated From Investing Activities	(8)	113	206,515	–
CASH FLOWS FROM FINANCING ACTIVITY				
Increase in capital fund	40,000	60,000	40,000	60,000
Net Cash Generated From Financing Activity	40,000	60,000	40,000	60,000
Net Increase In Cash And Cash Equivalents	703,282	291,717	905,165	177,913
Cash And Cash Equivalents At Beginning Of Year	451,268	159,551	249,385	71,472
Cash And Cash Equivalents At End Of Year	<u>1,154,550</u>	<u>451,268</u>	<u>1,154,550</u>	<u>249,385</u>

Cash and Cash Equivalents

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

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and short term funds	<u>1,154,550</u>	<u>451,268</u>	<u>1,154,550</u>	<u>249,385</u>

The accompanying notes form an integral part of the Islamic Banking Business financial statements.

NOTES TO THE ISLAMIC BANKING SCHEME FINANCIAL STATEMENTS**(a) ISLAMIC BANKING OPERATIONS****Disclosure of Shariah Advisor**

The Bank's Islamic Banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisors, Dr Amir Husin Mohd Nor, En. Adnan Bin Yusoff and Professor Madya Dr. Noor Naemah Abdul Rahman.

The role and authority of the Shariah Advisors is to advise and provide guidance on all matters with respect to compliance with Shariah principles including product development, business, marketing and operational implementation activities.

(b) CASH AND SHORT TERM FUNDS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and balances with banks and other financial institutions	4,550	9,018	4,550	35
Money at call and deposit placements maturing within one month	<u>1,150,000</u>	<u>442,250</u>	<u>1,150,000</u>	<u>249,350</u>
	<u><u>1,154,550</u></u>	<u><u>451,268</u></u>	<u><u>1,154,550</u></u>	<u><u>249,385</u></u>

(c) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	100,000	–	100,000	–
Bank Negara Malaysia	<u>2,126</u>	<u>44,200</u>	<u>2,126</u>	<u>22,100</u>
	<u><u>102,126</u></u>	<u><u>44,200</u></u>	<u><u>102,126</u></u>	<u><u>22,100</u></u>

(d) SECURITIES HELD-FOR-TRADING

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At fair value:				
Money Market Securities:				
Malaysian Government Investment Certificates	119,975	150,556	119,975	104,224
Islamic Khazanah bonds	–	110,213	–	81,384
Negotiable Islamic Debt Certificates	296,124	224,005	296,124	–
Treasury bills	48,395	–	48,395	–
	<u>464,494</u>	<u>484,774</u>	<u>464,494</u>	<u>185,608</u>
Unquoted securities In Malaysia:				
Private debt securities	46,754	69,392	46,754	–
Total	<u>511,248</u>	<u>554,166</u>	<u>511,248</u>	<u>185,608</u>

(e) SECURITIES AVAILABLE-FOR-SALE

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At carrying value:				
Unquoted securities In Malaysia:				
Debt equity conversion	10,234	10,381	10,234	–
Less: Accumulated Impairment loss on securities available- for-sale	(10,234)	(10,381)	(10,234)	–
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

(f) **FINANCING, ADVANCES AND OTHER LOANS**

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Term financing and revolving credit facilities	243,121	566,080	243,121	108,017
House financing	838,309	640,177	838,309	466,428
Islamic hire-purchase	7,911,258	6,870,686	7,911,258	6,870,686
Credit cards	298,426	210,855	298,426	–
Trust receipts	20,560	13,513	20,560	–
Claims on customer under acceptance credits	280,504	163,961	280,504	–
Other financing	1,735,406	1,119,363	1,735,406	1,119,362
	<u>11,327,584</u>	<u>9,584,635</u>	<u>11,327,584</u>	<u>8,564,493</u>
Unearned income	<u>(2,415,348)</u>	<u>(1,828,692)</u>	<u>(2,415,348)</u>	<u>(1,828,692)</u>
Gross financing, advances and other loans	8,912,236	7,755,943	8,912,236	6,735,801
Less: Islamic financing sold to Cagamas Berhad	<u>(2,205,827)</u>	<u>(928,658)</u>	<u>(2,205,827)</u>	<u>(925,365)</u>
	6,706,409	6,827,285	6,706,409	5,810,436
Allowance for bad and doubtful debts and financing:				
– general	(131,533)	(113,353)	(131,533)	(99,406)
– specific	<u>(143,270)</u>	<u>(199,064)</u>	<u>(143,270)</u>	<u>(108,721)</u>
Net financing, advances and other loans	<u>6,431,606</u>	<u>6,514,868</u>	<u>6,431,606</u>	<u>5,602,309</u>

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

Maturing within one year	2,431,380	3,570,620	2,431,380	2,074,166
One year to three years	2,516,664	1,787,196	2,516,664	2,069,787
Three years to five years	1,912,383	1,368,294	1,912,383	1,604,805
Over five years	2,051,809	1,029,833	2,051,809	987,043
	<u>8,912,236</u>	<u>7,755,943</u>	<u>8,912,236</u>	<u>6,735,801</u>

(ii) Financing, advances and other loans analysed by concepts are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Al-Bai' Bithaman Ajil	1,011,003	1,438,014	1,011,003	986,670
Al-Istisna	661	3,833	661	–
Al-Ijarah/Al-Ijarah Thumma Al-Bai'	6,166,243	5,656,137	6,166,243	5,656,137
Al-Musarakah	20,427	248,563	20,427	–
Al-Murabahah	324,261	198,666	324,261	92,994
Other Islamic concept	1,389,641	210,730	1,389,641	–
	<u>8,912,236</u>	<u>7,755,943</u>	<u>8,912,236</u>	<u>6,735,801</u>

