

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2006**

		<b>The Group</b>	
	<b>Note</b>	<b>30.6.06</b>	<b>31.3.06</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds		8,983,992	9,455,262
Securities purchased under resale agreements		942,435	719,590
Deposits and placements with banks and other financial institutions		281,821	752,693
Securities held-for-trading	A8	4,795,475	6,098,040
Securities available-for-sale	A9	2,250,453	1,603,605
Securities held-to-maturity	A10	2,572,175	2,713,041
Loans, advances and financing	A11	45,587,334	44,860,468
Other assets	A12	1,952,217	1,208,504
Statutory deposits with Bank Negara Malaysia		1,687,870	1,776,693
Investments in associated companies		41,214	40,295
Property and equipment		245,486	448,896
Life fund assets		1,212,347	1,162,488
Deferred tax assets		823,233	857,003
Intangible assets		568,400	564,059
<b>TOTAL ASSETS</b>		<b>71,944,452</b>	<b>72,260,637</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A13	38,243,546	38,918,164
Deposits and placements of banks and other financial institutions	A14	14,768,949	14,640,801
Obligations on securities sold under repurchase agreements		3,291,861	3,572,257
Bills and acceptances payable		940,257	912,723
Recourse obligations on loans sold to Cagamas Berhad		1,556,559	1,868,649
Other liabilities	A15	2,450,269	2,281,779
Term loans		481,588	482,232
Subordinated term loan		1,140,000	680,000
Redeemable unsecured bonds		920,425	919,638
Hybrid capital		683,857	684,047
Life fund liabilities		155,641	152,315
Life policyholder funds		1,056,706	1,010,173
Total Liabilities		<b>65,689,658</b>	<b>66,122,778</b>
Share capital		2,130,539	2,130,534
Reserves		2,991,993	2,898,505
Shareholders' equity		5,122,532	5,029,039
Minority interests		1,132,262	1,108,820
Total Equity		<b>6,254,794</b>	<b>6,137,859</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>71,944,452</b>	<b>72,260,637</b>

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2006 (CONTD.)**

		<b>The Group</b>	
	<b>Note</b>	<b>30.6.06</b>	<b>31.3.06</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A25	<u>46,206,912</u>	<u>37,310,423</u>
<b>CAPITAL ADEQUACY RATIO</b>	A29		
Core capital ratio		10.13%	9.96%
Risk-weighted capital ratio		<u>14.84%</u>	<u>13.94%</u>
<b>NET ASSETS PER SHARE (RM)</b>		<u>2.40</u>	<u>2.36</u>

The Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2006**

The Group	Note	Individual Quarter		Cumulative Quarter	
		30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000
Revenue		1,340,521	1,226,168	1,340,521	1,226,168
Interest income	A16	909,699	760,016	909,699	760,016
Interest expense	A17	(539,693)	(394,290)	(539,693)	(394,290)
Net interest income		370,006	365,726	370,006	365,726
Income from Islamic banking business		122,229	138,400	122,229	138,400
Other operating income	A18	212,852	238,895	212,852	238,895
Net income		705,087	743,021	705,087	743,021
Other operating expenses	A19	(371,349)	(367,981)	(371,349)	(367,981)
Operating profit		333,738	375,040	333,738	375,040
Allowance for losses on loans and financing	A20	(125,449)	(179,392)	(125,449)	(179,392)
Impairment loss on:					
Securities		(23,027)	(1,212)	(23,027)	(1,212)
Assets acquired in exchange of debts		-	(660)	-	(660)
Transfer from profit equalisation reserve		5,026	6,428	5,026	6,428
Allowance for doubtful sundry receivables - net		(3,303)	(8,663)	(3,303)	(8,663)
Writeback of provision for commitments and contingencies		325	63	325	63
Profit before share in results of associated companies and taxation		187,310	191,604	187,310	191,604
Share in results of associated companies		882	771	882	771
Profit before taxation		188,192	192,375	188,192	192,375
Taxation	B5	(58,050)	(69,936)	(58,050)	(69,936)
<b>Profit after taxation</b>		<b>130,142</b>	<b>122,439</b>	<b>130,142</b>	<b>122,439</b>
Attributable to:					
Equity holders of the Company		106,800	106,518	106,800	106,518
Minority interests		23,342	15,921	23,342	15,921
Profit after taxation		130,142	122,439	130,142	122,439
<b>EARNINGS PER SHARE (SEN)</b>	<b>B13</b>				
Basic		5.01	5.00	5.01	5.00
Fully diluted		4.97	4.93	4.97	4.93

The Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2006**

Group	<-----Attributable to Equity Holders of the Company----->								
	Non-Distributable					Distributable	Total shareholders' equity RM'000	Minority interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for- sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profits RM'000			
<b>At 1 April 2005</b>	2,130,534	798,356	913,438	26,730	15,086	929,146	4,813,290	36,347	4,849,637
Arising from Group Reorganisation <sup>^</sup>	-	-	-	-	-	-65,224	-65,224	-	(65,224)
Expenses relating to Group Reorganisation	-	(6,895)	-	-	-	-	-6,895	-	(6,895)
Net unrealised loss on revaluation of securities available-for-sale	-	-	-	(38,673)	-	-	-38,673	-	(38,673)
Translation adjustments	-	-	-	-	(272)	-	-272	-	(272)
Net income/(expense) recognised directly in equity	-	(6,895)	-	(38,673)	(272)	(65,224)	(111,064)	-	(111,064)
Profit for the period	-	-	-	-	-	106,518	106,518	15,921	122,439
Total recognised net income/(expense) for the period	-	(6,895)	-	(38,673)	(272)	41,294	(4,546)	15,921	11,375
Acquisition and subscription of shares in Investment Banking subsidiary company	-	-	-	-	-	-	-	971,394	971,394
Dividends paid	-	-	-	-	-	-	-	(1,440)	(1,440)
<b>At 30 June 2005</b>	2,130,534	791,461	913,438	(11,943)	14,814	970,440	4,808,744	1,022,222	5,830,966

<sup>^</sup> This relates to the dilution in net attributable assets of the Group arising from the 49.0% Restricted Offer For Sale of the investment banking group under the Group Reorganisation.

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2006**

Group	<-----Attributable to Equity Holders of the Company----->									
	Non-Distributable					Distributable		Total shareholders' equity RM'000	Minority interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profits RM'000				
At 1 April 2006	2,130,534	791,550	1,000,417	9,713	15,736	1,081,089	5,029,039	1,108,820	6,137,859	
Net unrealised loss on revaluation of securities available-for-sale	-	-	-	(11,170)	-	-	(11,170)	-	(11,170)	
Translation adjustments	-	-	-	-	(2,148)	-	(2,148)	-	(2,148)	
Net income/(expense) recognised directly in equity	-	-	-	(11,170)	(2,148)	-	(13,318)	-	(13,318)	
Profit for the period	-	-	-	-	-	106,800	106,800	23,342	130,142	
Total recognised net income/(expense) for the period	-	-	-	(11,170)	(2,148)	106,800	93,482	23,342	116,824	
Issue of shares pursuant to exercise of Warrants 2003/2008	5	6	-	-	-	-	11	-	11	
Arising from acquisition of AmPrivate Equity	-	-	-	-	-	-	-	100	100	
At 30 June 2006	2,130,539	791,556	1,000,417	(1,457)	13,588	1,187,889	5,122,532	1,132,262	6,254,794	

The Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2006**

<b>The Group</b>	<b>Cumulative Quarter</b>	
	<b>30.6.06</b>	<b>30.6.05</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	188,192	192,375
Add adjustments for non-operating and non cash items	297,457	221,378
Operating profit before working capital	485,649	413,753
Decrease/(Increase) in operating assets	116,378	(2,867,359)
Increase in operating liabilities	(931,708)	(437,291)
Cash used in operations	(329,681)	(2,890,897)
Taxation paid	(31,552)	(34,198)
Net cash used in operating activities	(361,233)	(2,925,095)
Net cash (used in)/generated from investing activities	(551,729)	63,623
Net cash generated from financing activities	460,111	897,185
Net decrease in cash and cash equivalents	(452,851)	(1,964,287)
Cash and cash equivalents at beginning of period	9,429,118	7,740,607
Cash and cash equivalents at end of period	8,976,267	5,776,320

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

<b>The Group</b>	<b>Cumulative Quarter</b>	
	<b>30.6.06</b>	<b>30.6.05</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	8,983,992	5,797,552
Bank overdrafts	(7,601)	(21,096)
	8,976,391	5,776,456
Effect of exchange rates changes	(124)	(136)
Cash and cash equivalents	8,976,267	5,776,320

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

## **EXPLANATORY NOTES :**

### **A1. BASIS OF PREPARATION**

The interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 134, Interim Financial Reporting, issued by Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2006.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the adoption of the new and revised FRS issued by MASB that are effective for the Group's first FRS annual reporting date, 31 March 2007. The adoption of the new and revised FRS have resulted in changes in the accounting policies of the Group and are disclosed in Note A31.

