

AmBank (M) Berhad

(Company No. 8515–D)

(Incorporated in Malaysia)

And Its Subsidiaries

Interim Financial Statements

For the Financial Period

1 April 2010 to

30 September 2010

(In Ringgit Malaysia)

AmBank (M) Berhad
(Incorporated in Malaysia)
And Its Subsidiaries

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

		The Group		The Bank	
	Note	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
ASSETS					
Cash and short-term funds		9,118,834	11,632,433	5,469,184	7,447,516
Deposits and placements with banks and other financial institutions		4,267,750	2,118,135	3,346,036	1,902,368
Derivative financial assets		388,593	343,643	387,448	340,182
Financial assets held-for-trading	A8	4,410,201	1,679,658	3,588,079	1,328,725
Financial investments available-for-sale	A9	5,582,671	7,814,492	6,205,606	7,405,684
Financial investments held-to-maturity	A10	184,713	532,685	177,752	532,685
Loans, advances and financing	A11	66,153,132	64,076,357	53,640,834	52,010,508
Other assets	A12	1,125,519	1,042,969	1,082,855	964,567
Statutory deposit with Bank Negara Malaysia	A13	147,153	167,623	119,074	135,544
Deferred tax asset		413,144	259,307	327,402	213,089
Investment in subsidiaries		-	-	849,870	849,870
Investment in associates		1,062	986	111	111
Property and equipment		198,451	187,738	173,042	162,464
Intangible assets		83,893	86,407	83,529	85,957
TOTAL ASSETS		92,075,116	89,942,433	75,450,822	73,379,270

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UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010 (CONTD.)

		The Group		The Bank	
	Note	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	A14	3,376,990	5,253,129	3,048,678	4,384,868
Recourse obligation on loans sold to Cagamas Berhad		21,250	135,689	21,250	135,689
Derivative financial liabilities		421,707	392,510	420,566	389,052
Deposits from customers	A15	69,842,782	69,371,802	56,352,098	55,347,520
Term funding		3,869,103	1,680,960	3,319,103	1,680,960
Bills and acceptances payable		2,355,547	1,399,573	1,503,179	1,004,586
Debt capital		4,389,584	4,385,779	3,989,584	3,985,779
Other liabilities	A16	2,261,088	1,875,897	1,990,972	1,678,276
TOTAL LIABILITIES		86,538,051	84,495,339	70,645,430	68,606,730
Share capital		670,364	670,364	670,364	670,364
Reserves		4,866,655	4,776,713	4,135,028	4,102,176
Equity attributable to equity holder of the Bank		5,537,019	5,447,077	4,805,392	4,772,540
Minority interests		46	17	-	-
Total Equity		5,537,065	5,447,094	4,805,392	4,772,540
TOTAL LIABILITIES AND EQUITY		92,075,116	89,942,433	75,450,822	73,379,270
OFF BALANCE SHEET EXPOSURE	A31(f)	76,174,173	61,638,618	70,939,366	57,477,383
NET ASSETS PER SHARE (RM)		8.26	8.13	7.17	7.12

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2010.

AmBank (M) Berhad
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UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

The Group

	Note	Individual Quarter		Cumulative Quarter	
		30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Revenue		1,433,551	1,257,633	2,839,717	2,496,228
Interest income	A17	984,289	879,238	1,960,928	1,746,226
Interest expense	A18	(499,187)	(444,460)	(976,584)	(902,045)
Net interest income		485,102	434,778	984,344	844,181
Net income from Islamic Banking business	A19	177,610	165,399	366,360	326,286
Other operating income	A20	152,155	119,915	290,795	245,503
Share in results of associates		57	37	76	114
Total operating income		814,924	720,129	1,641,575	1,416,084
Other operating expenses	A21	(299,610)	(272,301)	(608,483)	(550,033)
Operating profit		515,314	447,828	1,033,092	866,051
Allowance for losses on loans, advances and financing	A22	(105,631)	(146,162)	(198,313)	(287,114)
Provision for commitments and contingencies		(3,991)	8,231	(3,725)	7,863
Impairment loss	A23	(64,328)	(32,644)	(52,784)	(72,308)
Transfer from/(to) profit equalisation reserve		29,541	1,879	17,819	(53)
Profit before zakat and taxation		370,905	279,132	796,089	514,439
Zakat		(207)	(497)	(400)	(819)
Taxation		(96,345)	(77,131)	(211,747)	(139,303)
Profit for the period		274,353	201,504	583,942	374,317
Profit attributable to:					
Equity holder of the Bank		274,323	201,507	583,913	374,323
Minority interests		30	(3)	29	(6)
		274,353	201,504	583,942	374,317
Earnings per share (sen)	A24				
Basic		40.92	30.06	87.10	55.84
Fully diluted		33.71	24.56	71.73	45.63