(iii) Financing, advances and other loans analysed by type of customers are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Domestic non-bank financial institutions	674	692	674	431
Domestic business enterprise				
– Small medium industries	410,532	842,093	410,532	436,294
– Others	608,937	563,753	608,937	366,457
Local government and statutory authorities	21,137	21,245	21,137	48
Individuals	7,864,882	6,319,345	7,864,882	5,923,930
Other domestic entities	4,279	5,769	4,279	5,769
Foreign entities	1,795	3,046	1,795	2,872
	<u>8,912,236</u>	<u>7,755,943</u>	<u>8,912,236</u>	<u>6,735,801</u>

(iv) Financing, advances and other loans analysed by profit rate sensitivity are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fixed rate				
– Housing loans/financing	415,579	402,913	415,579	229,968
– Hire purchase receivables	6,535,768	5,652,946	6,535,768	5,652,946
– Other fixed rate loan/ financing	1,960,889	1,700,084	1,960,889	852,887
Variable rate	–	–	–	–
	<u>8,912,236</u>	<u>7,755,943</u>	<u>8,912,236</u>	<u>6,735,801</u>

- (v) Financing, advances and other loans analysed by their economic purposes are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Agriculture	136,716	179,342	136,716	176,763
Mining and quarrying	3,337	6,808	3,337	5,984
Manufacturing	389,327	337,273	389,327	201,943
Electricity, gas and water	3,325	3,801	3,325	3,801
Construction	142,316	193,759	142,316	175,386
Real estate	16,893	152,078	16,893	1,429
Purchase of landed property				
- Residential	415,265	402,547	415,265	229,642
- Non-residential	56,106	77,941	56,106	46,361
General commerce	148,261	112,982	148,261	60,665
Transport, storage and communication	110,121	124,916	110,121	103,628
Finance, insurance and business services	13,694	210,892	13,694	19,196
Purchase of securities	9,906	31,028	9,906	23,283
Purchase of transport vehicles	6,043,202	4,939,941	6,043,202	4,939,941
Consumption credit	1,375,165	930,158	1,375,165	719,304
Community, social & personal service	48,029	28,472	48,029	28,475
Others	573	24,005	573	—
	<u>8,912,236</u>	<u>7,755,943</u>	<u>8,912,236</u>	<u>6,735,801</u>

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

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Gross Balance at 1 April				
As previously reported	703,432	1,082,916	445,259	503,081
Profit-in-suspense	(169,807)	(171,112)	(60,770)	(78,244)
As restated	533,625	911,804	384,489	424,837
Non-performing during the year	456,337	190,783	398,058	120,550
Reclassified as performing	(210,756)	(378,448)	(145,234)	(55,781)
Amount vested over by subsidiary	–	–	139,692	–
Recoveries	(90,518)	(139,187)	(88,317)	(56,478)
Amount written off	(197,174)	(51,327)	(197,174)	(48,639)
Balance at end of year	491,514	533,625	491,514	384,489
Less: Specific allowance	(143,270)	(199,064)	(143,270)	(108,721)
Non-performing financing, advances and other loans – net	<u>348,244</u>	<u>334,561</u>	<u>348,244</u>	<u>275,768</u>
Ratio of non-performing financing, advances and other loans to total financing, advances and other loans – net	<u>3.97%</u>	<u>4.43%</u>	<u>3.97%</u>	<u>4.16%</u>

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

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
General Allowance				
Balance at 1 April	113,353	92,080	99,406	80,276
Allowance made during the year	18,180	21,273	17,925	19,130
Amount vested over from subsidiary company	–	–	14,202	–
Balance at end of year	<u>131,533</u>	<u>113,353</u>	<u>131,533</u>	<u>99,406</u>
% of total financing, advances 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 year	231,638	238,273	227,389	162,716
Amount written back in respect of recoveries	<u>(86,685)</u>	<u>(68,403)</u>	<u>(84,483)</u>	<u>(64,289)</u>
Net charge to income statements	144,953	169,870	142,906	98,427
Amount vested over from subsidiary company	–	–	92,390	–
Amount transferred to accumulated impairment loss in value of securities	(2,076)	–	(2,076)	–
Amount written off/ Adjustment to Asset Deficiency Account	<u>(198,671)</u>	<u>(50,609)</u>	<u>(198,671)</u>	<u>(47,953)</u>
Balance at end of year	<u>143,270</u>	<u>199,064</u>	<u>143,270</u>	<u>108,721</u>

(viii) Non-performing financing, advances and other loans analysed by their economic purposes are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Agriculture	469	583	469	583
Mining and quarrying	–	80	–	80
Manufacturing	23,169	42,794	23,169	6,916
Electricity, gas and water	186	188	186	188
Construction	19,878	12,211	19,878	10,945
Real estate	1,946	17,863	1,946	536
Purchase of landed property				
- Residential	99,393	72,113	99,393	28,127
- Non-residential	39,364	59,561	39,364	35,932
General commerce	8,881	18,326	8,881	5,659
Transport, storage and communication	3,771	2,072	3,771	1,813
Finance, insurance and business services	447	177	447	177
Purchase of securities	5,858	20,794	5,858	20,258
Purchase of transport vehicles	252,457	265,396	252,457	265,396
Consumption credit	34,870	17,413	34,870	3,906
Community, social and personal service	697	4,055	697	3,973
Others	128	–	128	–
	<u>491,514</u>	<u>533,626</u>	<u>491,514</u>	<u>384,489</u>

