

**AmINVESTMENT GROUP BERHAD**  
**(657000-X) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2006**

		<b>The Group</b>	
	<b>Note</b>	<b>30.9.06</b>	<b>31.3.06</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds		1,865,147	3,157,087
Securities purchased under resale agreements		674,104	716,176
Deposits and placements with banks and other financial institutions		1,309,265	1,224,646
Securities held-for-trading	A8	4,584,967	7,239,636
Securities available-for-sale	A9	3,428,587	834,480
Securities held-to-maturity	A10	1,212,139	1,806,654
Loans, advances and financing	A11	4,209,381	4,177,632
Other assets	A12	825,752	563,985
Statutory deposit with Bank Negara Malaysia		179,920	244,130
Investments in associated companies		3,276	41,852
Property and equipment		42,661	42,344
Deferred tax assets		63,630	66,644
Intangible assets		126,631	116,085
<b>TOTAL ASSETS</b>		<b>18,525,460</b>	<b>20,231,351</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A13	4,522,566	6,432,177
Deposits and placements of banks and other financial institutions	A14	7,526,420	7,516,897
Obligations on securities sold under repurchase agreements		2,502,234	2,562,617
Acceptances payable		2,847	3,103
Other liabilities	A15	845,176	597,273
Recourse obligations on loans sold to Cagamas Berhad		73,282	89,694
Term loans		276,514	276,232
Redeemable unsecured subordinated bonds		595,000	595,000
<b>Total Liabilities</b>		<b>16,344,039</b>	<b>18,072,993</b>
Share capital		1,320,000	1,320,000
Reserves		860,792	837,405
Shareholders' equity		2,180,792	2,157,405
Minority interests		629	953
<b>Total Equity</b>		<b>2,181,421</b>	<b>2,158,358</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>18,525,460</b>	<b>20,231,351</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A25	<b>41,509,866</b>	<b>25,493,935</b>

**AmINVESTMENT GROUP BERHAD**  
**(657000-X) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2006 (CONTD.)**

		<b>The Group</b>	
		<b>30.9.06</b>	<b>31.3.06</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>CAPITAL ADEQUACY</b>	A29		
Core Capital Ratio		14.70%	15.24%
Risk-Weighted Capital Ratio		18.98%	16.44%
		<hr/>	<hr/>
<b>NET ASSETS PER SHARE (RM)</b>		<b>1.65</b>	<b>1.63</b>
		<hr/>	<hr/>

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

**AmINVESTMENT GROUP BERHAD**  
**(657000-X) (Incorporated in Malaysia)**  
**and its subsidiary companies**

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

		<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
		<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating revenue		360,981	262,414	604,268	534,389
Interest income	A16	190,455	137,004	380,425	277,319
Interest expense	A17	(155,318)	(111,695)	(298,386)	(208,048)
Net interest income		35,137	25,309	82,039	69,271
Income from Islamic banking business		10,951	21,656	15,268	45,128
Other operating income	A18	159,575	103,754	208,575	211,942
Net income		205,663	150,719	305,882	326,341
Other operating expenses	A19	(56,516)	(50,605)	(108,385)	(99,002)
Operating profit		149,147	100,114	197,497	227,339
Allowance for losses on loans and financing	A20	(23,984)	(7,084)	(19,928)	(38,210)
Impairment (loss)/writeback on:					
Securities		(31,719)	5,922	(30,810)	4,710
Assets acquired in exchange of debts		(936)	-	(936)	(660)
Transfer (to)/from profit equalisation reserve		(56)	580	125	1,469
Writeback of allowance/(Allowance) for doubtful sundry receivables - net		453	(205)	(186)	(8,194)
(Provision)/Writeback of provision for commitments		(7)	(502)	318	(439)
Profit before share in results of associated companies		92,898	98,825	146,080	186,015
Share in results of associated companies		109	828	1,046	1,668
Profit before taxation		93,007	99,653	147,126	187,683
Taxation	B5	(27,082)	(25,263)	(41,952)	(49,249)
Profit after taxation		65,925	74,390	105,174	138,434
Attributable to:					
Equity holders of the Company		65,868	73,861	105,176	137,071
Minority interests		57	529	(2)	1,363
Profit after taxation		65,925	74,390	105,174	138,434
Basic earnings per share (sen)	B13	4.99	5.60	7.97	10.75

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

**AmINVESTMENT GROUP BERHAD**  
**(657000-X) (Incorporated in Malaysia)**  
**and its subsidiary companies**

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

The 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	Capital reserve 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>	1,109,442	-	60,284	300,000	(12,433)	(4,519)	186,022	1,638,796	6,594	1,645,390
Net unrealised gain on revaluation of securities available-for-sale	-	-	-	-	7,182	-	-	7,182	-	7,182
Expenses relating to initial public offering of the Company	-	(3,727)	-	-	-	-	-	(3,727)	-	(3,727)
Exchange fluctuation adjustments	-	-	-	-	-	(1,689)	-	(1,689)	-	(1,689)
Net income/(expense) recognised directly in equity	-	(3,727)	-	-	7,182	(1,689)	-	1,766	-	1,766
Profit for the period	-	-	-	-	-	-	137,071	137,071	1,363	138,434
Total recognised income and expense for the period	-	(3,727)	-	-	7,182	(1,689)	137,071	138,837	1,363	140,200
Disposal of shares in assets management and unit trust subsidiary companies	-	-	-	-	-	-	-	-	(7,413)	(7,413)
Issued during the period	210,558	84,223	-	-	-	-	-	294,781	-	294,781
Proposed dividends	-	-	-	-	-	-	(38,016)	(38,016)	-	(38,016)
<b>At 30 September 2005</b>	<b>1,320,000</b>	<b>80,496</b>	<b>60,284</b>	<b>300,000</b>	<b>(5,251)</b>	<b>(6,208)</b>	<b>285,077</b>	<b>2,034,398</b>	<b>544</b>	<b>2,034,942</b>

**AmINVESTMENT GROUP BERHAD**  
**(657000-X) (Incorporated in Malaysia)**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2006**

	<-----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	Capital reserve 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 2006</b>	1,320,000	80,521	60,284	329,549	5,114	(3,868)	365,805	2,157,405	953	2,158,358
Net unrealised loss on revaluation of securities available-for-sale	-	-	-	-	1,361	-	-	1,361	-	1,361
Exchange fluctuation adjustments	-	-	-	-	-	(2,366)	-	(2,366)	-	(2,366)
Net income/(expense) recognised directly in equity	-	-	-	-	1,361	(2,366)	-	(1,005)	-	(1,005)
Profit for the period	-	-	-	-	-	-	105,176	105,176	(2)	105,174
Total recognised income and expense for the period	-	-	-	-	1,361	(2,366)	105,176	104,171	(2)	104,169
Arising from acquisition of AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	-	-	200	200
Arising from acquisition of Am ARA REIT Holdings Sdn Bhd	-	-	-	-	-	-	-	-	300	300
Disposal of shares in P.T. AmCapital Indonesia	-	-	-	-	-	-	-	-	(822)	(822)
Dividends paid	-	-	-	-	-	-	(80,784)	(80,784)	-	(80,784)
<b>At 30 September 2006</b>	1,320,000	80,521	60,284	329,549	6,475	(6,234)	390,197	2,180,792	629	2,181,421