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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

The Group

	Note	Individual Quarter		Cumulative Quarter	
		30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Profit for the period		274,353	201,504	583,942	374,317
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations		(6,161)	(1,750)	(6,942)	(5,430)
Net movement on cash flow hedge		23,562	4,339	(17,344)	66,315
Net gain/(loss) on financial investments available-for-sale		(6,962)	99,081	34,621	96,957
Income tax relating to the components of other comprehensive income		(2,433)	(21,077)	(4,020)	(32,256)
Other comprehensive income for the period, net of tax		8,006	80,593	6,315	125,586
Total comprehensive income for the period		282,359	282,097	590,257	499,903
Total comprehensive income attributable to:					
Equity holder of the Bank		282,329	282,100	590,228	499,909
Minority interests		30	(3)	29	(6)
		282,359	282,097	590,257	499,903

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2010.

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UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

The Bank

	Note	Individual Quarter		Cumulative Quarter	
		30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Revenue		1,196,858	1,187,974	2,380,200	2,232,464
Interest income	A17	980,154	877,087	1,953,754	1,743,769
Interest expense	A18	(499,696)	(445,190)	(977,866)	(903,585)
Net interest income		480,458	431,897	975,888	840,184
Other operating income	A20	216,704	310,887	426,446	488,695
Total operating income		697,162	742,784	1,402,334	1,328,879
Other operating expenses	A21	(294,672)	(267,957)	(598,520)	(540,662)
Operating profit		402,490	474,827	803,814	788,217
Allowance for losses on loans, advances and financing	A22	(67,377)	(122,592)	(133,370)	(237,338)
Provision for commitments and contingencies		(2,722)	(4,810)	(2,510)	(5,007)
Impairment loss	A23	(61,691)	(28,343)	(54,258)	(68,007)
Profit before taxation		270,700	319,082	613,676	477,865
Taxation		(71,506)	(86,813)	(166,634)	(128,102)
Profit for the period		199,194	232,269	447,042	349,763
Earnings per share (sen)	A24				
Basic		29.71	34.65	66.69	52.18
Fully diluted		24.56	28.31	55.04	42.64

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010 (CONTD.)**

The Bank

Note	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Profit for the period	199,194	232,269	447,042	349,763
Other comprehensive income				
Exchange differences on translation of foreign operations	(355)	(5)	(270)	216
Net movement on cash flow hedge	23,562	4,339	(17,344)	66,315
Net gain/(loss) on financial investments available-for-sale	29,305	108,980	68,961	107,873
Income tax relating to the components of other comprehensive income	(12,858)	(23,294)	(12,600)	(34,998)
Other comprehensive income for the period, net of tax	39,654	90,020	38,747	139,406
Total comprehensive income for the period	238,848	322,289	485,789	489,169

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2010.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