(g) OTHER ASSETS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other receivables, deposits and prepayments	8,541	2,053	8,541	593
Amount owing from Head Office	–	10,475	–	10,475
	<u>8,541</u>	<u>12,528</u>	<u>8,541</u>	<u>11,068</u>

(h) DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Non-Mudharabah Fund</u>				
Islamic negotiable certificates of deposits	99,887	38,850	99,887	38,850
Current accounts	200,789	103,869	200,789	–
Savings deposits	508,347	395,691	508,347	353,844
	<u>809,023</u>	<u>538,410</u>	<u>809,023</u>	<u>392,694</u>
<u>Mudharabah Fund</u>				
General investment deposit	3,405,198	2,729,158	3,405,198	2,571,190
	<u>3,405,198</u>	<u>2,729,158</u>	<u>3,405,198</u>	<u>2,571,190</u>
Deposit from customers	<u>4,214,221</u>	<u>3,267,568</u>	<u>4,214,221</u>	<u>2,963,884</u>

The maturity structure of deposits is as follows:

Due within six months	3,864,995	3,011,773	3,864,995	2,739,814
Six months to one year	292,892	140,209	292,892	108,992
One year to three years	48,633	108,285	48,633	107,777
Three years to five years	7,701	7,301	7,701	7,301
	<u>4,214,221</u>	<u>3,267,568</u>	<u>4,214,221</u>	<u>2,963,884</u>

The deposits are sourced from the following customers:

Business enterprises	2,011,551	1,292,017	2,011,551	1,219,037
Individuals	1,362,917	1,196,397	1,362,917	1,068,116
Government and other statutory bodies	811,398	739,570	811,398	638,824
Others	28,355	39,584	28,355	37,907
	<u>4,214,221</u>	<u>3,267,568</u>	<u>4,214,221</u>	<u>2,963,884</u>

(i) **DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Non-Mudharabah Fund</u>				
Licensed banks	539,018	1,474,027	539,018	1,013,827
Licensed finance companies	–	36,918	–	19,928
Licensed merchant banks	760,694	69,759	760,694	–
Other financial institutions	724,141	958,903	724,141	436,762
<u>Mudharabah Fund</u>				
Other financial institutions	1,063,976	1,059,174	1,063,976	1,020,244
	<u>3,087,829</u>	<u>3,598,781</u>	<u>3,087,829</u>	<u>2,490,761</u>

(j) **OTHER LIABILITIES**

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Converted funds (i)	11,401	72,142	11,401	72,142
Amount owing to Head Office	20,365	13,300	20,365	–
Lease deposits and advance rental	14,560	17,050	14,560	17,050
Dividends payable to depositors	–	12,556	–	–
Other payables	86,581	114,075	86,581	46,729
Profit equalisation reserve (ii)	116,479	110,065	116,479	97,352
	<u>249,386</u>	<u>339,188</u>	<u>249,386</u>	<u>233,273</u>

(i) This represent funds transferred from non-Islamic banking business for funding purposes at commercial terms.

(ii) Profit equalisation reserve

The movements in profit equalisation reserve are as follows:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Balance at beginning of year	110,065	54,311	97,352	51,999
Provided during the year	6,414	55,754	6,098	45,353
Amount vested over from subsidiary company	—	—	13,029	—
Balance at end of year	<u>116,479</u>	<u>110,065</u>	<u>116,479</u>	<u>97,352</u>

(k) CAPITAL FUNDS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Allocated:				
Balance at beginning of year	460,542	460,542	460,542	460,542
Increase during the year	—	—	—	—
Balance at end of year	<u>460,542</u>	<u>460,542</u>	<u>460,542</u>	<u>460,542</u>
Utilised:				
Balance at beginning of year	420,542	360,542	420,542	360,542
Increase during the year	40,000	60,000	40,000	60,000
Balance at end of year	<u>460,542</u>	<u>420,542</u>	<u>460,542</u>	<u>420,542</u>

(I) **INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income derived from: General investment				
deposits	309,727	294,074	307,322	283,798
Others	357,251	264,728	343,683	214,500
	<u>666,978</u>	<u>558,802</u>	<u>651,005</u>	<u>498,298</u>

Income derived from investment of general investment deposits

<u>Finance income</u> <u>and hibah:</u>				
Financing activities	291,864	283,656	290,521	278,838
Securities held-for- trading	2,005	1,238	1,837	–
Money at call and deposits with financial institutions	6,326	2,558	6,098	2,174
	<u>300,195</u>	<u>287,452</u>	<u>298,456</u>	<u>281,012</u>
Net profit suspended	(5,757)	(2,454)	(5,690)	(2,422)
Accretion of discount	4,490	5,149	4,227	3,095
	<u>298,928</u>	<u>290,147</u>	<u>296,993</u>	<u>281,685</u>
<u>Fee and commission</u> <u>income:</u>				
Commission	576	307	530	229
Other fee income	8,994	3,507	8,561	1,921
	<u>9,570</u>	<u>3,814</u>	<u>9,091</u>	<u>2,150</u>
<u>Gain/(Loss) arising</u> <u>from sale of securities:</u>				
Net gain from sale of securities held-for- trading	365	51	357	–
<u>Others:</u> <u>Gain/(Loss) on</u> <u>revaluation of</u> <u>securities held-for-</u> <u>trading</u>	864	62	881	(37)
Total	<u>309,727</u>	<u>294,074</u>	<u>307,322</u>	<u>283,798</u>