The specific and general allowances for loans, advances and financing of the Group are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. No values are assigned to property collaterals for corporate and retails loans, which are in arrears for more than seven years and nine years, respectively, although the realisable values based on independent valuers are available.

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

### **A2. AUDIT QUALIFICATION**

There were no audit qualification in the annual financial statements for the year ended 31 March 2006.

### **A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The operations of the Group are not materially affected by any seasonal or cyclical fluctuation in the current financial quarter.

### **A4. UNUSUAL ITEMS**

There were no unusual items during the current financial quarter.

### **A5. USE OF ESTIMATES**

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial quarter ended 30 June 2006 other than the adoption of the new and revised FRS issued by MASB that are effective for the Group's first FRS annual reporting date, 31 March 2007.

### **A6. ISSUANCE, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

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

During the financial quarter, the issued and fully paid-up share capital of the Company was increased from 2,130,533,695 ordinary share of RM1.00 each to 2,130,538,695 ordinary shares of RM1.00 each by the issue of 5,000 new ordinary shares of RM1.00 each at RM2.19 per share by virtues of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM5,950 has been credited to share premium account.

There were no share buy-backs, share cancellations, shares held as treasury shares nor resale of treasury shares by the Company during the financial quarter.

## A7. DIVIDENDS PAID

As approved by the shareholders at the Fifteenth Annual General Meeting, a first and final dividend of 5.0%, less tax for the financial year ended 31 March 2006, will be paid on 5 September 2006 to shareholders whose names appear in the Record of Depositors on 18 August 2006.

## A8. SECURITIES HELD-FOR-TRADING

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Treasury bills	31,609	34,282
Islamic Treasury bills	9,614	48,541
Malaysian Government Securities	261,428	1,349,901
Malaysian Government Investment Certificates	193,209	147,063
Cagamas bonds	296,670	273,869
Khazanah bonds	15,531	912
Cagamas Mudharabah bearer bonds	121,625	264,207
Bank Negara Malaysia bills	338,619	5,143
Islamic Bank Negara Malaysia bills	-	2,491
Islamic acceptance bills	1,799	-
Negotiable instruments of deposits	100,108	574,417
Sukuk Bank Negara Malaysia	95,578	95,798
Negotiable Islamic Debt Certificates	124,886	296,124
	<u>1,590,676</u>	<u>3,092,748</u>
<b>Securities Quoted:</b>		
In Malaysia:		
Shares	253,014	242,939
Corporate bonds	20,429	20,927
Trust units	188,758	193,409
Outside Malaysia:		
Shares	131	110
	<u>462,332</u>	<u>457,385</u>
<b>Unquoted Securities Of Companies Incorporated:</b>		
In Malaysia:		
Shares	2,200	2,200
Trust units	118,068	159,602
Outside Malaysia:		
Trust units	1,834	1,996
	<u>122,102</u>	<u>163,798</u>
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	67,464	67,701
Corporate notes	16,038	-
Islamic corporate notes	-	10,379
	<u>83,502</u>	<u>78,080</u>

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted Private Debt Securities Of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Shares	244,787	178,763
Corporate notes	34,666	38,420
Corporate bonds	697,765	665,062
Islamic corporate bonds	1,429,061	1,305,975
Islamic corporate notes	130,584	117,809
	<u>2,536,863</u>	<u>2,306,029</u>
Total	<u>4,795,475</u>	<u>6,098,040</u>

#### **A9. SECURITIES AVAILABLE-FOR-SALE**

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Malaysian Government Securities	49,820	50,394
Cagamas bonds	24,591	24,714
Khazanah bonds	10,209	10,138
Negotiable instruments of deposits	339,112	69,340
	<u>423,732</u>	<u>154,586</u>
<b>Securities Quoted:</b>		
<b>In Malaysia:</b>		
Corporate bonds	18,435	18,576
Trust units	3,851	-
<b>Outside Malaysia</b>		
Shares	9,476	8,907
	<u>31,762</u>	<u>27,483</u>
<b>Unquoted Securities In Malaysia:</b>		
Trust units	-	3,773
<b>Debt Equity Converted Securities</b>		
<b>Quoted in Malaysia:</b>		
Shares	209,879	248,502
Shares - with options	16,722	19,822
Loan stocks - collateralised	-	1,064
Corporate bonds	645	648
<b>Unquoted securities of companies incorporated outside Malaysia:</b>		
Shares	6,240	-
	<u>233,486</u>	<u>270,036</u>

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted Private Debt Securities Of Companies Incorporated</b>		
<b>In Malaysia:</b>		
Corporate bonds	618,559	337,567
Islamic corporate bonds	360,081	217,183
Islamic corporate notes	18,851	18,729
	<u>997,491</u>	<u>573,479</u>
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	563,982	574,248
Total	<u>2,250,453</u>	<u>1,603,605</u>
<b>A10. SECURITIES HELD-TO-MATURITY</b>		
<b>At Amortised Cost</b>		
<b>Securities Quoted In Malaysia:</b>		
Shares	99	99
Corporate bonds	55,118	55,247
	<u>55,217</u>	<u>55,346</u>
<b>Unquoted Securities Of Companies Incorporated:</b>		
In Malaysia:		
Shares	103,037	103,036
Corporate bonds	959	959
Outside Malaysia:		
Shares	8,318	8,706
	<u>112,314</u>	<u>112,701</u>
<b>Quoted Debt Equity Converted Securities:</b>		
In Malaysia		
Shares	14,397	8,201
Loan stocks - collateralised	971	971
Loan stocks - with options	925,771	956,783
Outside Malaysia:		
Shares - with options	15	15
	<u>941,154</u>	<u>965,970</u>

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted Debt Equity Converted Securities Of Companies Incorporated In Malaysia:</b>		
Shares	44,971	122,870
Loan stocks	787,416	804,744
Corporate bonds	561,921	621,435
	<u>1,394,308</u>	<u>1,549,049</u>
<b>Unquoted Private Debt Securities Of Companies Incorporated:</b>		
In Malaysia		
Shares	21,220	21,220
Corporate bonds and notes denominated in USD	68,513	68,674
Islamic corporate bonds	195,937	196,703
Outside Malaysia		
Corporate bonds and notes denominated in USD	110,235	110,493
	<u>395,905</u>	<u>397,090</u>
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	81,858	82,729
	<u>2,980,756</u>	<u>3,162,885</u>
Accumulated impairment losses	(408,581)	(449,844)
Total	<u>2,572,175</u>	<u>2,713,041</u>

# **A11. LOANS, ADVANCES AND FINANCING**

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and financing:		
Term loans and revolving credit	13,639,228	13,468,701
Housing loans	10,175,918	9,791,514
Staff loans	181,907	181,641
Hire-purchase receivables	23,829,347	23,110,318
Credit card receivables	2,158,805	2,138,331
Lease receivables	1,356,057	1,316,480
Overdrafts	1,007,721	1,031,079
Claims on customers under acceptance credits	1,109,060	1,250,752
Trust receipts	164,461	200,702
Block discount receivables	63,643	64,575
Factoring receivables	29,849	32,887
Bills receivable	7,999	6,878
	<u>53,723,997</u>	<u>52,593,858</u>
Less: Unearned interest and income	5,698,299	5,478,909
Total	<u>48,025,698</u>	<u>47,114,949</u>
Less:		
Allowance for bad and doubtful debts and financing:		
General	728,608	721,817
Specific	1,709,756	1,532,664
	<u>2,438,364</u>	<u>2,254,481</u>
Net loans, advances and financing	<u>45,587,334</u>	<u>44,860,468</u>