The Group	<----- Attributable to Equity Holder of the Bank ----->								Total Equity RM'000
	Non-distributable						Distributable		
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Other Reserves RM'000	Retained Earnings RM'000	Minority Interests RM'000	
Balance as at 1 April 2009	670,364	942,844	849,232	397,566	377,492	(123,680)	1,357,909	28	4,471,755
Profit/(loss) for the period	-	-	-	-	-	-	374,323	(6)	374,317
Other comprehensive income	-	-	-	-	-	125,586	-	-	125,586
Transfer to Statutory reserve	-	-	62,118	-	-	-	(62,118)	-	-
Balance as at 30 September 2009	670,364	942,844	911,350	397,566	377,492	1,906	1,670,114	22	4,971,658
Balance as at 1 April 2010									
As previously reported	670,364	942,844	945,628	397,566	377,492	55,363	2,057,820	17	5,447,094
Effect of adopting FRS 139	-	-	-	-	-	(45,703)	(171,258)	-	(216,961)
As restated	670,364	942,844	945,628	397,566	377,492	9,660	1,886,562	17	5,230,133
Profit/(loss) for the period	-	-	-	-	-	-	583,913	29	583,942
Other comprehensive income	-	-	-	-	-	6,315	-	-	6,315
Dividends on ordinary shares:									
- final, financial year ended 31 March 2010	-	-	-	-	-	-	(283,325)	-	(283,325)
Transfer to Statutory reserve	-	-	31,770	-	-	-	(31,770)	-	-
Balance as at 30 September 2010	670,364	942,844	977,398	397,566	377,492	15,975	2,155,380	46	5,537,065

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2010.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	Attributable to Equity Holder of the Bank					
	Non-distributable			Distributable		
The Bank	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Other Reserves RM'000	Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 April 2009	670,364	942,844	680,459	(144,648)	1,708,293	3,857,312
Profit for the period	-	-	-	-	349,763	349,763
Other comprehensive income	-	-	-	139,406	-	139,406
Balance as at 30 September 2009	670,364	942,844	680,459	(5,242)	2,058,056	4,346,481
Balance as at 1 April 2010						
As previously reported	670,364	942,844	680,459	53,454	2,425,419	4,772,540
Effects of adopting FRS 139	-	-	-	(40,258)	(129,354)	(169,612)
As restated	670,364	942,844	680,459	13,196	2,296,065	4,602,928
Profit for the period	-	-	-	-	447,042	447,042
Other comprehensive income	-	-	-	38,747	-	38,747
Dividends on ordinary shares:						
- final, financial year ended 31 March 2010	-	-	-	-	(283,325)	(283,325)
Balance as at 30 September 2010	670,364	942,844	680,459	51,943	2,459,782	4,805,392

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2010.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	The Group		The Bank	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and taxation	796,089	514,439	613,676	477,865
Adjustments	398,127	489,746	297,279	293,738
Operating profit before working capital changes	1,194,216	1,004,185	910,955	771,603
Changes in working capital:				
Net change in operating assets	(7,642,975)	(7,336,174)	(5,109,336)	(5,467,490)
Net change in operating liabilities	1,769,726	1,006,077	1,830,892	(616,680)
Zakat paid	(401)	-	-	-
Tax paid	(79,241)	(224)	(67,023)	-
Net cash used in operating activities	(4,758,675)	(5,326,136)	(2,434,512)	(5,312,567)
Net cash generated from/(used in) investing activities	2,528,401	50,685	739,505	(337,878)
Net cash generated from/(used in) financing activities	(283,325)	485,000	(283,325)	485,000
Net (decrease)/increase in cash and cash equivalents	(2,513,599)	(4,790,451)	(1,978,332)	(5,165,445)
Cash and cash equivalents at beginning of the period	11,632,433	16,868,087	7,447,516	13,395,759
Cash and cash equivalents at end of the period	9,118,834	12,077,636	5,469,184	8,230,314

For purposes of Statement of Cash Flows, Cash and cash equivalents comprise cash and bank balances and money at call and deposit placements maturing within one month ("Cash and short-term funds").

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2010.

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Explanatory Notes

A1. Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”). The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Group as at and for the year ended 31 March 2010.

The condensed consolidated interim financial statements incorporate those activities relating to Islamic banking. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 March 2010 except for the adoption of the following FRSs, amendments to FRSs, IC Interpretations and Technical Release:

FRS 4, Insurance Contracts
FRS 7, Financial Instruments: Disclosures
FRS 8 Operating Segments
FRS 101, Presentation of Financial Statements (revised)
FRS 123, Borrowing Costs (revised)
FRS 139, Financial Instruments: Recognition and Measurement
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132, Financial Instruments: Presentation and FRS 101, Presentation of Financial Statements
- Puttable Financial Instruments and Obligations Arising on Liquidation
- Separation of Compound Instruments
Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7,
Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- Reclassification of Financial Assets
- Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 139, Financial Instruments: Recognition and Measurement - Collective Assessment of Impairment for Banking Institutions
Improvements to FRSs (2009)
IC Interpretation 9, Reassessment of Embedded Derivatives
IC Interpretation 10, Interim Financial Reporting and Impairment
IC Interpretation 11, FRS 2 - Group and Treasury shares transactions
IC Interpretation 13, Customer Loyalty Programmes
IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
TR i – 3, Presentation of Financial Statements of Islamic Financial Institutions

FRS 4 is not relevant to the Group and the Bank. The effects of adopting FRS 7, FRS 8, FRS 101, Amendments to FRS 117 and IC Interpretation 13, which did not have any significant effect on the financial performance or position of the Group and the Bank and did not impact earnings per ordinary share, are discussed below:

FRS 7, Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132, Financial instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, market risk and sensitivity analysis to market risk.

The Group and the Bank has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The adoption of FRS 7 did not impact the financial position or results of the Group and the Bank.

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A1. Basis of Preparation (Contd.)

FRS 8, Operating Segments

FRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments disclosure in the financial statements. The application of FRS 8 did not have any impact to the financial statements of the Group.

FRS 101, Presentation of Financial Statements

FRS 101 requires the Group and the Bank to present all owner changes in equity and all non-owner changes to be presented in either a single statement of comprehensive income or in two separate statements of income and comprehensive income. FRS 101 also requires the income tax effect of each component of comprehensive income be disclosed. FRS 101 requires retrospective restatement of comparative statement of financial position as at the beginning of the earliest comparative period. The Group and the Bank has opted for the two statements approach. The adoption of FRS 101 did not impact the financial position or results of the Group and the Bank as the changes introduced are presentational in nature.

FRS 117, Leases

The amendments to FRS 117 require leasehold land which is in substance finance lease to be classified as Property and Equipment or Investment Property as appropriate. The Group and the Bank has reassessed and determined that all leasehold land of the Group and the Bank which in substance are finance leases and has reclassified the leasehold land to Property and Equipment. The change in accounting policy has been applied retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect earnings per ordinary share for the current and prior periods.

IC Interpretation 13, Customer Loyalty Programmes

IC Interpretation 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The Group's AmBonus Rewards Programme, operated for the benefit of the Group's credit card customers, falls within the scope of IC Interpretation 13. Under the AmBonus Rewards Programme, the credit card customers are entitled to bonus points that can be used to redeem gifts and vouchers. The accounting treatment adopted by the Group for customer loyalty programmes is consistent with IC Interpretation 13, except that the Group recorded the expense of the AmBonus points as a set off against interest income in the past. The Group has applied IC Interpretation 13 retrospectively in accordance with the transitional provisions of IC Interpretation 13 and has reclassified the expense of the AmBonus points from interest income to fee income to reflect the multiple element arrangement. The reclassification does not affect earnings per ordinary share for the current and prior periods.

The adoption of the other FRSs, amendments to FRSs, IC Interpretations and Technical Release did not have any material financial impact on the financial statements of the Group and the Bank.

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A1. Basis of Preparation (Contd.)

At the date of authorisation of these condensed consolidated interim financial statements, the following revised FRSs, new IC Interpretations and Amendments to certain FRSs and IC Interpretations have been issued by the MASB but are not yet effective for, and have not been applied by, the Group and the Bank:

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

FRS 1, First-time Adoption of Financial Reporting Standards (revised)
FRS 3, Business Combinations (revised)
FRS 127, Consolidated and Separate Financial Statements (revised)
Amendments to FRS 2, Share-based Payment
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS138, Intangible Assets
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
IC Interpretation 12, Service Concession Arrangements
IC Interpretation 15, Agreements for the Construction of Real Estate
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17, Distributions of Non-cash Assets to Owners

Technical Release effective for annual periods ending on or after 31 December 2010

TR 3, Guidance on Disclosures of Transition to IFRSs

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Additional Exemptions for First-time Adopters
Amendments to FRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
IC Interpretation 4, Determining whether an Arrangement contains a Lease
IC Interpretation 18, Transfers of Assets from Customers
TR i – 4, Shariah Compliant Sale Contracts