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income derived from investment of other funds				
<u>Finance income and hibah:</u>				
Financing activities	332,528	245,446	324,812	219,267
Securities held-for-trading	2,977	5,598	2,051	–
Money at call and deposits with financial institutions	8,067	3,391	6,808	1,656
	<u>343,572</u>	<u>254,435</u>	<u>333,671</u>	<u>220,923</u>
Net profit suspended	(6,611)	(11,163)	(6,241)	(10,391)
Accretion of discount	6,167	11,645	4,719	2,357
	<u>343,128</u>	<u>254,917</u>	<u>332,149</u>	<u>212,889</u>
<u>Fee and commission income:</u>				
Commission	844	529	592	175
Other fee income	11,949	8,631	9,559	1,464
	<u>12,793</u>	<u>9,160</u>	<u>10,151</u>	<u>1,639</u>
<u>Gain/(Loss) arising from sale of</u>				
Net gain from sale of securities held-for-trading	441	231	399	–
<u>Others:</u>				
Gain/(Loss) on revaluation of securities held-for-trading	889	420	984	(28)
Total	<u><u>357,251</u></u>	<u><u>264,728</u></u>	<u><u>343,683</u></u>	<u><u>214,500</u></u>

(m) ALLOWANCE FOR LOSSES ON FINANCING, ADVANCES AND OTHER LOANS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Allowance for bad and doubtful financing:				
Specific allowance				
- made in the financial year	231,638	238,273	227,389	162,716
- written back	(86,685)	(68,403)	(84,483)	(64,289)
General allowance	18,180	21,273	17,925	19,130
Bad debts and financing recovered	(7,485)	(5,030)	(6,893)	(4,022)
	<u>155,648</u>	<u>186,113</u>	<u>153,938</u>	<u>113,535</u>

(n) INCOME ATTRIBUTABLE TO DEPOSITORS

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Mudharabah fund	116,495	102,592	115,423	97,663
Non-Mudharabah	132,473	114,006	126,956	79,471
Special placement deposits by Head Office	6,311	7,901	6,311	7,901
	<u>255,279</u>	<u>224,499</u>	<u>248,690</u>	<u>185,035</u>

(o) **INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING CAPITAL FUND**

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Finance income and hibah:</u>				
Financing activities	49,806	50,879	49,562	48,792
Securities held-for-trading	318	536	313	–
Money at call and deposits with financial institutions	1,082	546	1,040	380
	<u>51,206</u>	<u>51,961</u>	<u>50,915</u>	<u>49,172</u>
Net profit suspended	(983)	(437)	(971)	(423)
Accretion of discount	769	1,431	721	542
	<u>50,992</u>	<u>52,955</u>	<u>50,665</u>	<u>49,291</u>
<u>Fee and commission income:</u>				
Commission	98	74	90	40
Other fee income	1,538	1,022	1,461	336
	<u>1,636</u>	<u>1,096</u>	<u>1,551</u>	<u>376</u>
<u>Gain/(Loss) arising from sale of securities</u>				
Net gain from sale of securities held-for- trading	61	22	61	–
<u>Others:</u>				
Gain/(Loss) on revaluation of securities held-for-trading	147	37	150	(6)
Total	<u><u>52,836</u></u>	<u><u>54,110</u></u>	<u><u>52,427</u></u>	<u><u>49,661</u></u>

(p) OTHER OPERATING EXPENSES

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Personnel/Staff costs				
Salaries, allowances and bonuses	2,422	–	2,422	–
Allocated cost	65,502	–	65,502	–
Others	43	11	43	–
Establishment costs				
Depreciation	–	17	–	17
Rental	57	–	57	–
Cleaning, maintenance and security	27	–	27	–
Computerisation cost	35	–	32	–
Allocated cost	33,251	–	33,251	–
Others	48	16	48	–
Marketing and communication expenses				
Handling fees	35,064	29,582	35,064	29,582
Commission	1,104	2,124	794	–
Advertising & marketing	2,460	2,742	2,460	2,742
Allocated cost	13,990	–	13,990	–
Others	28	–	28	–
Administration and general expenses				
Professional services	197	1,365	197	1,191
Allocated cost	7,605	–	7,605	–
Others	2,311	–	2,303	–
	<u>164,144</u>	<u>35,857</u>	<u>163,823</u>	<u>33,532</u>

(q) TAXATION

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Estimated current tax payable	44,734	66,205	44,734	66,205
Transfer to deferred tax asset (note r)	<u>(5,024)</u>	<u>(35,112)</u>	<u>(5,024)</u>	<u>(18,396)</u>
	<u>39,710</u>	<u>31,093</u>	<u>39,710</u>	<u>47,809</u>

(r) DEFERRED TAX ASSET

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Balance at beginning of year	81,720	46,608	53,450	35,054
Amount vested from subsidiary company	–	–	10,211	–
Amount transferred to conventional business	(18,059)	–	–	–
Transfer from income statements (note q)	5,024	35,112	5,024	18,396
Balance at end of year	<u>68,685</u>	<u>81,720</u>	<u>68,685</u>	<u>53,450</u>

The deferred tax assets/(liabilities) are in respect of the following:

Unabsorbed tax losses	–	18,059	–	–
Temporary differences arising from securities held-to-maturity	–	2,906	–	–
Temporary differences arising from general allowance for financing	36,829	31,739	36,829	27,834
Temporary differences arising from securities held-for-trading	(758)	(1,803)	(758)	(1,643)
Temporary differences arising from profit equalisation reserve	32,614	30,819	32,614	27,259
	<u>68,685</u>	<u>81,720</u>	<u>68,685</u>	<u>53,450</u>