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

**AmINVESTMENT GROUP BERHAD**  
**and its subsidiary companies**  
**(657000-X) (Incorporated in Malaysia)**

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006**

	<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	147,126	187,683
Add adjustments for non-operating and non cash items	(56,972)	(36,602)
Operating profit before working capital changes	90,154	151,081
Decrease/(Increase) in operating assets	2,536,271	(2,523,008)
(Increase)/Decrease in operating liabilities	(1,840,579)	1,426,654
Cash used in operations	785,846	(945,273)
Taxation paid	(30,807)	(38,380)
Net cash used in operating activities	755,039	(983,653)
Net cash used in investing activities	(1,978,557)	(14,450)
Net cash (used in)/generated from financing activities	(81,106)	294,781
Net decrease in cash and cash equivalents	(1,304,624)	(703,322)
Cash and cash equivalents at beginning of period	3,007,594	2,501,053
Cash and cash equivalents at end of period	1,702,970	1,797,731

**Cash and Cash Equivalents**

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

	<b>The Group</b>	
	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and short term funds	1,865,147	1,971,586
Bank overdraft	(11,423)	-
	1,853,724	1,971,586
Less: Cash and bank balances and deposits held in trust	(150,668)	(173,376)
	1,703,056	1,798,210
Effects of exchange rate differences	(86)	(479)
	1,702,970	1,797,731

**Note 1 : Acquisition of Frasers International Pte. Ltd ("FIPL")**

The fair values of assets and liabilities assumed arising from the acquisition of the remaining 51.0% equity interest in FIPL, during the financial period ended 30 September 2006 were as follows:

	<b>Unaudited As at 31 August 2006 RM'000</b>
<b>Net assets acquired:</b>	
Cash and short-term funds	48,603
Deposits and placements with banks and other financial institutions	3,578
Property and equipment	1,740
Other assets	119,233
Other liabilities	(94,000)
Net assets acquired	<u>79,154</u>
Goodwill on acquisition	<u>10,376</u>
	89,530
Less: Amount accounted for as an associate	<u>(39,622)</u>
Purchase price paid	49,908
Less: Cash and short-term funds	<u>(48,603)</u>
Cash flow on acquisition, net of cash acquired	<u>1,305</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements 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 FRSs 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 loans, which are in arrears for more than seven years, 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 audited 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 and period.

### **A4. UNUSUAL ITEMS**

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

### **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 and period ended 30 September 2006 other than the adoption of the new and revised FRSs issued by MASB that are effective for the Group's first FRS annual reporting date, 31 March 2007.

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

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

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 and period.

**A7. DIVIDENDS PAID**

During the financial quarter ended 30 September 2006, a final dividend of 8.5%, less tax amounting to RM80,784,000 for the financial year ended 31 March 2006 was paid on 1 September 2006 to shareholders whose names appear in the Record of Depositors on 17 August 2006.

# **A8. SECURITIES HELD-FOR-TRADING**

	<b>The Group</b>	
	<b>30.9.06</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	13,317	34,282
Islamic Treasury bills	-	146
Malaysian Government Securities	428,126	1,306,817
Malaysian Government Investment Certificates	113,179	27,088
Cagamas bonds	19,836	100,021
Khazanah bonds	2,377	912
Cagamas Mudharabah bearer bonds	30,339	264,207
Negotiable instruments of deposits	-	2,684,425
Negotiable Islamic Debt Certificates	-	23,804
Bank Negara Malaysia bills	175,785	5,143
Sukuk Bank Negara Malaysia	-	95,798
Islamic Bank Negara Malaysia bills	717,207	2,491
	<u>1,500,166</u>	<u>4,545,134</u>
<b>Securities Quoted</b>		
In Malaysia:		
Shares	165,541	101,762
Trust units	116,703	190,048
Corporate bonds	21,427	20,927
Outside Malaysia:		
Shares	16,268	110
	<u>319,939</u>	<u>312,847</u>
<b>Unquoted Securities Of Companies Incorporated In Malaysia:</b>		
Shares	2,200	2,200
Trust units	-	129,908
	<u>2,200</u>	<u>132,108</u>
<b>Unquoted Private Debt Securities</b>		
<b>Of Companies Incorporated:</b>		
In Malaysia:		
Islamic corporate bonds	1,603,678	1,305,975
Corporate notes	39,684	38,420
Corporate bonds	857,205	709,263
Islamic corporate notes	49,223	117,809
Outside Malaysia:		
Corporate bonds	7,371	-
	<u>2,557,161</u>	<u>2,171,467</u>
<b>Unquoted Guaranteed Private Debt</b>		
<b>Securities Of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Corporate bonds	67,637	67,701
Corporate notes	107,152	-
Islamic corporate notes	30,712	10,379
	<u>205,501</u>	<u>78,080</u>
Total securities held-for-trading	<u>4,584,967</u>	<u>7,239,636</u>

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

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Securities</b>		
Negotiable instruments of deposits	2,378,504	-
<b>Securities Quoted</b>		
In Malaysia		
Corporate bonds	18,555	18,576
Outside Malaysia		
Shares	10,020	8,907
	<u>28,575</u>	<u>27,483</u>
<b>Debt Equity Converted Securities</b>		
Quoted in Malaysia		
Shares - with options	15,172	19,822
Shares	4,584	4,882
Loan stocks - collateralised	-	1,064
Unquoted securities of companies incorporated outside Malaysia:		
Shares	6,255	-
	<u>26,011</u>	<u>25,768</u>
<b>Unquoted Private Debt Securities</b>		
<b>Of Companies Incorporated</b>		
<b>In Malaysia</b>		
Corporate bonds	150,639	134,250
Islamic corporate notes	-	18,729
Islamic corporate bonds	436,141	217,183
	<u>586,780</u>	<u>370,162</u>
<b>Unquoted Guaranteed Private Debt</b>		
<b>Securities Of Companies</b>		
<b>Incorporated In Malaysia</b>		
Corporate bonds	408,717	411,067
Total securities available-for-sale	<u>3,428,587</u>	<u>834,480</u>

# **A10. SECURITIES HELD-TO-MATURITY**

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Amortised Cost</b>		
<b>Securities Quoted</b>		
In Malaysia:		
Shares	2	2
Corporate bonds	55,313	55,247
	<u>55,315</u>	<u>55,249</u>
<b>Investment In Related Licensed Commercial Bank</b>		
Unsecured subordinated term loan:		
Licensed commercial bank	-	460,000
	<u>-</u>	<u>460,000</u>
<b>Unquoted Securities Of Companies Incorporated</b>		
In Malaysia:		
Shares	60,989	60,988
Corporate bonds	101	100
Outside Malaysia:		
Shares	8,524	8,693
	<u>69,614</u>	<u>69,781</u>
<b>Debt Equity Converted Securities:</b>		
Quoted in Malaysia:		
Loan stocks - collateralised	971	971
Loan stocks	427,076	470,379
Unquoted securities of companies incorporated:		
In Malaysia:		
Shares	1,679	1,679
Corporate bonds	399,710	461,939
	<u>829,436</u>	<u>934,968</u>
<b>Unquoted Private Debt Securities Of Companies Incorporated:</b>		
In Malaysia:		
Corporate bonds and notes denominated in USD	68,755	68,674
Islamic corporate bonds	195,186	196,703
Outside Malaysia		
Corporate bonds and notes denominated in USD	110,625	110,493
	<u>374,566</u>	<u>375,870</u>
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	80,984	82,729
<b>Total</b>	<u>1,409,915</u>	<u>1,978,597</u>
Accumulated impairment losses	(197,776)	(171,943)
<b>Total securities held-to-maturity</b>	<u>1,212,139</u>	<u>1,806,654</u>