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

	The Group		Annualised	
	30.6.06	31.3.06	Loans	Growth
	RM'000	%	RM'000	%
Purchase of transport vehicles	21,716,176	43.3	21,242,432	43.1
Residential landed properties	10,013,902	20.0	9,658,463	19.6
Working capital	6,129,957	12.2	6,141,198	12.5
Non-residential landed properties	2,461,942	4.9	2,448,239	5.0
Credit cards	2,158,930	4.3	2,138,438	4.3
Personnel use	1,383,140	2.8	1,303,857	2.6
Fixed assets	1,348,415	2.7	1,318,813	2.7
Construction	1,308,446	2.6	1,281,750	2.6
Purchase of securities	932,462	1.9	997,418	2.0
Merger and acquisition	387,542	0.8	387,542	0.8
Consumer durables	10,600	0.0	10,781	0.0
Other purpose	2,288,637	4.5	2,391,844	4.8
Gross loans, advances and financing	50,140,149	100.0	49,320,776	100.0
Less: Islamic financing sold to Cagamas Berhad	(2,114,450)		(2,205,827)	
	<u>48,025,699</u>		<u>47,114,949</u>	<u>7.73%</u>

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

	The Group	
	30.6.06	31.3.06
	RM'000	RM'000
Domestic :		
Other non-bank financial institutions:	686,526	453,199
Business enterprises:		
Small medium enterprises	5,124,441	4,738,220
Others	8,558,498	9,294,073
Government and statutory bodies	78,871	105,809
Individuals	33,068,916	32,009,995
Other domestic entities	346,723	346,711
Foreign entities	161,723	166,942
	<u>48,025,698</u>	<u>47,114,949</u>

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

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Variable rate		
BLR-plus	13,364,957	12,873,455
Cost-plus	4,672,484	4,435,782
Other variable rates	693,151	736,388
	<u>18,730,592</u>	<u>18,045,625</u>
Fixed rate		
Housing loans	3,098,925	3,069,126
Hire purchase receivables	20,604,851	19,976,247
Other fixed rates	5,591,330	6,023,951
	<u>29,295,106</u>	<u>29,069,324</u>
	<u>48,025,698</u>	<u>47,114,949</u>

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

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross		
Balance at beginning of period/year	6,136,695	7,597,662
Non-performing during the period/year	797,701	2,381,238
Reclassification to performing loans and financing	(438,705)	(2,016,743)
Amount written off	(42,545)	(1,235,771)
Recoveries	(158,447)	(580,814)
Debt equity conversion	(1)	(7,088)
Translation adjustments	1	(1,789)
Balance at end of period/year	<u>6,294,699</u>	<u>6,136,695</u>
Less: Specific allowance	<u>(1,709,756)</u>	<u>(1,532,664)</u>
Non-performing loans and financing - net	<u>4,584,943</u>	<u>4,604,031</u>
Ratios of non-performing loans and financing to total loans, advances and financing - net	<u>9.5%</u>	<u>9.6%</u>

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

	The Group			
	30.6.06		31.3.06	
	RM'000	%	RM'000	%
Residential landed properties	1,398,640	22.4	1,385,601	22.6
Working capital	1,211,519	19.4	1,061,407	17.3
Non-residential landed properties	952,525	15.2	938,749	15.3
Purchase of transport vehicles	904,083	14.5	814,846	13.3
Purchase of securities	341,643	5.5	296,002	4.8
Construction	250,206	4.0	431,479	7.0
Credit cards	150,824	2.4	153,466	2.5
Merger and acquisition	58,352	0.9	58,311	1.0
Personnel use	54,200	0.9	49,252	0.8
Fixed assets	16,913	0.3	18,601	0.3
Consumer durables	992	0.0	964	0.0
Other purpose	909,802	14.6	928,016	15.1
	<u>6,249,699</u>	<u>100.0</u>	<u>6,136,695</u>	<u>100.0</u>

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

	The Group	
	30.6.06	31.3.06
	RM'000	RM'000
<b>General allowance</b>		
Balance at beginning of period/year	721,817	629,784
Allowance during the period/year	6,809	92,171
Exchange fluctuation adjustments	(18)	(138)
Balance at end of period/year	<u>728,608</u>	<u>721,817</u>
% of total loans, advances and financing less specific allowances	<u>1.50%</u>	<u>1.51%</u>
<b>Specific allowance</b>		
Balance at beginning of period/year	<u>1,532,664</u>	<u>1,815,088</u>
Allowance during the period/year	308,084	1,422,770
Amount written back in respect of recoveries and reversals	<u>(97,059)</u>	<u>(470,856)</u>
Net charge to income statements	211,025	951,914
Reclassification from sundry receivables	8,086	17,372
Amount written off	(41,993)	(1,246,663)
Debt equity conversion	-	(3,251)
Adjustment to deferred asset account	-	(1,594)
Exchange fluctuation adjustments	(26)	(202)
Balance at end of period/year	<u>1,709,756</u>	<u>1,532,664</u>

## A12. OTHER ASSETS

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables, net of allowance for doubtful debts	593,812	291,126
Other receivables, deposits and prepayments, net of allowance for doubtful debts	596,523	383,799
Assets held for sale	196,238	-
Interest receivables on treasury assets, net of allowance for doubtful debts	160,867	122,523
Fee receivables, net of allowance for doubtful debts	30,972	28,886
Amount due from Originators	81,354	89,694
Amount due from agents, brokers and reinsurer, net of allowance	45,597	37,118
Amount recoverable under asset-backed securitisation transactions, net of impairment loss	84,066	87,066
Foreclosed properties, net of allowance for impairment in value	96,509	103,714
Deferred assets	66,279	64,578
	<u>1,952,217</u>	<u>1,208,504</u>

Amount due from Originators represents housing loans, hire purchase and leasing receivables acquired from the Originators for onward sale to Cagamas Berhad with recourse.

## A13. DEPOSITS FROM CUSTOMERS

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Term/Investment deposits	33,078,865	32,192,382
Savings deposits	2,893,416	2,940,219
Current deposits	1,698,695	1,558,199
Negotiable instruments of deposits	572,570	2,227,364
	<u>38,243,546</u>	<u>38,918,164</u>

The deposits are sourced from the following types of customers:

Business enterprises	11,320,330	12,876,710
Individuals	20,350,204	19,895,623
Government	5,229,390	5,006,893
Others	1,343,622	1,138,938
	<u>38,243,546</u>	<u>38,918,164</u>

## A14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from:		
Licensed banks	3,279,027	4,192,542
Licensed merchant banks	1,195,826	555,522
Bank Negara Malaysia	1,184,468	1,160,280
Other financial institutions	9,109,628	8,732,457
	<u>14,768,949</u>	<u>14,640,801</u>

## A15. OTHER LIABILITIES

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payables	654,212	353,380
Securities sold not yet re-purchased	-	91,437
Other payables and accruals	1,066,848	1,129,562
Interest payable on deposits and borrowings	370,269	326,109
Lease deposits and advance rentals	52,266	50,881
General insurance funds	182,372	181,987
Provision for commitments and contingencies	-	325
Bank overdrafts	7,601	26,081
Profit equalization reserve	111,729	116,755
Deferred tax liabilities	1,975	2,846
Tax payable	2,997	2,416
	<b>2,450,269</b>	<b>2,281,779</b>

## A16. INTEREST INCOME

<b>THE GROUP</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.06</b>	<b>30.6.05</b>	<b>30.6.06</b>	<b>30.6.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term funds and deposits with financial institutions	67,671	50,188	67,671	50,188
Securities held-for-trading	68,637	26,678	68,637	26,678
Securities available for sale	18,006	14,218	18,006	14,218
Securities held-to-maturity	1,865	11,744	1,865	11,744
Loans and advances				
- Interest income other than recoveries from NPLs	625,017	602,690	625,017	602,690
- Recoveries from NPLs	77,657	64,074	77,657	64,074
ICULS investment	18,565	12,665	18,565	12,665
Interest rate swap	58,373	16,606	58,373	16,606
Others	2,574	7,811	2,574	7,811
Gross interest income	<b>938,365</b>	<b>806,674</b>	<b>938,365</b>	<b>806,674</b>
Amortisation of premiums less accretion of discounts	8,715	(1,164)	8,715	(1,164)
Interest suspended	(37,381)	(45,494)	(37,381)	(45,494)
Total after net interest suspension	<b>909,699</b>	<b>760,016</b>	<b>909,699</b>	<b>760,016</b>