(s) INCOME FROM ISLAMIC BANKING OPERATIONS

For consolidation with the conventional operations, net income from Islamic Banking Business comprises the following items:

	The Group		The Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income derived from investment of depositors' fund and others	666,978	558,802	651,005	498,298
Transfer to Profit Equalisation Reserve	(6,414)	(55,754)	(6,098)	(45,353)
Income attributable to depositors	<u>(255,279)</u>	<u>(224,499)</u>	<u>(248,690)</u>	<u>(185,035)</u>
Income attributable to the Bank	405,285	278,549	396,217	267,910
Income derived from Islamic Banking Fund	52,836	54,110	52,427	49,661
	<u>458,121</u>	<u>332,659</u>	<u>448,644</u>	<u>317,571</u>

(t) **SUMMARY OF EFFECTS OF THE NET ASSETS TRANSFERRED FROM AMISLAMIC BANK'S ISLAMIC BANKING BUSINESS**

The value of the assets and liabilities of Amlslamic Bank's Islamic Banking Business which was transferred to the Bank as a result of merging of operations as described in Note 43 are as follows:

	RM'000
<u>Assets Transferred</u>	
Cash and short term financing	206,523
Deposits and placements with bank and other financial institutions	10,199
Securities held-for-trading	370,152
Securities held-to-maturity	–
Financing, advances and other loans	930,174
Other assets	1,137
Deferred tax assets	10,211
Statutory deposit with Bank Negara Malaysia	26,459
	<u>1,554,855</u>
<u>Liabilities Transferred</u>	
Deposits from customers	413,518
Deposits and placements of banks and other financial institutions	949,027
Bills and acceptances payable	105,324
Other liabilities	31,952
	<u>1,499,821</u>
Net assets transferred from Amlslamic Bank to the Bank	<u>55,034</u>

(u) **COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank makes various commitments and incurs 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 Bank's assets.

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

The Group	2006			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 (Al-Khafalah)	98,816	98,816	61,985	71,191	71,191	41,278
Islamic underwriting facilities	120,000	60,000	60,000	120,000	60,000	60,000
Irrevocable commitments to extend credit:						
- maturing less than one year	853,667	–	–	738,654	–	–
- maturing more than one year	30,055	15,028	15,028	33,389	16,695	16,695
Transaction-related contingent items	24,444	12,222	12,222	22,227	11,113	11,113
Short-term self liquidating trade-related contingencies	21,056	4,211	4,211	19,660	3,932	3,828
Other commitment	6,225	–	–	44	–	–
Islamic financing sold to Cagamas Berhad with recourse	2,205,827	2,205,827	2,205,827	928,658	928,658	927,011
Total	3,360,090	2,396,104	2,359,273	1,933,823	1,091,589	1,059,925

The Bank	2006			2005		
	Principal Amount RM'000	Credit Equivalent Amount *	Risk- Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount *	Risk- Weighted Amount RM'000
Direct credit substitutes (Al-Khafalah)	98,816	98,816	61,985	30,000	30,000	6,000
Islamic underwriting facilities	120,000	60,000	60,000	—	—	—
Irrevocable commitments to extend credit:						
- maturing less than one year	853,667	—	—	136,268	—	—
- maturing more than one year	30,055	15,028	15,028	9,164	4,582	4,582
Transaction-related contingent items	24,444	12,222	12,222	—	—	—
Short-term self liquidating trade-related contingencies	21,056	4,211	4,211	—	—	—
Other commitment	6,225	—	—	—	—	—
Islamic financing sold to Cagamas Berhad with recourse	<u>2,205,827</u>	<u>2,205,827</u>	<u>2,205,827</u>	<u>925,365</u>	<u>925,365</u>	<u>925,365</u>
Total	<u>3,360,090</u>	<u>2,396,104</u>	<u>2,359,273</u>	<u>1,100,797</u>	<u>959,947</u>	<u>935,947</u>

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

(v) CAPITAL ADEQUACY RATIO

The capital adequacy ratio of the Islamic Banking Scheme of the Group and Bank as at 31 March 2006 is analysed as follows:

	2006 RM'000	2005* RM'000
<u>Tier 1 capital</u>		
Islamic Banking Fund	460,542	420,542
Retained profits	311,680	220,164
Less: Deferred tax asset	<u>(68,685)</u>	<u>(53,450)</u>
Total tier 1 capital	<u>703,537</u>	<u>587,256</u>
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts	<u>131,533</u>	<u>99,406</u>
Total tier 2 capital	<u>131,533</u>	<u>99,406</u>
Capital base	<u><u>835,070</u></u>	<u><u>686,662</u></u>

	2006		2005	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
Notional risk-weighted assets:				
Categories				
0%	1,311,931	-	591,094	-
10%	-	-	-	-
20%	592,023	118,405	101,157	20,231
50%	316,462	158,231	181,273	90,637
100%	<u>8,622,863</u>	<u>8,622,863</u>	<u>6,460,773</u>	<u>6,460,773</u>
Total notional risk-weighted assets	<u><u>10,843,279</u></u>	<u><u>8,899,499</u></u>	<u><u>7,334,297</u></u>	<u><u>6,571,641</u></u>
Capital Ratios				
Core capital ratio		7.90%		8.93%
Risk-weighted capital ratio		<u>9.38%</u>		<u>10.44%</u>

* The capital ratios as at 31 March 2005 represent the capital ratios of AmFinance Berhad's Islamic Banking operations. Since these capital ratios are compliance ratios, they had not been adjusted for the prior year adjustments.