## A11. LOANS, ADVANCES AND FINANCING

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans and revolving credits	4,511,420	4,446,902
Staff loans	27,528	27,536
Claims on customers under acceptance credits	2,957	3,103
	<u>4,541,905</u>	<u>4,477,541</u>
Gross loans, advances and financing		
Less:		
Allowance for bad and doubtful debts and financing:		
General	64,373	63,925
Specific	268,151	235,984
	<u>332,524</u>	<u>299,909</u>
Net loans, advances and financing	<u>4,209,381</u>	<u>4,177,632</u>

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

	<b>The Group</b>			
	<b>30.9.06</b>		<b>31.3.06</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Working capital	1,810,477	39.9	1,795,523	40.1
Construction	842,519	18.5	870,073	19.4
Purchase of securities	460,559	10.1	399,685	8.9
Fixed assets	287,456	6.3	59,882	1.3
Merger and acquisition	261,422	5.8	404,571	9.0
Purchase of landed properties:				
- Residential	95,327	2.1	93,452	2.1
- Non-residential	182,558	4.0	194,289	4.3
Personnel use	5,391	0.1	5,390	0.1
Purchase of transport vehicles	2,455	0.1	3,020	0.1
Other purpose	593,741	13.1	651,656	14.7
Gross loans, advances and financing	<u>4,541,905</u>	<u>100.0</u>	<u>4,477,541</u>	<u>100.0</u>

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

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic :		
Other non-bank financial institutions:	30,456	30,019
Business enterprises:		
Small medium enterprises	1,238,589	172,695
Others	2,884,726	3,967,746
Government and statutory bodies	60,932	83,693
Individuals	113,693	95,510
Foreign entities	213,509	127,878
	<u>4,541,905</u>	<u>4,477,541</u>

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

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Variable rate		
Cost-plus	3,742,968	3,695,542
Other variable rates	345,734	269,058
	<u>4,088,702</u>	<u>3,964,600</u>
Fixed rate		
Housing loans	24,394	21,171
Hire purchase receivables	3,134	88
Other fixed rates	425,675	491,682
	<u>453,203</u>	<u>512,941</u>
	<u>4,541,905</u>	<u>4,477,541</u>

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

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of period/year	530,269	839,225
Non-performing during the period/year	43,174	172,302
Reclassification to performing loans, advances and financing	(4,264)	(386,729)
Recoveries	(40,493)	(92,643)
Exchange fluctuation adjustments	(769)	(1,790)
Amount written off	-	(96)
Balance at end of period/year	<u>527,917</u>	<u>530,269</u>
Specific allowance	<u>(268,151)</u>	<u>(235,984)</u>
Non-performing loans, advances and financing - net	<u>259,766</u>	<u>294,285</u>
Ratio of non-performing loans, advances and financing to total loans, advances and financing - net	<u>6.08%</u>	<u>6.94%</u>

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

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Working capital	188,745	184,540
Construction	172,667	169,675
Merger and acquisition	58,394	58,311
Purchase of securities	34,836	5,525
Non-residential landed properties	26,333	26,327
Personnel use	4,390	4,389
Fixed assets	1,072	1,072
Purchase of transport vehicles	20	20
Other purpose	41,460	80,410
Gross non-performing loans, advances and financing	<u>527,917</u>	<u>530,269</u>

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

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General allowance</b>		
Balance at beginning of period/year	63,925	69,091
Allowance/(Reversal of allowance) during the period/year	440	(5,028)
Exchange fluctuation adjustments	8	(138)
Balance at end of period/year	<u>64,373</u>	<u>63,925</u>
 % of total loans, advances and financing less specific allowances	 <u>1.51%</u>	 <u>1.51%</u>
<b>Specific allowance</b>		
Balance at beginning of period/year	<u>235,984</u>	<u>157,720</u>
Allowance during the period/year	37,522	105,270
Amount written back in respect of recoveries and reversals	(5,352)	(25,721)
Net charge to income statements	32,170	79,549
Amount written off	(30)	(1,044)
Exchange fluctuation adjustments	27	(241)
Balance at end of period/year	<u>268,151</u>	<u>235,984</u>

## A12. OTHER ASSETS

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables, net of allowance for doubtful debts	475,516	288,965
Other receivables, deposits and prepayments, net of allowance for doubtful debts	171,996	84,131
Interest/Dividends receivable	73,941	77,145
Amount due from Originators	73,282	89,694
Amount due from brokers	15,145	11,767
Amount due from:		
Holding company	241	272
Related companies	7,102	2,389
Assets acquired in exchange of debts, net of impairment loss	8,529	9,622
	<u>825,752</u>	<u>563,985</u>

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

## A13. DEPOSITS FROM CUSTOMERS

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Term/Investment deposits from customers	4,522,266	5,510,235
Negotiable instruments of deposits	300	921,942
	<u>4,522,566</u>	<u>6,432,177</u>

The deposits are sourced from the following types of customers:

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	2,977,061	4,330,012
Individuals	9,222	6,677
Government	877,162	1,469,518
Others	659,121	625,970
	<u>4,522,566</u>	<u>6,432,177</u>

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

	The Group	
	30.9.06	31.3.06
	RM'000	RM'000
Licensed banks:		
Related	3,143,459	2,475,800
Others	839,408	1,689,849
Bank Negara Malaysia	9,196	2,801
Other financial institutions	3,534,357	3,348,447
	<u>7,526,420</u>	<u>7,516,897</u>

#### A15. OTHER LIABILITIES

	The Group	
	30.9.06	31.3.06
	RM'000	RM'000
Trade payables	539,327	352,617
Other payables and accruals	193,724	141,762
Securities sold not yet re-purchased	96,699	91,437
Provision for commitments	7	325
Amount due to :		
Holding company	2	-
Related companies	25	317
Bank overdrafts	11,423	8,985
Taxation payable	3,206	649
Zakat payable	38	38
Profit equalisation reserve	151	276
Deferred tax liabilities	574	867
	<u>845,176</u>	<u>597,273</u>