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

Amendment to IC Interpretation 15, Agreements for the Construction of Real Estate

Change in accounting policies

The adoption of new and revised FRSs during the financial period have resulted in changes to the following accounting policies:

- (i) FRS 139, Financial Instruments: Recognition and Measurement
- (ii) IC Interpretation 9, Reassessment of Embedded Derivatives
- (iii) Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
 - Reclassification of Financial Assets
 - Puttable Financial Instruments and Obligations Arising on Liquidation
- (iv) Amendments to FRS 139, Financial Instruments: Recognition and Measurement - Collective Assessment of Impairment for Banking Institutions
- (v) IC Interpretation 13, Customer Loyalty Programmes

A1. Basis of Preparation (Contd.)

FRS 139, Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's revised BNM/GP8 – Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting which are similar to those prescribed by FRS 139 have already been adopted by the Group and the Bank. Therefore, the adoption of the full FRS 139 on 1 April 2010 resulted in changes in the following areas:

(i) Impairment of Loans, Advances and Financing

The adoption of FRS 139 changes the accounting policy relating to the assessment for impairment of financial assets, particularly loans, advances and financing. The existing accounting policies on the assessment of impairment of other financial assets of the Group are generally in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. On adoption of FRS 139, the Group and the Bank assesses, at the end of each reporting period, whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The Group and the Bank first assesses individually whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics for purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Group and the Bank is currently reporting under BNM's transitional arrangement as prescribed in its guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and as allowed by the MASB in its Amendments to FRS 139 issued on the same date. Pursuant to this transitional arrangement, banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

The changes in accounting policies above have been accounted for prospectively, in line with the transitional arrangements in paragraph 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting profit or loss as at the beginning of the current financial period being adjusted to opening retained earnings.

(ii) Interest Income Recognition

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. On adoption of FRS 139 on 1 April 2010, interest income on its loans, advances and financing is no longer recognised based on contractual interest rates but the effective interest rate ("EIR") is applied instead. EIR refers to the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

This change in accounting policy has been accounted for prospectively in line with the transitional arrangements in paragraph 103AA of FRS 139 with resulting adjustments being adjusted to opening retained earnings.

A1. Basis of Preparation (Contd.)

FRS 139, Financial Instruments: Recognition and Measurement (Contd.)

(ii) Interest Income Recognition (Contd.)

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. On adoption of FRS 139, once a loan has been written down for impairment loss, subsequent interest income thereon is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. As a result of this change, the resulting adjustments have been taken up in the opening retained earnings.

(iii) Recognition of Embedded Derivatives

On adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivatives are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured.

The Group and the Bank has assessed the impact of this requirement on adoption of FRS 139 on 1 April 2010 and concluded that there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

The adoption of FRS 139 and its related amendments did not impact earnings per ordinary share.

A2. Audit Qualification

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2010 was not qualified.

A3. Seasonality or Cyclicity of Operations

The operations of the Group are not subject to 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 prior financial years that have a material effect on the financial quarter and period ended 30 September 2010.

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

There were no issuance, cancellation, repurchase, resale and repayment of debt securities 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 Bank during the financial quarter and period.

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A7. Dividends Paid

During the financial quarter, the final single tier cash dividend of approximately 42.26 sen per ordinary share amounting to RM283,325,000 in respect of the financial year ended 31 March 2010 was paid on 8 September 2010.

The Board of Directors recommend a single tier cash interim dividend of approximately 56.81 sen per ordinary share amounting to RM380,833,653 in respect of the financial year ending 31 March 2011.