(w) YIELD/PROFIT RATE RISK

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

2006 The Group	Non-Trading Book						Non- yield/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective yield/profit rate %
	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				
ASSETS										
Cash and short-term funds	1,150,000	–	–	–	–	–	4,550	–	1,154,550	3.22
Deposits and placements with banks and other financial institutions	–	102,126	–	–	–	–	–	–	102,126	3.23
Securities held-for-trading	–	–	–	–	–	–	–	511,248	511,248	3.31
Financing, advances and other loans										
- Performing	306,405	158,755	81,396	89,131	1,167,808	4,412,558	–	–	6,216,053	7.62
- Non-performing *	–	–	–	–	–	–	215,553	–	215,553	–
Other non-yield/profit sensitive balances	–	–	–	–	–	–	352,582	–	352,582	–
TOTAL ASSETS	<u>1,456,405</u>	<u>260,881</u>	<u>81,396</u>	<u>89,131</u>	<u>1,167,808</u>	<u>4,412,558</u>	<u>572,685</u>	<u>511,248</u>	<u>8,552,112</u>	
LIABILITIES AND										
ISLAMIC BANKING FUNDS										
Deposits from customers	2,596,467	734,225	534,303	292,892	56,334	–	–	–	4,214,221	2.79
Deposits and placements of banks and other financial institutions	820,130	610,808	522,281	127,853	1,006,757	–	–	–	3,087,829	3.22
Bill and acceptances payables	67,870	132,957	27,627	–	–	–	–	–	228,454	
Other non-yield/profit sensitive balances	8,975	–	–	81	2,345	–	237,985	–	249,386	
Total Liabilities	3,493,442	1,477,990	1,084,211	420,826	1,065,436	–	237,985	–	7,779,890	
Islamic Banking Funds	–	–	–	–	–	–	772,222	–	772,222	
TOTAL LIABILITIES AND										
ISLAMIC BANKING FUNDS	<u>3,493,442</u>	<u>1,477,990</u>	<u>1,084,211</u>	<u>420,826</u>	<u>1,065,436</u>	<u>–</u>	<u>1,010,207</u>	<u>–</u>	<u>8,552,112</u>	
On-balance sheet yield/profit sensitivity gap	(2,037,037)	(1,217,109)	(1,002,815)	(331,695)	102,372	4,412,558	(437,522)	511,248	–	
Off-balance sheet yield/profit sensitivity gap	–	–	–	–	–	–	–	–	–	
Total yield/profit sensitivity	<u>(2,037,037)</u>	<u>(1,217,109)</u>	<u>(1,002,815)</u>	<u>(331,695)</u>	<u>102,372</u>	<u>4,412,558</u>	<u>(437,522)</u>	<u>511,248</u>	<u>–</u>	

2005 The Group	← Non-Trading Book →							Trading Book RM'000	Total RM'000	Effective yield/profit rate %
	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- yield/profit sensitive RM'000			
ASSETS										
Cash and short-term funds	445,507	–	–	–	–	–	5,761	–	451,268	2.30
Deposits and placements with banks and other financial institutions	–	44,200	–	–	–	–	–	–	44,200	2.26
Securities held-for-trading	–	–	–	–	–	–	–	554,166	554,166	3.67
Financing, advances and other loans										
- Performing	502,686	397,987	380,945	681,660	3,587,788	743,619	–	–	6,294,685	8.26
- Non-performing *	–	–	–	–	–	–	220,183	–	220,183	–
Other non - yield/profit sensitive balances	–	–	–	–	–	–	325,444	–	325,444	–
TOTAL ASSETS	<u>948,193</u>	<u>442,187</u>	<u>380,945</u>	<u>681,660</u>	<u>3,587,788</u>	<u>743,619</u>	<u>551,388</u>	<u>554,166</u>	<u>7,889,946</u>	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	1,813,670	761,902	332,333	140,209	115,586	–	103,868	–	3,267,568	2.83
Deposits and placements of banks and other financial institutions	825,612	1,326,194	320,484	576,439	538,873	–	11,179	–	3,598,781	3.07
Bills and acceptances payable	6,813	15,013	21,628	–	–	–	–	–	43,454	–
Other non-yield/profit sensitive balances	72,142	–	–	–	–	–	267,046	–	339,188	–
Total Liabilities Islamic Banking Funds	<u>2,718,237</u>	<u>2,103,109</u>	<u>674,445</u>	<u>716,648</u>	<u>654,459</u>	<u>–</u>	<u>382,093</u>	<u>–</u>	<u>7,248,991</u>	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	<u>2,718,237</u>	<u>2,103,109</u>	<u>674,445</u>	<u>716,648</u>	<u>654,459</u>	<u>–</u>	<u>1,023,048</u>	<u>–</u>	<u>7,889,946</u>	
On-balance sheet yield/profit sensitivity gap	(1,770,044)	(1,660,922)	(293,500)	(34,988)	2,933,329	743,619	(471,660)	554,166	–	
Off-balance sheet yield/profit sensitivity gap	–	–	–	–	–	–	–	–	–	
Total yield/profit sensitivity gap	<u>(1,770,044)</u>	<u>(1,660,922)</u>	<u>(293,500)</u>	<u>(34,988)</u>	<u>2,933,329</u>	<u>734,619</u>	<u>(471,660)</u>	<u>554,166</u>	<u>–</u>	

* This is arrived at after deducting the general allowance, specific allowance and yield/profit-in-suspense from gross non-performing financing, advances and other loans outstanding.