# **A16. INTEREST INCOME**

<b>The Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</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	33,495	20,994	71,177	39,915
Securities held-for-trading	49,719	29,486	105,329	69,804
Securities available for sale	36,214	9,040	47,996	11,341
Securities held-to-maturity	1,717	10,137	8,323	22,869
Loans and advances				
- Interest income other than recoveries from NPL	60,339	49,252	116,538	94,606
- Recoveries from NPLs	5,279	12,773	15,939	30,334
Others	2,656	5,246	5,186	10,541
Gross interest income	189,419	136,928	370,488	279,410
Amortisation of premiums less accretion of discounts	1,036	96	9,937	(2,033)
Interest suspended	-	(20)	-	(58)
Total after net interest suspension	190,455	137,004	380,425	277,319

# **A17. INTEREST EXPENSE**

<b>The Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	62,525	64,154	144,825	125,175
Deposit of banks and other financial institutions	56,365	8,726	81,278	19,370
Securities sold under repurchase agreements	21,788	10,598	42,695	19,574
Subordinated deposits and term loans	4,076	7,085	7,644	13,484
Redeemable unsecured subordinated bonds	9,153	7,536	18,206	14,991
Securities sold not yet re-purchased	(97)	-	534	-
Others	1,508	13,596	3,204	15,454
	155,318	111,695	298,386	208,048

**A18. OTHER OPERATING INCOME**

<b>The Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income:				
Fees on loans and advances	2,742	5,077	8,363	17,383
Corporate advisory fees	3,366	5,007	7,370	10,637
Guarantee fees	3,564	2,842	9,827	4,280
Underwriting commissions	8,106	1,017	10,675	1,917
Portfolio management fees	2,968	1,797	5,339	3,835
Unit trust management fees	8,898	7,042	16,973	14,353
Property trust management fees	540	494	1,047	988
Brokerage fees and commissions	15,554	11,303	33,239	21,771
Other fee income	5,487	3,213	10,721	7,121
	<u>51,225</u>	<u>37,792</u>	<u>103,554</u>	<u>82,285</u>
Investment and trading income:				
Net gain from sale of securities held-for-trading	17,964	14,653	6,919	69,193
Net gain from sale of securities available-for-sale	2,457	61	2,457	61
Net gain on redemption of securities held-to-maturity	19,037	11,596	33,923	12,390
Gross dividend income from:				
Securities held-for-trading	3,441	1,057	4,486	1,674
Securities held-to-maturity	10,365	10,729	10,978	11,391
(Loss)/Gain on revaluation of derivatives	(4,579)	(469)	9,262	(857)
Gain on revaluation of securities held-for-trading	58,403	25,006	35,362	31,652
	<u>107,088</u>	<u>62,633</u>	<u>103,387</u>	<u>125,504</u>
Other income:				
Foreign exchange gain/(loss)	301	2,747	(369)	2,777
Gain on disposal of property and equipment - net	82	170	115	503
Rental income	485	214	1,005	437
Other non-operating income	394	198	883	436
	<u>1,262</u>	<u>3,329</u>	<u>1,634</u>	<u>4,153</u>
	<u>159,575</u>	<u>103,754</u>	<u>208,575</u>	<u>211,942</u>

**A19. OTHER OPERATING EXPENSES**

<b>The Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel/Staff costs				
- Salaries, allowances and bonuses	27,948	21,297	52,191	42,756
- Others	10,957	8,124	18,957	16,933
Establishment costs				
- Depreciation	1,862	2,448	3,635	4,953
- Computerisation costs	3,145	3,398	6,061	5,757
- Rental	2,221	2,198	4,579	3,909
- Others	1,056	1,041	2,439	2,689
Marketing and communication expenses				
- Sales commission	2,176	834	3,488	1,862
- Advertising	741	2,186	2,305	2,734
- Travel and entertainment	548	608	1,151	1,139
- Others	1,957	1,991	3,856	3,694
Administration and general expenses				
- Amortisation of goodwill and premium on consolidation	-	1,369	-	2,739
- Professional fees	833	3,069	3,843	5,502
- Others	3,072	2,042	5,880	4,335
Overheads	56,516	50,605	108,385	99,002

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

<b>The Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance/(Reversal of allowance) for bad and doubtful debts and financing:				
Specific allowance - net	27,115	3,231	32,170	36,844
Allowance during the period	31,138	17,721	37,522	56,106
Amount written back in respect of recoveries and reversals	(4,023)	(14,490)	(5,352)	(19,262)
General allowance	(262)	5,487	440	4,176
Bad debts and financing				
Written off	-	70	11	70
Recovered	(2,621)	(1,704)	(12,438)	(2,880)
Recoveries of value impairment on amount recoverable from Danaharta	(248)	-	(255)	-
	23,984	7,084	19,928	38,210

## A21. SEGMENTAL INFORMATION

### (A) BY BUSINESS SEGMENT

	Individual Quarter		Cumulative Quarter	
	30.9.06	30.9.05	30.9.06	30.9.05
	RM'000	RM'000	RM'000	RM'000
Merchant banking				
Revenue	321,550	228,191	526,702	464,146
Profit before taxation	88,289	89,158	127,683	170,786
Offshore banking				
Revenue	17,001	15,025	30,677	25,337
(Loss)/Profit before taxation	(5,151)	6,353	(4,124)	5,539
Funds management				
Revenue	11,355	8,009	20,867	16,641
Profit before taxation	4,848	3,191	8,087	6,938
Broking				
Revenue	17,092	12,600	35,051	31,312
Profit before taxation	4,523	1,572	13,809	3,366
Others				
Revenue	3,161	2,514	5,676	4,966
Profit before taxation	1,934	2,170	4,352	4,542
Total before consolidation adjustments				
Revenue	370,159	266,339	618,973	542,402
Profit before taxation	94,443	102,444	149,807	191,171
Consolidation adjustments				
Revenue	(9,178)	(3,925)	(14,705)	(8,013)
Profit before taxation	(1,436)	(2,791)	(2,681)	(3,488)
Total after consolidation adjustments				
Revenue	360,981	262,414	604,268	534,389
Profit before taxation	93,007	99,653	147,126	187,683

Included in the above is Islamic banking business profit before taxation of RM10.0 million for the quarter and RM13.7 million for the period ended 30 September 2006 (RM17.7 million for the quarter and RM39.1 million for the period ended 30 September 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 and AmSecurities (H.K) 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 quarter 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 for the current financial quarter and period.

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

On 31 August 2006, AmMerchant Bank completed the acquisition of 6,599,592 ordinary shares of S\$1.00 each in Frasers International Pte Ltd ("FIPL"), representing 44.42% of the issued and paid-up share capital of FIPL not already owned by AmMerchant Bank, for an aggregate cash purchase consideration of S\$18,519,705, thus making it a 93.42%-owned subsidiary of AmMerchant Bank.

Further thereto, AmMerchant Bank had on 8 September 2006 completed the acquisition of the remaining 977,174 ordinary shares in FIPL, representing a 6.58% equity interest in FIPL, for an aggregate cash purchase consideration of S\$2,742,135, thereby making FIPL a 100%-owned subsidiary of AmMerchant Bank.