**A17. INTEREST EXPENSE**

<b>THE GROUP</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.06</b>	<b>30.6.05</b>	<b>30.6.06</b>	<b>30.6.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	309,059	261,961	309,059	261,961
Deposit of banks and other financial institutions	72,345	35,166	72,345	35,166
Securities sold under repurchase agreements	26,911	10,433	26,911	10,433
Amount due to Cagamas Berhad	14,780	20,381	14,780	20,381
Bank borrowings:				
Term loans	6,452	9,336	6,452	9,336
Overdrafts	384	306	384	306
Subordinated deposits and term loans	13,952	15,117	13,952	15,117
Interest on Bonds	14,926	13,328	14,926	13,328
Interest rate swap	64,960	22,420	64,960	22,420
Others	15,924	5,842	15,924	5,842
	<b>539,693</b>	<b>394,290</b>	<b>539,693</b>	<b>394,290</b>

# **A18. OTHER OPERATING INCOME**

<b>THE GROUP</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.06</b>	<b>30.6.05</b>	<b>30.6.06</b>	<b>30.6.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income:				
Fees on loans and advances	30,333	33,317	30,333	33,317
Corporate advisory	4,004	5,181	4,004	5,181
Guarantee fees	7,917	3,156	7,917	3,156
Underwriting commissions	2,569	900	2,569	900
Portfolio management fees	2,371	2,038	2,371	2,038
Unit trust management fees	8,075	7,311	8,075	7,311
Brokerage rebates	274	122	274	122
Property trust management fees	507	494	507	494
Brokerage fees and commissions	17,685	10,468	17,685	10,468
Banc assurance commission	6,959	6,292	6,959	6,292
Income from asset securitisation	72	585	72	585
Other fee income	10,005	7,853	10,005	7,853
	<u>90,771</u>	<u>77,717</u>	<u>90,771</u>	<u>77,717</u>
Investment and trading income:				
Net gain from sale of securities held-for-trading	5,033	55,692	5,033	55,692
Net gain from sale of securities available-for-sale	26	-	26	-
Net gain on redemption of securities held-to-maturity	15,547	535	15,547	535
(Loss)/Gain on revaluation of securities held for trading	(27,158)	5,629	(27,158)	5,629
Gain/(Loss) on revaluation of derivatives	13,841	(388)	13,841	(388)
Gross dividend income from:				
Securities held-for-trading	2,411	6,765	2,411	6,765
Securities available-for-sale	4,228	-	4,228	-
Securities held-to-maturity	1,836	1,330	1,836	1,330
	<u>15,764</u>	<u>69,563</u>	<u>15,764</u>	<u>69,563</u>
Premium income from general insurance business	<u>98,218</u>	<u>87,060</u>	<u>98,218</u>	<u>87,060</u>
Other income:				
Foreign exchange gain	2,027	789	2,027	789
Gain on disposal of property and equipment - net	1,013	333	1,013	333
Rental income	2,638	2,248	2,638	2,248
Other non-operating income	2,421	1,185	2,421	1,185
	<u>8,099</u>	<u>4,555</u>	<u>8,099</u>	<u>4,555</u>
	<u>212,852</u>	<u>238,895</u>	<u>212,852</u>	<u>238,895</u>

#### A19. OTHER OPERATING EXPENSES

THE GROUP	Individual Quarter		Cumulative Quarter	
	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000
Personnel/Staff costs				
- Salaries, allowances and bonuses	119,018	102,741	119,018	102,741
- Others	18,281	29,926	18,281	29,926
Establishment costs				
- Depreciation	20,760	17,022	20,760	17,022
- Computerisation costs	15,417	16,717	15,417	16,717
- Rental	9,849	9,898	9,849	9,898
- Cleaning, maintenance and securities	4,673	5,555	4,673	5,555
- Others	6,020	6,048	6,020	6,048
Marketing and communication expenses				
- Sales commission	11,923	14,733	11,923	14,733
- Handling fees	24,210	34,468	24,210	34,468
- Advertising, promotional and other marketing activities	19,972	14,919	19,972	14,919
- Telephone charges	3,600	5,119	3,600	5,119
- Postage	2,712	4,043	2,712	4,043
- Travel and entertainment	2,203	2,127	2,203	2,127
- Others	7,365	3,393	7,365	3,393
Administration and general				
- Amortisation of goodwill	-	6,631	-	6,631
- Professional services	12,294	8,836	12,294	8,836
- Donations	99	4,246	99	4,246
- Administration and management expenses	3,230	3,027	3,230	3,027
- Others	15,602	12,596	15,602	12,596
Overheads	297,228	302,045	297,228	302,045
Insurance commission	10,415	10,570	10,415	10,570
General insurance claims	63,706	55,366	63,706	55,366
	371,349	367,981	371,349	367,981

#### A20. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

THE GROUP	Individual Quarter		Cumulative Quarter	
	30.6.06 RM'000	30.6.05 RM'000	30.6.06 RM'000	30.6.05 RM'000
Allowance/(Reversal of allowance) for bad and doubtful debts and financing:				
Specific allowance - net	211,025	219,453	211,025	219,453
Allowance during the period/year	308,084	251,554	308,084	251,554
Amount written back in respect of recoveries and reversal	(97,059)	(32,101)	(97,059)	(32,101)
General allowance	6,809	21,891	6,809	21,891
Recoveries of value impairment on amount recoverable from Danaharta	(11,372)	-	(11,372)	-
Bad debts and financing recovered - net	(81,013)	(61,952)	(81,013)	(61,952)
Written off	11	-	11	-
Recovered	(81,024)	(61,952)	(81,024)	(61,952)
	125,449	179,392	125,449	179,392

## A21. SEGMENTAL INFORMATION

### BY BUSINESS SEGMENT

	Individual Quarter		Cumulative Quarter	
	30.6.06	30.6.05	30.6.06	30.6.05
	RM'000	RM'000	RM'000	RM'000
Investment banking				
Revenue	232,623	263,465	232,623	263,465
Profit before taxation	51,920	87,169	51,920	87,169
Commercial and retail banking				
Revenue	934,735	792,410	934,735	792,410
Profit before taxation	120,800	114,913	120,800	114,913
Offshore banking				
Revenue	13,676	10,312	13,676	10,312
Profit/(Loss) before taxation	1,027	(814)	1,027	(814)
Insurance				
Revenue	201,662	184,947	201,662	184,947
Profit before taxation	15,198	10,389	15,198	10,389
Others				
Revenue	8,204	7,613	8,204	7,613
Profit/(Loss) before taxation	288	(6,044)	288	(6,044)
Total before consolidation adjustments				
Revenue	1,390,900	1,258,747	1,390,900	1,258,747
Profit before taxation	189,233	205,613	189,233	205,613
Consolidation adjustments				
Revenue	(50,379)	(32,579)	(50,379)	(32,579)
Profit before taxation	(1,041)	(13,238)	(1,041)	(13,238)
Total after consolidation adjustments				
Revenue	1,340,521	1,226,168	1,340,521	1,226,168
Profit before taxation	188,192	192,375	188,192	192,375

Included in the above is Islamic banking business profit before taxation of RM43.0 million for the quarter and period ended 30 June 2006 (RM66.1million for the quarter and period ended 30 June 2005).

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for Frasers International Pte. Ltd. and its subsidiary companies, PT AmCapital Indonesia, AmSecurities (H.K) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia and Hong Kong, respectively. These activities in Singapore, Indonesia and Hong Kong are not significant (less than 1% of revenue and profit before taxation respectively) in relation to the Group's activities in Malaysia.

**A22. VALUATIONS OF PROPERTY AND EQUIPMENTS**

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

**A23. EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

There has not arisen in the interval between the end of the financial year and the date of this report any items, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the result of the operations of the Group for the current financial quarter.