2006 The Bank	← Non-Trading Book →							Trading Book RM'000	Total RM'000	Effective yield/profit rate %
	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- yield/profit sensitive RM'000			
ASSETS										
Cash and short-term funds	1,150,000	–	–	–	–	–	4,550	–	1,154,550	3.22
Deposits and placements with banks and other financial institutions	–	102,126	–	–	–	–	–	–	102,126	3.23
Securities held-for-trading	–	–	–	–	–	–	–	511,248	511,248	3.31
Financing, advances and other loans	–	–	–	–	–	–	–	–	–	–
- Performing	306,405	158,755	81,396	89,131	1,167,808	4,412,558	–	–	6,216,053	7.62
- Non-performing *	–	–	–	–	–	–	215,553	–	215,553	–
Other non-yield/profit sensitive balances	–	–	–	–	–	–	352,582	–	352,582	–
TOTAL ASSETS	<u>1,456,405</u>	<u>260,881</u>	<u>81,396</u>	<u>89,131</u>	<u>1,167,808</u>	<u>4,412,558</u>	<u>572,685</u>	<u>511,248</u>	<u>8,552,112</u>	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	2,596,467	734,225	534,303	292,892	56,334	–	–	–	4,214,221	2.79
Deposits and placements of banks and other financial institutions	820,130	610,808	522,281	127,853	1,006,757	–	–	–	3,087,829	3.22
Bill and acceptances payables	67,870	132,957	27,627	–	–	–	–	–	228,454	–
Other non- yield/profit sensitive balances	8,975	–	–	81	2,345	–	237,985	–	249,386	–
Total Liabilities	3,493,442	1,477,990	1,084,211	420,826	1,065,436	–	237,985	–	7,779,890	
Islamic Banking Funds	–	–	–	–	–	–	772,222	–	772,222	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	<u>3,493,442</u>	<u>1,477,990</u>	<u>1,084,211</u>	<u>420,826</u>	<u>1,065,436</u>	<u>–</u>	<u>1,010,207</u>	<u>–</u>	<u>8,552,112</u>	
On-balance sheet yield/profit sensitivity gap	(2,037,037)	(1,217,109)	(1,002,815)	(331,695)	102,372	4,412,558	(437,522)	511,248	–	
Off-balance sheet yield/profit sensitivity gap	–	–	–	–	–	–	–	–	–	
Total yield/profit sensitivity gap	<u>(2,037,037)</u>	<u>(1,217,109)</u>	<u>(1,002,815)</u>	<u>(331,695)</u>	<u>102,372</u>	<u>4,412,558</u>	<u>(437,522)</u>	<u>511,248</u>	<u>–</u>	

2005 The Bank	← Non-Trading Book →						Non- yield/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective yield/profit rate %
	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				
ASSETS										
Cash and short-term funds	249,350	–	–	–	–	–	35	–	249,385	2.78
Deposits and placements with banks and other financial institutions	–	22,100	–	–	–	–	–	–	22,100	2.81
Securities held-for-trading	–	–	–	–	–	–	–	185,608	185,608	3.18
Financing, advances and other loans										
- Performing	163,303	283,638	345,575	681,467	3,368,665	583,299	–	–	5,425,947	8.26
- Non-performing *	–	–	–	–	–	–	176,362	–	176,362	–
Other non-yield/profit sensitive balances	–	–	–	–	–	–	269,471	–	269,471	–
TOTAL ASSETS	<u>412,653</u>	<u>305,738</u>	<u>345,575</u>	<u>681,467</u>	<u>3,368,665</u>	<u>583,299</u>	<u>445,868</u>	<u>185,608</u>	<u>6,328,873</u>	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	1,701,928	720,761	317,125	108,992	115,078	–	–	–	2,963,884	2.87
Deposits and placements of banks and other financial institutions	624,274	674,121	196,534	483,587	512,245	–	–	–	2,490,761	3.06
Other non-yield/profit sensitive balances	72,142	–	–	–	–	–	161,131	–	233,273	–
Total Liabilities	2,398,344	1,394,882	513,659	592,579	627,323	–	161,131	–	5,687,918	
Islamic Banking Funds	–	–	–	–	–	–	640,955	–	640,955	–
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	<u>2,398,344</u>	<u>1,394,882</u>	<u>513,659</u>	<u>592,579</u>	<u>627,323</u>	<u>–</u>	<u>802,086</u>	<u>–</u>	<u>6,328,873</u>	
On-balance sheet yield/profit sensitivity gap	(1,985,691)	(1,089,144)	(168,084)	88,888	2,741,342	583,299	(356,218)	185,608	–	
Off-balance sheet yield/profit sensitivity gap	–	–	–	–	–	–	–	–	–	
Total yield/profit sensitivity gap	<u>(1,985,691)</u>	<u>(1,089,144)</u>	<u>(168,084)</u>	<u>88,888</u>	<u>2,741,342</u>	<u>583,299</u>	<u>(356,218)</u>	<u>185,608</u>	<u>–</u>	

* This is arrived at after deducting the general allowance, specific allowance and yield/profit-in-suspense from gross non-performing financing, advances and other loans outstanding.