**A25. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, AmMerchant Bank Berhad ("AmMerchant Bank") and AmInternational (L) Ltd ("AmInternational") 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 September 2006, the commitments and contingencies outstanding are as follows:

<b>The Group</b>	<b>30.9.06</b>			<b>31.3.06</b>		
	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>Derivative Financial Instruments</b>						
Interest rate related contracts:						
Interest rate futures	172,000	-	-	580,000	-	-
Interest rate swaps:						
Related company	9,999,880	1,064,408	212,882	3,732,189	56,141	11,228
Others	21,512,349	781,722	94,224	11,951,139	256,104	52,484
Foreign exchange related contracts:						
Forward exchange contracts						
Related company	315,080	3,904	781	450,222	8,495	1,699
Others	3,468,886	72,621	14,524	2,790,842	58,200	11,640
Cross currency swaps	603,127	64,609	12,922	375,676	32,666	6,533
Malaysian Government securities futures	-	-	-	10,000	-	-
Equity related contracts:						
Options	1,310	-	-	-	-	-
	<u>36,072,632</u>	<u>1,987,264</u>	<u>335,333</u>	<u>19,890,068</u>	<u>411,606</u>	<u>83,584</u>
<b>Commitments</b>						
Irrevocable commitments to extend credit maturing:						
- within one year	540,671	-	-	642,181	-	-
- more than one year	145,392	72,696	72,507	187,253	93,627	93,135
Sell and buy back agreements	2,820,871	2,820,871	1,240,189	2,174,849	2,174,849	915,378
Forward purchase commitments	179,501	179,501	64,765	331,127	331,127	153,377
	<u>3,686,435</u>	<u>3,073,068</u>	<u>1,377,461</u>	<u>3,335,410</u>	<u>2,599,603</u>	<u>1,161,890</u>
<b>Contingent Liabilities</b>						
Guarantees given on behalf of customers	435,519	435,519	358,209	844,067	844,067	727,713
Underwriting liabilities	836,136	418,068	406,043	993,152	496,576	471,819
Certain transaction-related contingent items	479,144	239,572	213,545	431,238	215,619	181,111
	<u>1,750,799</u>	<u>1,093,159</u>	<u>977,797</u>	<u>2,268,457</u>	<u>1,556,262</u>	<u>1,380,643</u>
	<u>41,509,866</u>	<u>6,153,491</u>	<u>2,690,591</u>	<u>25,493,935</u>	<u>4,567,471</u>	<u>2,626,117</u>

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

- (a) The Company 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.
- (b) As required, the merchant banking subsidiary company, AmMerchant Bank has given a continuing guarantee to Bank Negara Malaysia on behalf of AmInternational, to meet all its liabilities and financial obligations and requirements.
- (c) 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 RM27,606,169.65 for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

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

Parties have filed several interim applications which are pending hearing at various dates including as follows:-

- (a) An application by AmTrustee to dismiss the Meridian suit on the grounds of (i) duplicity of action with the MAA suit against AmTrustee and (ii) no loss was suffered by Meridian.
- (b) A separate application by AmTrustee, which is a third party proceedings, to include Meridian in the MAA suit against AmTrustee.
- (c) An application by Meridian to add the Company's subsidiary, AmMerchant Bank, as 2nd Defendant.
- (d) An application by Meridian to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian.

Case Management in the Meridian and MAA suit is pending the disposal of the interim applications.

Based on solicitors advice, the Company believes Meridian has no reasonable cause of action against AmTrustee or AmMerchant Bank.

## **A26. RELATED PARTY TRANSACTIONS**

On 26 October 2006, the Company announced that Am ARA REIT Managers Sdn Bhd ('Am ARA'), a 70%-owned subsidiary, has entered into an arrangement for the payment of acquisition and divestment fees to ARA Asset Management (Malaysia) Limited ('ARA Malaysia'), a company with a 30% equity interest in Am ARA, pursuant to the provision of services by ARA Malaysia to Am ARA in connection with Am ARA's management of AmFIRST REIT.

## A27. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 September 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	172,000	2,000	40,000	60,000	70,000	-	-	524
Interest rate swaps	31,512,229	935,000	600,000	1,375,000	2,775,000	24,988,742	838,487	10,857
Foreign exchange related contracts:								
Forward exchange contracts	3,783,966	1,601,960	1,038,210	223,543	920,253	-	-	1,224
Cross currency swaps	603,127	-	-	-	36,875	566,252	-	12,921
Equity related contracts:								
Options	1,310	-	-	-	-	1,310	-	-
Total	36,072,632	2,538,960	1,678,210	1,658,543	3,802,128	25,556,304	838,487	25,526

## 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.

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, foreign exchange-related derivatives and equity related 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 September 2006, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM1,782,120 (RM1,049,183 as at 31 March 2006).

The value at risk of the interest rate derivatives related contracts used for trading purposes of the Group was RM9,306,213 (RM9,446,292 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 September 2006, the amounts of counterparty credit risk, measured in term of the cost to replace the profitable contracts of the Group was RM66,452,182 (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.

The Group 30.9.06	<-----Non-trading book ----->						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>ASSETS</b>										
Cash and short-term funds	1,054,005	-	-	-	-	102	811,040	-	1,865,147	4.07
Securities purchased under resale agreements	674,104	-	-	-	-	-	-	-	674,104	3.41
Deposits and placements with banks and other financial institutions	17,827	486,626	55,312	-	-	749,500	-	-	1,309,265	5.98
Securities held-for-trading	-	-	-	-	-	-	-	4,584,967	4,584,967	4.55
Securities available-for-sale	1,053,718	1,053,972	18,555	347,507	437,973	480,830	36,031	-	3,428,587	4.06
Securities held-to-maturity	-	55,313	36,057	154,755	632,808	269,844	63,362	-	1,212,139	6.91
Loans, advances and financing:										
- performing	1,456,136	1,751,402	168,002	111,692	479,652	28,409	18,695	-	4,013,988	6.56
- non-performing *	-	-	-	-	-	-	195,393	-	195,393	-
Amount due from Originators	-	13,310	-	13,475	46,497	-	-	-	73,282	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	1,168,588	-	1,168,588	-
<b>TOTAL ASSETS</b>	<b>4,255,790</b>	<b>3,360,623</b>	<b>277,926</b>	<b>627,429</b>	<b>1,596,930</b>	<b>1,528,685</b>	<b>2,293,109</b>	<b>4,584,967</b>	<b>18,525,460</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	2,699,672	953,942	259,484	97,117	202,050	-	310,301	-	4,522,566	3.69
Deposits and placements of banks and other financial institutions	3,709,048	961,791	323,489	314,807	986,475	998,194	232,616	-	7,526,420	4.20
Obligations on securities sold under repurchase agreements	2,453,838	48,078	318	-	-	-	-	-	2,502,234	3.39