**A24. CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY**

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

## A25.COMMITMENTS AND CONTINGENCIES

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

As at 30 June 2006, the commitments and contingencies outstanding are as follows:

	<b>30.6.06</b>			<b>31.3.06</b>		
	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>
<b>The Group</b>	<b>Amount</b>	<b>Equivalent</b>	<b>Weighted</b>	<b>Amount</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Amount</b>	<b>RM'000</b>	<b>Amount</b>	<b>Amount</b>
			<b>RM'000</b>		<b>RM'000</b>	<b>RM'000</b>
<b>Derivative Financial Instruments</b>						
Interest rate related contracts:						
Interest rate futures	564,592	890	-	580,000	-	-
Interest rate swaps	19,339,748	475,258	101,300	13,067,759	325,210	66,305
Foreign exchange related contracts:						
Forward exchange contracts	6,086,901	77,916	15,239	4,034,678	67,946	14,014
Cross currency swaps	625,153	71,395	14,279	375,676	32,666	6,533
Malaysian Government securities futures	-	-	-	10,000	-	-
	<u>26,616,394</u>	<u>625,459</u>	<u>130,818</u>	<u>18,068,113</u>	<u>425,822</u>	<u>86,852</u>
<b>Commitments</b>						
Irrevocable commitments to extend credit maturing :						
within one year	9,757,302	-	-	9,453,604	-	-
more than one year	1,402,544	701,272	698,494	1,467,076	733,538	733,046
Sell and buy back agreements	2,403,740	2,403,740	972,819	2,174,849	2,174,849	915,378
Forward purchase commitments	488,348	488,348	78,841	331,127	331,127	153,377
	<u>14,051,934</u>	<u>3,593,360</u>	<u>1,750,154</u>	<u>13,426,656</u>	<u>3,239,514</u>	<u>1,801,801</u>
<b>Contingent Liabilities</b>						
Guarantees given on behalf of customers	1,088,932	1,088,932	803,602	1,384,893	1,384,893	1,202,004
Certain transaction-related contingent items	658,833	329,417	293,912	637,248	318,624	284,116
Underwriting liabilities	1,099,521	549,761	532,632	1,133,152	566,576	541,819
Short-term self liquidating trade-related contingencies	400,635	80,127	80,127	345,374	69,075	69,075
Islamic financing sold to Cagamas	2,114,450	2,114,450	2,114,450	2,205,827	2,205,827	2,205,827
Others	176,213	250	150	109,160	250	150
	<u>5,538,584</u>	<u>4,162,937</u>	<u>3,824,873</u>	<u>5,815,654</u>	<u>4,545,245</u>	<u>4,302,991</u>
	<u>46,206,912</u>	<u>8,381,756</u>	<u>5,705,845</u>	<u>37,310,423</u>	<u>8,210,581</u>	<u>6,191,644</u>

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

As at 30 June 2006, other contingencies and commitments of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantees totalling RM338,600,000 (RM383,600,000 as at 31 March 2006) to various financial institutions in respect of credit facilities extended to certain subsidiary companies.
- (b) AmInvestment Group Berhad has given unsecured guarantees totalling RM10,000,000 (RM10,000,000 as at 31 March 2006) to a financial institution in respect of credit facilities extended to a subsidiary company.
- (c) As required, AmMerchant Bank has given a continuing guarantee to Bank Negara Malaysia on behalf of AmInternational (L) Ltd, to meet all its liabilities and financial obligations and requirements.
- (d) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee Berhad ('AmTrustee') in respect of a claim amounting to RM27.6 million for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ('MAA') has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178.83, together with interest and costs.

AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA. MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

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

AmTrustee believes it has a good defence in respect of the claim.

Parties have filed several interim applications which are pending hearing at various dates.

Application was made to the High Court to dismiss the Meridian suit for duplicity of action with the MAA suit against AmTrustee as no loss was suffered by Meridian.

Third party proceedings has been taken to include Meridian in the MAA suit against AmTrustee.

## A26. RELATED PARTY TRANSACTIONS

There were no related party transactions announced during the current financial quarter.

## A27. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2006, derivative financial instruments outstanding are as follows:

### The Group

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	>5 years RM'000	Margin requirement
Interest rate related contracts :								
Interest rate futures	564,592	-	276,592	48,000	60,000	180,000	-	1,801
Interest rate swaps	19,339,748	130,000	750,000	1,525,000	2,010,000	13,373,361	1,551,387	7,479
Foreign exchange related contracts :								
Forward exchange contracts	6,086,901	3,475,250	1,024,637	987,101	599,913	-	-	1,349
Cross currency swaps	625,153	110,235	-	-	-	514,918	-	1,094
Total	26,616,394	3,715,485	2,051,229	2,560,101	2,669,913	14,068,279	1,551,387	11,723

## RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

### Purpose of engaging in financial derivatives

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

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

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

## **A27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTD.)**

For revenue purposes the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

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

### **Risk associated with financial derivatives**

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

### **Market risk of derivatives used for trading purposes**

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

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measures that estimates the potential changes in portfolio value that may occur brought about by potential changes in market rates over a defined period at a 99% confidence level under normal market condition.

As at 30 June 2006, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM332,221 (RM890,497 as at 31 March 2006).

The value at risk of the interest rate derivatives related contracts used for trading purposes of the Group was RM51,234,964 (RM25,195,011 as at 31 March 2006).

The use of these instruments to hedge underlying exposures arising from funding or for fixed income instruments acquired for investment purposes are not included in the market risk numbers above.

### **Credit risk of derivatives**

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

As at 30 June 2006, the amounts of counterparty credit risk, measured in term of the cost to replace the profitable contracts of the Group was RM83,682,773 (RM26,977,165 as at 31 March 2006). This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

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

### **Derivative Financial Instruments And Hedge Accounting**

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

## A28. INTEREST/PROFIT RATE RISK

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

Group	<-----Non Trading Book----->							Trading Book	Effective interest rate	
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	Non-interest sensitive		Total	interest rate %
30.6.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>										
Cash and short-term funds	7,804,983	-	-	-	-	-	1,179,009	-	8,983,992	3.74
Securities purchased under resale agreements	942,435	-	-	-	-	-	-	-	942,435	3.31
Deposits and placements with banks and other financial institutions	14,972	151,864	112,735	1,603	647	-	-	-	281,821	5.29
Securities held-for-trading	-	-	-	-	-	-	-	4,795,475	4,795,475	3.93
Securities available-for-sale	36,142	24,555	12,144	11,214	1,219,220	700,984	246,194	-	2,250,453	4.19
Securities held-to-maturity	-	1,997	55,118	113,608	1,231,987	1,040,275	129,190	-	2,572,175	6.02
Loans, advances and financing:										
- performing	12,253,384	2,291,708	1,178,901	340,669	7,311,909	18,343,359	11,068	-	41,730,998	7.48
- non-performing *	-	-	-	-	-	-	3,856,335	-	3,856,335	-
Amount due from Originators	1,289	-	16,442	1,331	62,292	-	-	-	81,354	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	6,449,413	-	6,449,413	-
<b>TOTAL ASSETS</b>	<b>21,053,205</b>	<b>2,470,124</b>	<b>1,375,340</b>	<b>468,425</b>	<b>9,826,055</b>	<b>20,084,618</b>	<b>11,871,209</b>	<b>4,795,475</b>	<b>71,944,452</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	19,579,318	7,164,897	3,176,749	6,213,179	1,823,057	-	286,346	-	38,243,546	3.38
Deposits and placements of banks and other financial institutions	3,440,468	3,482,155	1,135,975	1,200,074	1,745,042	2,991,721	773,514	-	14,768,949	3.53
Obligations on securities sold under repurchase agreements	3,223,318	60,584	7,959	-	-	-	-	-	3,291,861	3.37
Bills and acceptances payable	498,423	365,398	76,436	-	-	-	-	-	940,257	5.16
Recourse obligation on loans sold to Cagamas Berhad	36,760	71,192	125,849	610,539	712,219	-	-	-	1,556,559	2.44

Group	<-----Non Trading Book----->							Trading Book	Non-interest sensitive	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	RM'000	RM'000	Total	%
30.6.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Term loans	-	206,000	275,588						481,588	5.79
Subordinated term loan	-	-	-	-	1,140,000	-	-	-	1,140,000	6.65
Redeemable unsecured bonds	-	-	-	-	325,425	595,000	-	-	920,425	6.57
Hybrid capital	-	-	-	-	-	683,857	-	-	683,857	6.77
Other non-interest sensitive balances	-	-	-	-	-	-	3,662,616	-	3,662,616	-
Total Liabilities	26,778,287	11,350,226	4,798,556	8,023,792	5,745,743	4,270,578	4,722,476	-	65,689,658	
Share capital	-	-	-	-	-	-	-	2,130,539	2,130,539	
Reserves	-	-	-	-	-	-	-	2,991,993	2,991,993	
Shareholders equity	-	-	-	-	-	-	-	5,122,532	5,122,532	
Minority interests	-	-	-	-	-	-	-	1,132,262	1,132,262	
Total Equity	-	-	-	-	-	-	-	6,254,794	6,254,794	
<b>TOTAL LIABILITIES AND EQUITY</b>	26,778,287	11,350,226	4,798,556	8,023,792	5,745,743	4,270,578	4,722,476	6,254,794	71,944,452	
On-balance sheet interest rate gap sensitivity	(5,725,082)	(8,880,102)	(3,423,216)	(7,555,367)	4,080,312	15,814,040	7,148,733	(1,459,319)	-	
Off-balance sheet interest rate gap sensitivity	1,089,632,708	5,890,742,557	5,139,525	-330,455,719	-6,656,600,962	1,556,718	-	-	14,828	
<b>Total interest sensitivity gap</b>	1,083,907,626	5,881,862,455	1,716,309	(338,011,085)	(6,652,520,650)	17,370,758	7,148,733	(1,459,319)	14,828	
<b>Cumulative interest rate gap sensitivity</b>	1,083,907,626	6,965,770,081	6,967,486,391	6,629,475,305	(23,045,345)	(5,674,587)	1,474,146	14,827		