A8. Financial assets held-for-trading

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
At fair value				
Money Market Securities:				
Treasury bills	19,792	19,551	19,792	19,551
Islamic Treasury bills	5,281	39,141	4,858	-
Malaysian Government Securities	774,212	154,746	774,212	154,746
Malaysian Government Investment Certificates	367,191	452,188	175,871	262,278
Sukuk Bank Negara Malaysia	-	14,990	-	-
Islamic Khazanah bonds	35,125	-	35,125	-
Bank Negara Malaysia Monetary Notes	1,848,424	306,008	1,595,347	257,292
	<u>3,050,025</u>	<u>986,624</u>	<u>2,605,205</u>	<u>693,867</u>
<u>Quoted Securities</u>				
In Malaysia:				
Shares	193,497	55,770	193,497	55,770
Unit Trusts	2,580	2,655	2,580	2,655
Warrants	2,813	1,935	2,813	1,935
Outside Malaysia				
Shares	8,240	4,186	8,240	4,186
	<u>207,130</u>	<u>64,546</u>	<u>207,130</u>	<u>64,546</u>
<u>Unquoted Securities</u>				
In Malaysia:				
Private debt securities	1,130,150	613,857	752,848	555,681
	<u>1,130,150</u>	<u>613,857</u>	<u>752,848</u>	<u>555,681</u>
Outside Malaysia:				
Private debt securities	22,896	14,631	22,896	14,631
	<u>22,896</u>	<u>14,631</u>	<u>22,896</u>	<u>14,631</u>
Total Financial assets held-for-trading	<u>4,410,201</u>	<u>1,679,658</u>	<u>3,588,079</u>	<u>1,328,725</u>

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A9. Financial investments available-for-sale

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
At fair value				
Money Market Securities:				
Islamic Khazanah Bonds	-	37,890	-	37,890
Negotiable instruments				
of deposit	904,576	2,511,332	1,712,795	2,733,280
Malaysian Government Securities	349,180	348,635	349,180	348,635
Islamic negotiable instruments				
of deposit	930,036	577,330	781,057	-
Malaysian Government Investment				
Certificates	75,982	76,005	-	-
	<u>2,259,774</u>	<u>3,551,192</u>	<u>2,843,032</u>	<u>3,119,805</u>
<u>Quoted Securities</u>				
In Malaysia:				
Shares	13,204	42,379	13,088	42,259
Unit Trusts	50,160	800,000	40,160	800,000
Debt securities	-	2,658	-	2,658
Debt securities with				
options and/or collateral	63,382	-	63,382	-
	<u>126,746</u>	<u>845,037</u>	<u>116,630</u>	<u>844,917</u>
Outside Malaysia:				
Shares	45	104	-	39
	<u>45</u>	<u>104</u>	<u>-</u>	<u>39</u>
<u>Unquoted Securities</u>				
In Malaysia:				
Shares	89,219	-	89,122	-
Debt securities	3,099,156	3,140,047	3,145,457	3,159,510
Debt securities with				
options and/or collateral	65,648	288,546	65,648	288,546
	<u>3,254,023</u>	<u>3,428,593</u>	<u>3,300,227</u>	<u>3,448,056</u>
Outside Malaysia:				
Shares	951	917	82	-
Debt securities	18,947	37,713	18,947	37,713
	<u>19,898</u>	<u>38,630</u>	<u>19,029</u>	<u>37,713</u>
Total	5,660,486	7,863,556	6,278,918	7,450,530
Less: Accumulated				
impairment losses	(77,815)	(49,064)	(73,312)	(44,846)
Total financial investments				
available-for-sale	<u>5,582,671</u>	<u>7,814,492</u>	<u>6,205,606</u>	<u>7,405,684</u>

The Bank and its wholly owned subsidiary, AmIslamic Bank Berhad was appointed Principal Dealer ("PD") and Islamic Principal Dealer ("i-PD") respectively by Bank Negara Malaysia ("BNM") for Government /Islamic Government, BNM and BNM Sukuk Berhad issuances with effect from 1 July 2009 until 31 December 2012.

As PD and i-PD, the Group and the Bank are required to undertake certain obligations as well as accorded certain incentives in the appointment period. One of the incentives accorded is the eligibility to maintain 1% Statutory Reserve Requirement ("SRR") in the form of Malaysian Government Securities ("MGS") and/or Government Investment Certificates ("GIC") holdings instead of cash. As at 30 September 2010 and 31 March 2010, the nominal values of MGS and GIC holdings maintained for SRR purposes amount to RM425,260,000 and RM350,000,000 for the Group and the Bank respectively.