	<-----Non-trading book ----->									
The Group 30.9.06	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Acceptances payable	524	2,239	84	-	-	-	-	-	2,847	5.44
Recourse obligations on loans sold to Cagamas Berhad	-	13,310	-	13,475	46,497	-	-	-	73,282	4.25
Term loan	-	276,514	-	-	-	-	-	-	276,514	5.79
Redeemable unsecured subordinated bonds	-	-	-	-	-	595,000	-	-	595,000	5.63
Other non-interest sensitive balances	-	-	-	-	-	-	845,176	-	845,176	-
<b>Total Liabilities</b>	<b>8,863,082</b>	<b>2,255,874</b>	<b>583,375</b>	<b>425,399</b>	<b>1,235,022</b>	<b>1,593,194</b>	<b>1,388,093</b>	<b>-</b>	<b>16,344,039</b>	
Share Capital	-	-	-	-	-	-	1,320,000	-	1,320,000	-
Reserves	-	-	-	-	-	-	860,792	-	860,792	-
Shareholders' equity	-	-	-	-	-	-	2,180,792	-	2,180,792	
Minority interests	-	-	-	-	-	-	629	-	629	-
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,181,421</b>	<b>-</b>	<b>2,181,421</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,863,082</b>	<b>2,255,874</b>	<b>583,375</b>	<b>425,399</b>	<b>1,235,022</b>	<b>1,593,194</b>	<b>3,569,514</b>	<b>-</b>	<b>18,525,460</b>	
On-balance sheet interest rate gap sensitivity	(4,607,292)	1,104,749	(305,449)	202,030	361,908	(64,509)	(1,276,405)	4,584,967	-	
Off-balance sheet interest rate gap sensitivity	(1,812,844)	653,537	(288,867)	(847,263)	1,099,568	1,185,044	-	-	(10,825)	
<b>Total interest rate gap sensitivity</b>	<b>(6,420,136)</b>	<b>1,758,286</b>	<b>(594,316)</b>	<b>(645,233)</b>	<b>1,461,476</b>	<b>1,120,535</b>	<b>(1,276,405)</b>	<b>4,584,967</b>	<b>(10,825)</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>(6,420,136)</b>	<b>(4,661,849)</b>	<b>(5,256,165)</b>	<b>(5,901,398)</b>	<b>(4,439,922)</b>	<b>(3,319,387)</b>	<b>(4,595,792)</b>	<b>(10,825)</b>		

The Group 31.3.06	<-----Non-trading book ----->							Trading book	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	2,690,992	-	-	-	-	-	466,095	-	3,157,087	3.44
Securities purchased under resale agreements	685,252	30,924	-	-	-	-	-	-	716,176	3.16
Deposits and placements with banks and other financial institutions	217	1,373	-	399,895	73,661	749,500	-	-	1,224,646	6.34
Securities held-for-trading	6,287	-	-	-	-	-	-	7,233,349	7,239,636	3.87
Securities available-for-sale	-	-	67,258	-	294,829	438,782	24,704	8,907	834,480	5.04
Securities held-to-maturity	-	55,247	1,997	83,708	857,911	327,417	480,374	-	1,806,654	5.52
Loans, advances and financing:										
- performing	1,639,042	1,659,076	127,883	112,509	310,298	28,438	70,026	-	3,947,272	6.30
- non-performing *	-	-	-	-	-	-	230,360	-	230,360	-
Amount due from Originators	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	985,346	-	985,346	-
<b>TOTAL ASSETS</b>	<b>5,022,606</b>	<b>1,746,620</b>	<b>199,105</b>	<b>615,676</b>	<b>1,604,046</b>	<b>1,544,137</b>	<b>2,256,905</b>	<b>7,242,256</b>	<b>20,231,351</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	3,838,547	1,912,142	263,589	161,518	8,844	-	247,537	-	6,432,177	3.18
Deposits and placements of banks and other financial institutions	2,768,877	1,255,054	468,154	387,818	1,026,803	1,335,917	274,274	-	7,516,897	3.95
Obligations on securities sold under repurchase agreements	2,481,313	81,031	273	-	-	-	-	-	2,562,617	3.13

	<-----Non-trading book ----->									
The Group	Up to 1	>1 - 3	>3 - 6	>6 - 12	1 - 5	Over 5	Non-	Trading	Total	Effective
31.3.06	month	months	months	months	years	years	interest	book		interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	sensitive	RM'000	RM'000	rate
							RM'000			%
Acceptances payable	964	1,336	803	-	-	-	-	-	3,103	4.81
Recourse obligations on loans sold to Cagamas Berhad	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Term loan	-	276,232	-	-	-	-	-	-	276,232	5.15
Redeemable unsecured subordinated bonds	-	-	-	-	-	595,000	-	-	595,000	6.10
Other non-interest sensitive balances	-	-	-	-	-	-	597,273	-	597,273	-
<b>Total Liabilities</b>	<b>9,090,517</b>	<b>3,525,795</b>	<b>734,786</b>	<b>568,900</b>	<b>1,102,994</b>	<b>1,930,917</b>	<b>1,119,084</b>	<b>-</b>	<b>18,072,993</b>	
Share Capital	-	-	-	-	-	-	1,320,000	-	1,320,000	
Reserves	-	-	-	-	-	-	837,405	-	837,405	
Shareholders' equity	-	-	-	-	-	-	2,157,405	-	2,157,405	
Minority interests	-	-	-	-	-	-	953	-	953	
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,158,358</b>	<b>-</b>	<b>2,158,358</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,090,517</b>	<b>3,525,795</b>	<b>734,786</b>	<b>568,900</b>	<b>1,102,994</b>	<b>1,930,917</b>	<b>3,277,442</b>	<b>-</b>	<b>20,231,351</b>	
On-balance sheet interest rate gap sensitivity	(4,067,911)	(1,779,175)	(535,681)	46,776	501,052	(386,780)	(1,020,537)	7,242,256	-	
Off-balance sheet interest rate gap sensitivity	(1,142,119)	(332,577)	245,061	(686,414)	(13,326)	1,935,098	-	-	5,723	
<b>Total interest rate gap sensitivity</b>	<b>(5,210,030)</b>	<b>(2,111,752)</b>	<b>(290,620)</b>	<b>(639,638)</b>	<b>487,726</b>	<b>1,548,318</b>	<b>(1,020,537)</b>	<b>7,242,256</b>	<b>5,723</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>(5,210,030)</b>	<b>(7,321,782)</b>	<b>(7,612,402)</b>	<b>(8,252,041)</b>	<b>(7,764,314)</b>	<b>(6,215,996)</b>	<b>(7,236,533)</b>	<b>5,723</b>		

\* 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 September 2006 are as follows:

	30.9.06 RM'000	31.3.06 RM'000
Tier 1 capital		
Paid-up ordinary share capital	1,320,000	1,320,000
Share premium	80,521	80,521
Capital reserve	60,284	60,284
Statutory reserve	329,549	329,549
Exchange fluctuation reserve	(6,234)	(3,868)
Unappropriated profit at end of year	390,197	365,805
Minority interests	629	953
	<u>2,174,946</u>	<u>2,153,244</u>
Less:		
Goodwill	(122,605)	(111,496)
Deferred tax assets, net	<u>(63,056)</u>	<u>(65,777)</u>
Total Tier 1 capital	<u>1,989,285</u>	<u>1,975,971</u>
Tier 2 capital		
Redeemable unsecured subordinated bonds	595,000	595,000
General allowance for bad and doubtful debts	<u>64,373</u>	<u>63,925</u>
Total Tier 2 capital	<u>659,373</u>	<u>658,925</u>
Total capital funds	2,648,658	2,634,896
Less: Investment in capital of related financial institutions	<u>(80,523)</u>	<u>(504,219)</u>
Capital base	<u>2,568,135</u>	<u>2,130,677</u>
Capital Ratios:		
Core capital ratio	14.70%	15.24%
Risk-weighted capital ratio	18.98%	16.44%
Core capital ratio (net of proposed ordinary dividend)	14.35%	14.62%
Risk-weighted capital ratio (net of proposed ordinary dividend)	<u>18.62%</u>	<u>15.81%</u>