Group	<-----Non Trading Book----->						Non-interest sensitive	Trading Book	Effective interest	
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years			Total	interest rate
31.3.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>										
Cash and short-term funds	7,617,976	-	-	-	-	-	1,837,286	-	9,455,262	3.43
Securities purchased under resale agreements	688,666	30,924	-	-	-	-	-	-	719,590	3.16
Deposits and placements with banks and other financial institutions	26,661	100,775	122,840	326,628	73,662	-	102,127	-	752,693	4.77
Securities held-for-trading	6,287	-	-	-	-	-	681,450	5,410,303	6,098,040	3.76
Securities available-for-sale	-	-	82,223	23,694	608,123	452,393	437,172	-	1,603,605	4.93
Securities held-to-maturity	-	55,247	23,899	167,109	839,162	1,033,353	594,271	-	2,713,041	5.38
Loans, advances and financing:										
- performing	12,708,861	2,239,092	1,030,662	319,353	7,099,566	11,996,766	5,583,954	-	40,978,254	7.30
- non-performing *	-	-	-	-	-	-	3,882,214	-	3,882,214	-
Amount due from Originators	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	5,968,244	-	5,968,244	-
<b>TOTAL ASSETS</b>	<b>21,049,267</b>	<b>2,426,038</b>	<b>1,261,591</b>	<b>856,348</b>	<b>8,687,860</b>	<b>13,482,512</b>	<b>19,086,718</b>	<b>5,410,303</b>	<b>72,260,637</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	16,367,813	6,676,416	4,023,014	5,883,054	1,506,108	-	4,461,759	-	38,918,164	3.10
Deposits and placements of banks and other financial institutions	4,056,727	1,813,945	792,037	1,733,009	1,765,459	1,866,814	2,612,810	-	14,640,801	3.61
Obligations on securities sold under repurchase agreements	3,398,217	173,766	274	-	-	-	-	-	3,572,257	3.15
Bills and acceptances payable	224,464	366,006	93,799	-	-	-	228,454	-	912,723	4.81
Recourse obligation on loans sold to Cagamas Berhad	141,957	55,928	16,487	667,413	986,864	-	-	-	1,868,649	3.90

Group	<-----Non Trading Book----->							Trading Book	Non-interest sensitive	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	RM'000	RM'000	Total	%
31.3.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Term loans	-	482,232	-	-	-	-	-	-	482,232	5.15
Subordinated term loan	-	-	-	-	680,000	-	-	-	680,000	6.72
Redeemable unsecured bonds	-	-	-	-	324,638	595,000	-	-	919,638	6.57
Hybrid capital	-	-	-	-	-	684,047	-	-	684,047	6.77
Other non-interest sensitive balances	-	-	-	-	-	-	3,444,267	-	3,444,267	-
Total Liabilities	24,189,178	9,568,293	4,925,611	8,283,476	5,263,069	3,145,861	10,747,290	-	66,122,778	
Share capital	-	-	-	-	-	-	2,130,534	-	2,130,534	
Reserves	-	-	-	-	-	-	2,898,505	-	2,898,505	
Shareholders equity	-	-	-	-	-	-	5,029,039	-	5,029,039	
Minority interests	-	-	-	-	-	-	1,108,820	-	1,108,820	
Total Equity	-	-	-	-	-	-	6,137,859	-	6,137,859	
<b>TOTAL LIABILITIES AND EQUITY</b>	24,189,178	9,568,293	4,925,611	8,283,476	5,263,069	3,145,861	16,885,149	-	72,260,637	
On-balance sheet interest rate gap sensitivity	(3,139,911)	(7,142,255)	(3,664,020)	(7,427,128)	3,424,791	10,336,651	2,201,569	5,410,303	-	
Off-balance sheet interest rate gap sensitivity	662,731	5,146,170	499,430	(1,387,358)	(6,849,710)	1,935,099	-	-	6,362	
<b>Total interest sensitivity gap</b>	(2,477,180)	(1,996,085)	(3,164,590)	(8,814,486)	(3,424,919)	12,271,750	2,201,569	5,410,303	6,362	
<b>Cumulative interest rate gap sensitivity</b>	(2,477,180)	(4,473,265)	(7,637,855)	(16,452,341)	(19,877,260)	(7,605,510)	(5,403,941)	6,362		

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

## A29. CAPITAL ADEQUACY

Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratios, the Group's capital adequacy ratios as at 30 June 2006 are as follows:

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier 1 capital		
Paid-up ordinary share capital	2,130,539	2,130,534
Share premium	791,556	791,550
Statutory reserve	1,000,417	1,000,417
Hybrid capital	683,857	684,047
Exchange fluctuation reserve	13,588	15,736
Unappropriated profit at end of period/year	1,187,889	1,081,089
Minority interests	1,132,262	1,108,820
Total	6,940,108	6,812,193
Less : Goodwill	515,976	515,976
Deferred tax assets - net	821,258	854,157
Total tier 1 capital	5,602,874	5,442,060
Tier 2 capital		
Subordinated term loan	1,102,618	680,000
Redeemable unsecured bonds	775,000	775,000
General allowance for bad and doubtful debts	728,608	721,817
Total tier 2 capital	2,606,226	2,176,817
Capital base	8,209,100	7,618,877
Risk-weighted assets	55,333,033	54,635,748
Capital Ratios:		
Core capital ratio	10.13%	9.96%
Risk-weighted capital ratio	14.84%	13.94%
Core capital ratio (net of proposed final dividend)	9.99%	9.82%
Risk-weighted capital ratio (net of proposed final dividend)	14.70%	13.80%

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

	<b>30.6.06</b>		<b>31.3.06</b>	
	<b>Principal</b>	<b>Risk-</b>	<b>Principal</b>	<b>Risk-</b>
	<b>Amount</b>	<b>Weighted</b>	<b>Amount</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>Amount</b>	<b>RM'000</b>	<b>Amount</b>
		<b>RM'000</b>		<b>RM'000</b>
0%	10,561,545	-	10,973,248	-
10%	3,688	369	87,239	8,724
20%	5,557,253	1,111,451	4,535,658	907,132
50%	8,615,661	4,307,831	8,367,850	4,183,925
100%	44,129,475	44,129,475	43,988,003	43,988,003
	<u>68,867,622</u>	<u>49,549,125</u>	<u>67,951,998</u>	<u>49,087,784</u>
Add: total risk weighted assets				
equivalent for market risk		5,783,908		5,547,964
		<u>55,333,033</u>		<u>54,635,748</u>

### A30. ISLAMIC BANKING BUSINESS

The state of affairs as at 30 June 2006 and the results for the period ended 30 June 2006 of the Islamic banking business of the Group and included in the financial statements after elimination of intercompany transactions and balances are summarised as follows:

#### UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2006

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	2,402,272	1,549,521
Deposit and placements with banks and other financial institutions	354,550	102,126
Securities held-for-trading	600,179	798,073
Securities available-for-sale	18,950	18,830
Securities held-to-maturity	55,183	56,171
Financing, advances and other loans	6,728,861	6,505,459
Statutory deposits with Bank Negara Malaysia	286,500	289,850
Other receivables, deposits and prepayments	145,802	18,040
Property and equipment	198	38
Deferred tax assets	215,213	68,729
<b>TOTAL ASSETS</b>	<b>10,807,709</b>	<b>9,406,837</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits from customers	4,175,339	4,461,758
Deposits and placements of banks and other financial institutions	4,699,153	3,312,104
Converted fund	56,057	82,711
Acceptances payable	261,696	228,454
Other liabilities	402,091	292,392
<b>Total Liabilities</b>	<b>9,594,335</b>	<b>8,377,419</b>
<b>ISLAMIC BANKING FUNDS</b>		
Share capital/Capital funds	505,877	563,381
Reserves	707,496	466,037
<b>Islamic Banking Funds</b>	<b>1,213,373</b>	<b>1,029,418</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>10,807,709</b>	<b>9,406,837</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>6,536,043</b>	<b>6,162,113</b>

**UNAUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2006**

THE GROUP	Individual Quarter		Cumulative Quarter	
	30.6.06	30.6.05	30.6.06	30.6.05
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	173,000	171,341	173,000	171,341
Allowance for losses on financing	(38,213)	(33,574)	(38,213)	(33,574)
Transfer from profit equalization reserve	5,026	6,428	5,026	6,428
Other expenses directly attributable to depositors and Islamic Banking Funds	(4,855)	-	(4,855)	-
Total attributable income	134,958	144,195	134,958	144,195
Income attributable to the depositors	(85,552)	(66,090)	(85,552)	(66,090)
Profit attributable to the Group	49,406	78,105	49,406	78,105
Income derived from Islamic Banking Funds	34,781	33,149	34,781	33,149
Total net income	84,187	111,254	84,187	111,254
Operating expenditure	(41,208)	(45,177)	(41,208)	(45,177)
Profit before taxation	42,979	66,077	42,979	66,077
Taxation	(11,955)	(16,489)	(11,955)	(16,489)
Profit after taxation	31,024	49,588	31,024	49,588

### A30a. Financing, Advances and Other Loans

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Term financing/Revolving credit facilities	1,214,333	1,186,319
Islamic hire purchase, net of unearned income	3,363,372	3,290,083
Credit card receivables	309,464	298,426
Trust receipts	19,991	20,560
Claims on customer under acceptance credits	294,491	280,504
Other financing	1,873,857	1,735,406
Gross financing, advances and other loans	7,075,508	6,811,298
Allowance for bad and doubtful debts and financing		
-general	(134,725)	(132,658)
-specific	(211,922)	(173,181)
	(346,647)	(305,839)
Net financing, advances and other loans	6,728,861	6,505,459

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

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Gross</b>		
Balance at beginning of period/year	531,434	574,873
Non-performing during the period/year	138,751	456,786
Reclassification to performing financing	(71,051)	(210,756)
Recoveries	(28,677)	(93,320)
Amount written off	(35)	(196,149)
Balance at end of period/year	570,422	531,434
Specific allowance	(211,922)	(173,181)
Non-performing financing - net	358,500	358,253
Net NPL as % of gross financing, advances and other loans less specific allowance	3.99%	4.05%

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

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General Allowance</b>		
Balance at beginning of period/year	132,658	121,150
Allowance made during the period/year	2,067	11,508
Balance at end of period/year	<u>134,725</u>	<u>132,658</u>
% of total financing, advances and other loans less specific allowance	<u>1.49%</u>	<u>1.50%</u>
<b>Specific Allowance</b>		
Balance at beginning of period/year	<u>173,181</u>	<u>221,416</u>
Allowance made during the period/year	60,539	239,322
Amount written back in respect of recoveries	<u>(21,798)</u>	<u>(86,685)</u>
Net charge to income statement	38,741	152,637
Amount written off/Adjustment to Asset Deficiency Account	-	(198,796)
Amount transferred to accumulated impairment loss on securities	-	(2,076)
Balance at end of period/year	<u>211,922</u>	<u>173,181</u>

#### **A30b. DEPOSITS FROM CUSTOMERS**

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Mudarabah Fund</b>		
Special Investment deposits	312,052	247,537
General Investment deposits	<u>2,881,806</u>	<u>3,405,198</u>
	<u>3,193,858</u>	<u>3,652,735</u>
<b>Non-Mudarabah Fund</b>		
Demand deposits	249,137	200,789
Saving deposits	525,706	508,347
Negotiable Islamic debt certificates	<u>206,638</u>	<u>99,887</u>
	<u>981,481</u>	<u>809,023</u>
	<u>4,175,339</u>	<u>4,461,758</u>

**A30c. OTHER LIABILITIES**

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	259,654	144,700
Taxation and zakat payable	17,355	16,377
Lease deposits and advance rentals	13,353	14,560
Profit equalisation reserve	111,729	116,755
	<b>402,091</b>	<b>292,392</b>

### **A31. CHANGE IN ACCOUNTING POLICIES AND RECLASSIFICATIONS**

#### **(a) CHANGE IN ACCOUNTING POLICIES**

During the first ("1st") quarter ended 30 June 2006, the Group have adopted the new and revised FRS issued by MASB that are applicable with effect from the accounting period beginning 1 April 2006 which have resulted in changes in accounting policies as follows:

##### **(1) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is now presented in the consolidated statement of changes in equity. The presentation of the comparative financial statements of the Group have been restated to conform with the current period's presentation.

##### **(2) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets**

The adoption of FRS 3 Business Combinations and the consequential changes to FRS 136 Impairment of Assets and FRS 138 Intangible Assets, has resulted in a change in the accounting policy relating to purchased goodwill and premium on acquisition.

Goodwill and premium acquired in a business combination is now stated at cost less any accumulated impairment losses. The adoption of these new FRS has resulted in the Group ceasing annual amortisation of goodwill and premium. Instead, goodwill and premium are allocated to cash-generating units and the carrying amount is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill and premium impairment is determined by comparing its carrying amount against its recoverable amount in accordance with FRS 136. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business combinations entered into prior to that date, the transitional provisions of FRS 3 requires the Group to eliminate the carrying accumulated amortisation as at 1 April 2006 of RM104,139,000 against the carrying amount of goodwill and premium. The carrying amount of goodwill and premium for the Group as at 1 April 2006 of RM522,811,000 ceased to be amortised. This has the effect of reducing the amortisation charge of the Group by RM6,787,000 for the 1st quarter ended 30 June 2006. No impairment loss on goodwill and premium has been recognised in the 1st quarter ended 30 June 2006.

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. Prior to 1 April 2006, negative goodwill not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable/amortisable and negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised in the income statement immediately. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no negative goodwill as at 1 April 2006.

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Prior to 1 April 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Under the new FRS 138, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangible assets with indefinite useful lives are not amortised but instead, are tested for impairment annually. Other intangible assets of the Group with finite useful lives continue to be stated at cost less accumulated amortisation and impairment losses.

(3) FRS 5: Non-current Assets Held For Sale and Discontinued Operations

FRS 5 requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell.

Certain of the Group's assets have been identified and classified as assets held for sale. Prior to adoption of FRS 5, these assets were classified as property and equipment.

Apart from the above, the adoption of the other revised and new FRS do not have a significant financial impact on the Group.

**(b) RECLASSIFICATIONS**

The following comparative figures as at 31 March 2006 have been reclassified to conform with current period's presentation as a result of changes in accounting policies as disclosed above:

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

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

The Group recorded a net profit attributable to equity holders of the Company of RM106.8 million for the first quarter ended 30 June 2006, similar to the RM106.5 million recorded in the corresponding quarter ended 30 June 2005. However, the Group's pre-tax profit declined by 2.2% to RM188.2 million for the first quarter ended 30 June 2006, as compared with RM192.4 million for the corresponding quarter ended 30 June 2005.

The performance for the quarter was impacted by the rise in the Overnight Policy Rate by 25 basis points to 3.5% and a further 25 basis points hike expected in July 2006. Accordingly, the Group had set aside mark-to-market losses of RM 31.2 million on securities held for trading portfolios. Subsequently, as the expected hike in July did not materialise, part of the losses were written back in July. Although interest margins had narrowed marginally in the quarter, the impact was mitigated by the growth in net loans.

The retail and commercial banking operations, under AmBank (M) Berhad was the largest contributor to the Group profits, reporting a pre-tax profit of RM120.8 million (June 2005: RM114.9 million); followed by investment banking at RM51.9 million (June 2005: RM87.2 million) and AmAssurance Berhad of RM15.2 million (June 2005: RM10.4 million).

The Group's asset quality improved further with the ratio of net non-performing loans on a 3 months classification basis, declining to 9.5% as at end-June 2006 (9.6% March 2006), and the loan loss cover (excluding value of collateral) rose to 38.7% (March 2006: 36.7%).

The Group's total assets stood at RM71.9 billion as at 30 June 2006. Net loans and financing expanded by RM0.7 billion to RM45.6 billion driven mainly by strong growth in retail lending.

The Group's overall risk weighted capital ratio and Tier-1 capital ratio strengthened further during the quarter to 14.84% (March 2006: 13.94%) and 10.13% (March 2006; 9.96%) respectively.

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

## **B2. REVIEW OF MATERIAL CHANGES IN PROFIT BEFORE TAXATION**

The Group reported a higher profit before taxation of RM188.2 million for the first quarter ended 30 June 2006 as compared to RM105.2 million for the fourth quarter ended 31 March 2006 due to lower allowance for losses on loans and financing, higher net interest income and fee income.