(x) **FAIR VALUE OF ISLAMIC BANKING OPERATIONS FINANCIAL INSTRUMENTS**

The estimated fair values of the Group's and Bank's Islamic Banking operations financial instruments are as follows:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
The Group	RM'000	RM'000	RM'000	RM'000
Financial Assets				
Cash and short-term funds	1,154,550	1,154,550	451,268	451,268
Deposits and placements with banks and other financial institutions	102,126	102,126	44,200	44,200
Securities held-for-trading	511,248	511,248	554,166	554,166
Financing, advances and other loans	6,563,139	6,822,372	6,628,221	6,927,422
Other financial assets	8,541	8,541	12,528	12,528
	<u>8,339,604</u>	<u>8,598,837</u>	<u>7,690,383</u>	<u>7,989,584</u>
Non-financial assets	212,508	212,508	199,563	199,563
TOTAL ASSETS	<u>8,552,112</u>	<u>8,811,345</u>	<u>7,889,946</u>	<u>8,189,147</u>
Financial Liabilities				
Deposits from customers	4,214,221	4,222,975	3,267,568	3,277,396
Deposits and placements of banks and other financial institutions	3,087,829	3,079,035	3,598,781	3,605,025
Bills and acceptances payable	228,454	228,454	43,454	43,454
Other financial liabilities	132,906	132,906	229,426	229,426
	<u>7,663,410</u>	<u>7,663,370</u>	<u>7,139,229</u>	<u>7,155,301</u>
Non-Financial Liabilities				
Other non-financial liabilities	116,480	116,480	109,762	109,762
Islamic banking funds	772,222	772,222	640,955	640,955
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	<u>8,552,112</u>	<u>8,552,072</u>	<u>7,889,946</u>	<u>7,906,018</u>

The general allowance for the Group amounting to RM131,533,000 (2005: RM113,353,000) has been included under non-financial asset.

The Bank	2006		2005	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	1,154,550	1,154,550	249,385	249,385
Deposits and placements with banks and other financial institutions	102,126	102,126	22,100	22,100
Securities held-for-trading	511,248	511,248	185,608	185,608
Financing, advances and other loans	6,563,139	6,822,372	5,701,715	6,000,916
Other financial assets	8,541	8,541	11,068	11,068
	<u>8,339,604</u>	<u>8,598,837</u>	<u>6,169,876</u>	<u>6,469,077</u>
Other non-financial assets	212,508	212,508	158,997	158,997
TOTAL ASSETS	<u>8,552,112</u>	<u>8,811,345</u>	<u>6,328,873</u>	<u>6,628,074</u>
Financial Liabilities				
Deposits from customers	4,214,221	4,222,975	2,963,884	2,973,108
Deposits and placements of banks and other financial institutions	3,087,829	3,079,035	2,490,761	2,495,343
Bills and acceptances payables	228,454	228,454	–	–
Other financial liabilities	132,906	132,906	135,824	135,824
	<u>7,663,410</u>	<u>7,663,370</u>	<u>5,590,469</u>	<u>5,604,275</u>
Non-Financial Liabilities				
Other non-financial liabilities	116,480	116,480	97,449	97,449
Islamic banking funds	772,222	772,222	640,955	640,955
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	<u>8,552,112</u>	<u>8,552,072</u>	<u>6,328,873</u>	<u>6,342,679</u>

The general allowance for the Bank amounting to RM131,533,000 (2005: RM99,406,000) has been included under non-financial asset

(y) **CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES**

Changes in comparative figures arising from the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia have been applied retrospectively. These comparative amounts which have been reclassified to conform with the current year's presentation are as follows.

	As previously stated RM'000	Effect of change RM'000	As restated RM'000
The Group *			
At 31 March 2005			
Balance Sheets			
Dealing Securities	49,009	(49,009)	—
Investment Securities	504,811	(504,811)	—
Securities held-for-trading	—	554,166	554,166
Other liabilities	266,949	97	267,046
Reserves	220,164	249	220,413
Income Statements			
Income derived from investment of depositors' funds	558,867	(65)	558,802
Income from Islamic Banking operations	54,116	(6)	54,110
Profit before taxation	110,873	(71)	110,802
Taxation	(31,113)	20	(31,093)
Profit after taxation	79,760	(51)	79,709
The Bank			
At 31 March 2005			
Balance Sheets			
Investment Securities	185,262	(185,262)	—
Securities held-for-trading	—	185,608	185,608
Other liabilities	161,034	97	161,131
Reserves	220,164	249	220,413
Income Statements			
Income derived from investment of depositors' funds	498,363	(65)	498,298
Income from Islamic Banking operations	49,667	(6)	49,661
Profit before taxation	170,575	(71)	170,504
Taxation	(47,829)	20	(47,809)
Profit after taxation	122,746	(51)	122,695

* The comparative figures of the Group as at 31 March 2005 as previously stated incorporates balances and amounts in respect of the acquisition of Amlslamic Bank in accordance with merger accounting.

AmBank (M) Berhad

(formerly known as AmFinance Berhad)

(Incorporated in Malaysia)

Audited Financial Statements for the financial year ended 31 March 2006

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT,1965

We, **Tan Sri Dato' Azman Hashim** and **Cheah Tek Kuang**, being two of the directors of **AmBank (M) Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements as set on pages 19 to 143 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2006 and of the results and the cash flows of the Group and of the Bank for the financial year then ended.

Signed on behalf of the Board
in accordance with a resolution of the Directors

TAN SRI DATO' AZMAN HASHIM
Chairman

CHEAH TEK KUANG
Chief Executive Officer

Kuala Lumpur
31 May 2006

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT,1965

I, **Lim Hock Aun**, being the Officer primarily responsible for the financial management of **AmBank (M) Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 19 to 143 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Lim Hock Aun** at
KUALA LUMPUR this 31st day of
May 2006

Before me,

COMMISSIONER FOR OATHS