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

	30.9.06		31.3.06	
	Principal Amount RM'000	Risk- Weighted Amount RM'000	Principal Amount RM'000	Risk- Weighted Amount RM'000
0%	1,418,104	-	2,644,321	-
10%	21,815	2,182	20,180	2,018
20%	6,139,456	1,227,891	2,911,633	582,327
50%	180,384	90,192	248,464	124,232
100%	<u>7,163,183</u>	<u>7,163,183</u>	<u>7,105,009</u>	<u>7,105,009</u>
	<u>14,922,942</u>	<u>8,483,448</u>	<u>12,929,607</u>	<u>7,813,586</u>
Add: Total RWA equivalent to market risk		5,047,828		5,148,187
		<u>13,531,276</u>		<u>12,961,773</u>

### A30. OPERATIONS OF ISLAMIC BANKING BUSINESS

The state of affairs as at 30 September 2006 and the results for the period ended 30 September 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 SEPTEMBER 2006

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	788,247	444,970
Securities held-for-trading	15,900	286,825
Securities available-for-sale	18,858	18,830
Securities held-to-maturity	56,382	56,171
Financing, advances and other loans	43,527	73,853
Statutory deposit with Bank Negara Malaysia	14,500	14,500
Other receivables, deposits and prepayments	3,845	9,499
Property and equipment	29	32
Deferred tax assets	44	44
<b>TOTAL ASSETS</b>	<b>941,332</b>	<b>904,724</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits from customers	310,827	247,537
Deposits and placements of banks and other financial institutions	269,892	274,274
Converted fund	33,277	71,310
Other liabilities	60,049	54,407
<b>Total Liabilities</b>	<b>674,045</b>	<b>647,528</b>
<b>ISLAMIC BANKING FUNDS</b>		
Capital funds	102,839	102,839
Reserves	164,448	154,357
<b>Islamic banking funds</b>	<b>267,287</b>	<b>257,196</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>941,332</b>	<b>904,724</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>3,331,391</b>	<b>2,802,023</b>

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

<b>The Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	8,216	4,950	13,950	14,043
(Allowance)/Writeback of allowance for losses on financing	(9)	(3,700)	447	(5,782)
Transfer (to)/from profit equalisation reserve	(56)	580	125	1,469
Total attributable income	8,151	1,830	14,522	9,730
Income attributable to depositors	(7,661)	(6,935)	(14,307)	(14,148)
Profit/(Loss) attributable to the Group	490	(5,105)	215	(4,418)
Income derived from investment of Islamic banking funds	10,396	23,641	15,625	45,233
Total net income	10,886	18,536	15,840	40,815
Other operating expenses	(842)	(826)	(2,133)	(1,667)
Profit before taxation	10,044	17,710	13,707	39,148
Taxation	(2,600)	(5,911)	(3,578)	(11,903)
Profit after taxation	7,444	11,799	10,129	27,245

### A30a FINANCING, ADVANCES AND OTHER LOANS

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Term financing		
Syndicated financing	20,030	70,435
Other term financing	19,632	499
Revolving credit	34,454	33,955
Gross financing, advances and other loans	<u>74,116</u>	<u>104,889</u>
Less : Allowance for bad and doubtful debts and financing:		
- General	663	1,125
- Specific	29,926	29,911
	<u>30,589</u>	<u>31,036</u>
Net financing, advances and other loans	<u>43,527</u>	<u>73,853</u>

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

#### Gross

Balance at beginning of period/year	39,920	42,273
Non-performing during the period/year	9	449
Debt equity conversion	-	(2,802)
Balance at end of period/year	<u>39,929</u>	<u>39,920</u>
Specific allowance	<u>(29,926)</u>	<u>(29,911)</u>
Net non-performing financing, advances and other loans	<u>10,003</u>	<u>10,009</u>

Ratio of non-performing financing, advances and other loans to  
total financing, advances and other loans - net

<u>22.64%</u>	<u>13.35%</u>
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Movements in allowances for bad and doubtful financing are as follows:

#### General Allowance

Balance at beginning of period/year	1,125	7,796
Reversal of allowance during the period/year	(462)	(6,671)
Balance at end of period/year	<u>663</u>	<u>1,125</u>

% of total financing, advances and other loans less specific  
allowance

<u>1.50%</u>	<u>1.50%</u>
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#### Specific Allowance

Balance at beginning of period/year	29,911	22,352
Allowance made during the period/year	15	7,684
Amount written off	-	(125)
Balance at end of period/year	<u>29,926</u>	<u>29,911</u>

**A30b DEPOSITS FROM CUSTOMERS**

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Mudarabah Special Investment deposits	310,827	247,537

**A30c. OTHER LIABILITIES**

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	39,943	37,754
Taxation and zakat payable	19,955	16,377
Profit equalisation reserve	151	276
	<u>60,049</u>	<u>54,407</u>

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

#### **(a) Change in Accounting Policies**

During the financial period ended 30 September 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 are 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 RM31,043,000 against the carrying amount of goodwill and premium. The carrying amount of goodwill and premium for the Group as at 1 April 2006 of RM118,331,000 ceased to be amortised. This has the effect of reducing the amortisation charge of the Group by RM1,224,520 for the period ended 30 September 2006. No impairment loss on goodwill and premium has been recognised in the period ended 30 September 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.

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	46,933	42,344
Goodwill on consolidation	111,496	-
Intangible assets	-	116,085

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

The Group recorded a pre-tax profit of RM147.1 million for the half year ended 30 September 2006, a decline of 21.6% as compared to RM187.7 million reported in the corresponding period ended 30 September 2005. Accordingly, the Group's net profit attributable to shareholders for the period was RM105.2 million as compared to RM137.1 million for the corresponding period. Annualised net earnings per share stood at 15.94 sen, whilst post-tax return on average shareholders funds was 9.7% for the half year ended 30 September 2006.

The lower pre-tax profit for the period was mainly due to lower income from Islamic banking business and substantially lower net gain from trading of securities held for trading portfolio as it was impacted by the rise in the Overnight Policy Rate by 25 basis points to 3.5% during the first quarter ended 30 June 2006. However, the decreases were partially offset by the write back of the revaluation loss on securities held for trading portfolio as the expected further increase in interest rate in July 2006 did not materialise and, lower loan loss allowances charged.

For the quarter ended 30 September 2006, the Group recorded a lower pre-tax profit of RM93.0 million as compared to RM99.7 million for the corresponding quarter. The decrease was attributed higher allowance for losses on loans and financing and impairment loss on securities. However, this is reduced by increase in fee income of RM13.4 million mainly from improvement in brokerage, guarantees, underwriting and fund management activities and increase in net gain from sale of securities held for trading (+RM3.3 million) as well as revaluation gain on securities held for trading (+RM33.4 million).