## **B3. PROSPECTS FOR 31 MARCH 2007**

With the GDP growth moderating to 5.0% in 2006, stability in the interest rates, and the implementation of various projects under the 9th Malaysia Plan, the Group expects to register an overall loans growth of 8% for the current financial year ending 31 March, 2007.

Going forward, the Group will continue to improve its core competencies while looking for opportunities to take advantage of market trends and introduce innovative products to suit its customers' financial needs in these prevailing market conditions.

#### B4. VARIANCE FROM PROFIT FORECAST AND SHORTFALL FROM PROFIT GUARANTEE

This is not applicable to the Group.

#### B5. TAXATION

The Group	Individual Quarter		Cumulative Quarter	
	30.6.06	30.6.05	30.6.06	30.6.05
	RM'000	RM'000	RM'000	RM'000
Estimated current tax payable	25,741	37,659	25,741	37,659
Transfer from deferred tax	32,983	27,251	32,983	27,251
	58,724	64,910	58,724	64,910
(Overprovision)/Underprovision of current taxation in respect of prior years	(674)	5,026	(674)	5,026
Total	58,050	69,936	58,050	69,936

The total tax charge of the Group for the financial quarter ended 30 June 2006 and 2005 reflects an effective tax rate which is higher than the statutory tax rate due mainly to the disallowances of certain expenses.

#### B6. SALE OF INVESTMENTS AND/OR FORECLOSED PROPERTIES

The Group	Individual Quarter		Cumulative Quarter	
	30.6.06	30.6.05	30.6.06	30.6.05
	RM'000	RM'000	RM'000	RM'000
Net gain from sale of securities held-for-trading	5,033	55,692	5,033	55,692
Net gain from sale of securities available-for-sale	26	-	26	-
Net gain from redemption of securities held-to-maturity	15,547	535	15,547	535
Impairment loss on securities	(23,027)	(1,212)	(23,027)	(1,212)

#### B7. QUOTED SECURITIES

This note is not applicable to financial institutions.

## B8. CORPORATE PROPOSALS

Status of corporate proposals announced but not completed are as follows:

1. On 10 February 2006, AmMerchant Bank Berhad ("AmMerchant Bank") entered into an agreement for the proposed acquisition of the remaining 51% stake of Frasers International Pte Ltd ("FIPL") not already owned by AmMerchant Bank, for an aggregate cash purchase consideration of up to S\$22,000,000 ("Proposed FIPL Acquisition"). On completion, FIPL will become a wholly owned subsidiary of AmMerchant Bank.

All regulatory approvals for the Proposed FIPL Acquisitions have been obtained and the Proposed FIPL Acquisitions will be completed in due course.

2. On 11 May 2006, the Company announced the following proposals:
  - (i) Proposed disposal by AmBank (M) Berhad ("AmBank (M)") of the entire interest in Menara AmBank for a total consideration of RM230,000,000; to be satisfied by AmFIRST Real Estate Investment Trust ("REIT") through the issuance of 230,000,000 AmFIRST REIT units at an issue price of RM1.00 per unit credited as fully paid-up. AmBank (M) will subsequently transfer the entire REIT units to the Company for a cash;
  - (ii) Renounceable restricted offer for sale of up to 96,246,917 AmFIRST REIT units at an offer price of RM1.00 per unit to the existing shareholders of the Company on the basis of one (1) AmFIRST REIT unit for 25 existing ordinary shares of RM1.00 each held in the Company of which RM0.85 per unit will be paid in cash by the shareholders of the Company and the remaining RM0.15 per unit is payable by the Company ("Proposed Restricted Offer For Sale"); and
  - (iii) Proposed offer for sale of up to 144,778,452 AmFIRST REIT units at an offer price of RM1.00 per unit to be placed out to institutional and selected investors ("Proposed Offer For Sale").

collectively referred to as the "Proposals".

The Proposed Restricted Offer For Sale and Proposed Offer For Sale form part of the proposed establishment and listing of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad and relate to the offer for sale by the Company of the AmFIRST REIT units arising from the Proposed Disposal involving the sale of Menara AmBank to AmFIRST REIT by AmBank (M).

The Securities Commission had, vide its letter dated 7 July 2006, granted its approval for the Proposed Listing.

The Proposals are subject to the approvals of shareholders and other relevant authorities.

3. AIGB had obtained the approval of the Minister of Finance, vide letter dated 30 June 2006 issued by BNM and the SC for the proposed transformation of AmMerchant Bank into an investment bank and operate under the name of "AmInvestment Bank Berhad", through an internal rationalisation scheme (the "Rationalisation Scheme").

The Rationalisation Scheme would principally involve the merger of the stockbroking operation of AmSecurities Sdn Bhd ("AMS") with AmMerchant Bank by way of AmMerchant Bank acquiring the assets (with certain exceptions) and assuming the liabilities of AMS.

## B9. BORROWINGS

	<b>The Group</b>	
	<b>30.6.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Deposits from customers		
Due within six months	29,775,458	31,140,577
Six months to one year	6,594,661	6,220,145
One year to three years	1,139,965	802,608
Three to five years	733,462	754,834
	<u>38,243,546</u>	<u>38,918,164</u>
(ii) Deposits and placements of banks and other financial institutions		
Due within six months	8,159,741	7,701,156
Six months to one year	1,419,098	1,866,082
One year to three years	2,833,801	2,769,084
Three to five years	2,356,309	2,304,479
	<u>14,768,949</u>	<u>14,640,801</u>
<i>Recap:</i>		
<i>Interbank lendings</i>	7,183,959	9,932,574
<i>Interbank borrowings</i>	(862,899)	(895,590)
<b><i>Net interbank lendings</i></b>	<u>6,321,060</u>	<u>9,036,984</u>
(iii) Term loans		
Due within one year		
Secured	<u>481,588</u>	<u>482,232</u>
(vi) Subordinated term loans		
More than one year	<u>1,140,000</u>	<u>680,000</u>
(v) Redeemable unsecured bonds		
More than one year	<u>920,425</u>	<u>919,638</u>
(vi) Hybrid capital		
More than one year	<u>683,857</u>	<u>684,047</u>

## B10. DERIVATIVE FINANCIAL INSTRUMENTS

Please refer to note A27

## B11. MATERIAL LITIGATION

The Group and the Company do not have any material litigation which would materially affect the financial position of the Group and the Company. For other litigations, please refer to Note A25(d).

## B12. DIVIDENDS

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

## B13. EARNINGS PER SHARE (SEN)

### a. Basic earnings per share

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.06</b>	<b>30.6.05</b>	<b>30.6.06</b>	<b>30.6.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to equity holders of the Company	106,800	106,518	106,800	106,518
Weighted average number of ordinary shares in issue	2,130,539	2,130,534	2,130,539	2,130,534
Basic earnings per share (sen)	5.01	5.00	5.01	5.00

**B13. EARNINGS PER SHARE (SEN)(CONTD.)**

b. Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted profit after taxation and minority interests for the financial period by the adjusted weighted average number of ordinary shares in issue and issuable during the financial period.

The Company has two categories of dilutive potential ordinary shares:

- i) Warrants 1997/2007; and
- ii) Warrants 2003/2008

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.6.06</b>	<b>30.6.05</b>	<b>30.6.06</b>	<b>30.6.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to equity holders of the Company	106,800	106,518	106,800	106,518
Weighted average number of ordinary shares in issue (as in (a) above)	2,130,539	2,130,534	2,130,539	2,130,534
Adjusted for:				
- Exercise of Warrants 2003/2008	17,299	29,215	17,299	29,215
Adjusted weighted average number of ordinary shares in issue and issuable	2,147,838	2,159,749	2,147,838	2,159,749
Fully diluted earnings per share (Sen)	4.97	4.93	4.97	4.93

For the financial period ended 30 June 2006 and 2005, outstanding share warrants 1997/2007 has been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Group, as their exercise and conversion to ordinary shares would increase earnings per share.

The Group adjusted weighted average number of ordinary shares in issue and issuable for the financial period ended 30 June 2006 and 2005 have been arrived at based on the assumption that dilutive share warrants 2003/2008 are exercised at beginning of period.

BY ORDER OF THE BOARD  
**RAVINDRA KUMAR THAMBIMUTHU**  
GROUP COMPANY SECRETARY  
Kuala Lumpur

Date : 11 August 2006