The Group's risk weighted capital ratio and shareholders' equity stood at 18.98% and RM2.18 billion as at 30 September 2006, respectively. As at 30 September 2006, the Group's net non-performing loans ratio stood at 6.08% and loan loss coverage (excluding collateral values of securities pledged) is 63.0%.

The merchant banking operations reported a pretax profit of RM127.7 million as compared to RM170.7 million in the corresponding period ended 30 September 2005. The lower pre-tax profit was mainly due to lower net gain from trading of securities held for trading portfolio as it was impacted by the rise in the Overnight Policy Rate by 25 basis points to 3.5% during the first quarter ended 30 June 2006. However, the decreases were partially offset by the write back of the revaluation loss on securities held for trading portfolio as the expected further increase in interest rate in July 2006 did not materialise and lower loan loss allowances made.

The offshore banking operations of the Group reported a pre-tax loss of RM4.1 million as compared to a pretax profit of 5.5 million in the corresponding period ended 30 September 2005 mainly due to increase in loan loss allowances and loss on futures trading and revaluation of derivatives.

Despite the lower volume of trade on the Bursa Securities, the stockbroking operations reported a pretax profit of RM13.8 million and RM4.5 for the period and quarter ended 30 September 2006.

Total funds under management, both unit trust and institutional funds stood at RM11.3 billion and the Fund Management Division reported a pre-tax profit of RM8.1 million and RM4.8 million for the period and quarter ended 30 September 2006.

In the opinion of the Directors, the results of operations of the Group and the Company for the financial quarter and 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 recorded a significant improvement in pre-tax profit of RM93.0 million for the second quarter ended 30 September 2006 as compared to RM54.1 million for the first quarter ended 30 June 2006.

The improvement in pre-tax profit was mainly due to substantial improvement in trading and investment income arising from higher dividend income and write back of part of the losses on securities held for trading portfolio provided during the quarter June 2006 as the expected further increase in interest rate in July 2006 did not materialize and, higher net gain from sale of securities held-for-trading.

**B3. PROSPECTS FOR 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**

<b>The Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Estimated current tax payable	23,710	19,076	38,558	43,062
Overprovision of current taxation in respect of prior years	(27)	-	(5)	-
Transfer to deferred tax assets	3,399	6,187	3,399	6,187
<b>Total</b>	<b>27,082</b>	<b>25,263</b>	<b>41,952</b>	<b>49,249</b>

The total tax charge of the Group for the financial quarter and period ended 30 September 2006 reflects an effective tax rate which is higher than the statutory tax rate due mainly to the effect on deferred taxes resulting from reduction in statutory tax rate from 28.0% to 27.0% and disallowances of certain expenses.

The total tax charge of the Group for the financial quarter and period ended 30 September 2005 reflects an effective tax rate which is lower than the statutory tax rate due mainly to certain income not subject to tax and the effect of different tax rates incurred by the offshore banking operations in Labuan.

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

<b>The Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net gain from sale of securities held-for-trading	17,964	14,653	6,919	69,193
Net gain on redemption of securities held-to-maturity	19,037	11,596	33,923	12,390
Impairment (loss)/writeback on securities	(31,719)	5,922	(30,810)	4,710

**B7. QUOTED SECURITIES**

This note is not applicable to financial institutions.

## **B8. CORPORATE PROPOSALS**

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

1. On 11 May 2006, the Company as the sponsor for AmFIRST Real Estate Investment Trust ("REIT"), together with Am ARA as the proposed management company, announced the proposed listing for the entire fund size, comprising 490,000,000 REIT units of RM1.00 each, of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad ("Proposed Listing").

The Proposed Listing involves the establishment of AmFIRST REIT for the proposed acquisition of four (4) commercial buildings, including the two (2) commercial buildings from Mayban Trustees Berhad (as trustee for AmFirst Property Trust ("AmFPT")), for a purchase consideration totalling RM486.0 million.

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

The Company has also received the approval from the SC via its letter dated 10 October 2006 for the following revisions to the Proposed Listing:

- (a) The fund size of AmFIRST REIT will be reduced from 490,000,000 units to 429,001,000 units; and
- (b) The cancellation of the proposed public issue of 60,999,000 units (Public Issue) to raise cash for AmFIRST REIT to finance the acquisition of Menara Merais.

In place of the Public Issue, AmFIRST REIT will secure bank borrowings of RM61,000,000 to wholly finance the acquisition of Menara Merais for a cash consideration of RM57,000,000 with the remaining balance of RM4,000,000 to be utilised for issue expenses and working capital requirements of AmFIRST REIT.

Save for the above, the other components of the Proposed Listing as announced on 11 May 2006 remain unchanged.

2. The Company 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>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Deposits from customers		
Due within six months	4,221,865	6,247,352
Six months to one year	98,651	175,981
One year to three years	200,300	3,844
Three to five years	1,750	5,000
	<u>4,522,566</u>	<u>6,432,177</u>
(ii) Deposits and placements of banks and other financial institutions		
Due within six months	4,857,298	4,761,236
Six months to one year	329,785	392,857
One year to three years	986,602	1,021,829
Three to five years	1,352,735	1,340,975
	<u>7,526,420</u>	<u>7,516,897</u>
<i>Recap :</i>		
<i>Interbank lendings</i>	1,553,477	4,315,378
<i>Interbank borrowings</i>	(2,809,126)	(1,672,830)
<i>Net interbank (borrowings)/lendings</i>	<u>(1,345,699)</u>	<u>2,642,548</u>
(iv) Term loans		
Due within one year		
Secured	<u>276,514</u>	<u>276,232</u>
(v) Redeemable unsecured subordinated bonds		
More than one year	<u>595,000</u>	<u>595,000</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 litigation, please refer to Note A 25(c).

## B12. DIVIDENDS

- (i) An interim dividend of 5%, less 27% tax has been declared by the directors;
- (ii) Amount per share : 5 sen, less 27% tax;
- (iii) Previous corresponding period : 4 sen, less 28% tax;
- (iv) Payment date : 18th December 2006; and
- (v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the Record of Depositors as at close of business on 4th December 2006.

The interim financial statements for the current financial period do not reflect the proposed interim ordinary dividend which is declared after the balance sheet date, 30 September 2006. The dividend will be accounted for in the shareholder's equity as an appropriation of unappropriated profits in the next financial quarter ended 31 December 2006.

## B13. EARNINGS PER SHARE (SEN)

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.

	Individual Quarter		Cumulative Quarter	
	30.9.06	30.9.05	30.9.06	30.9.05
The Group	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the company	65,868	73,861	105,176	137,071
Number of ordinary shares at beginning of period	1,320,000	1,109,442	1,320,000	1,109,442
Effect of ordinary shares issued	-	210,558	-	165,685
Weighted average number of ordinary shares in issue	1,320,000	1,320,000	1,320,000	1,275,127
Basic earnings per share (sen)	4.99	5.60	7.97	10.75

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

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

Date : 14th November 2006