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A10. Financial investments held-to-maturity

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
<u>Quoted Securities</u>				
In Malaysia:				
Shares	-	40	-	40
Debt securities with options and/or collateral	-	75,087	-	75,087
	<u>-</u>	<u>75,127</u>	<u>-</u>	<u>75,127</u>
<u>Unquoted Securities</u>				
In Malaysia:				
Shares	-	93,105	-	91,329
Debt securities	108,546	256,524	99,071	245,172
Debt securities with options and/or collateral	279,498	463,479	278,527	462,507
	<u>388,044</u>	<u>813,108</u>	<u>377,598</u>	<u>799,008</u>
Outside Malaysia:				
Shares	-	86	-	86
	<u>-</u>	<u>86</u>	<u>-</u>	<u>86</u>
Total	388,044	888,321	377,598	874,221
Less: Accumulated impairment losses	<u>(203,331)</u>	<u>(355,636)</u>	<u>(199,846)</u>	<u>(341,536)</u>
Total financial investments held-to-maturity	<u>184,713</u>	<u>532,685</u>	<u>177,752</u>	<u>532,685</u>

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A11. Loans, Advances and Financing

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
(i) By type of loans/financing				
<i>At amortised cost:</i>				
Overdraft	2,067,056	1,934,446	1,748,465	1,681,940
Term loan facilities				
– Housing loans/financing	11,782,269	11,405,564	10,873,569	10,632,740
– Hire-purchase receivables	30,922,013	30,875,449	22,360,065	22,927,857
– Other loans/financing*	21,077,771	18,861,467	15,349,874	13,758,591
Card receivables	1,783,169	1,782,020	1,486,568	1,489,177
Bills receivables	225,399	115,140	219,794	115,140
Trust receipts	584,551	387,310	524,101	317,070
Claims on customers under acceptance credit	2,753,478	2,788,013	1,789,025	1,870,194
Revolving credit	5,677,910	5,010,638	4,714,945	4,279,548
Staff loans	157,670	153,816	157,207	153,317
Block discount receivables	60,843	57,928	60,843	57,928
Factoring receivables	61,729	57,143	61,729	57,143
Total	77,153,858	73,428,934	59,346,185	57,340,645
Unearned interest and unearned income	(7,466,660)	(7,161,205)	(3,627,296)	(3,738,869)
	69,687,198	66,267,729	55,718,889	53,601,776
Less: Islamic financing sold to Cagamas Berhad	(1,103,729)	(345,738)	-	-
Gross loans, advances and financing	68,583,469	65,921,991	55,718,889	53,601,776
Allowance for bad and doubtful debts and financing:				
– Collective allowance	(1,953,077)	-	(1,611,644)	-
– Individual allowance	(477,260)	-	(466,411)	-
– General	-	(997,741)	-	(808,165)
– Specific	-	(847,893)	-	(783,103)
Net loans, advances and financing	66,153,132	64,076,357	53,640,834	52,010,508

* Included in other term financing of the Group is financing amounting to RM287,515,000 (31 March 2010: RM210,619,000) which is exempted from collective/general allowance by BNM.

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A11. Loans, Advances and Financing (Contd.)**(ii) By type of customer**

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
Domestic non-bank financial institutions	2,536,285	1,252,571	2,551,709	1,257,423
Domestic business enterprises				
– Small medium enterprises	8,091,321	7,219,082	6,692,915	6,068,885
– Others	17,528,081	17,511,501	14,771,390	15,441,147
Government and statutory bodies	355,487	253,528	32,717	42,909
Individuals	39,625,582	39,143,013	31,249,155	30,278,636
Other domestic entities	2,517	3,021	584	943
Foreign entities	444,196	539,275	420,419	511,833
Gross loans, advances and financing	<u>68,583,469</u>	<u>65,921,991</u>	<u>55,718,889</u>	<u>53,601,776</u>

(iii) By geographical distribution

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
Domestic	67,955,002	65,332,703	55,115,528	53,042,502
Offshore	628,467	589,288	603,361	559,274
Gross loans, advances and financing	<u>68,583,469</u>	<u>65,921,991</u>	<u>55,718,889</u>	<u>53,601,776</u>

(iv) By interest/profit rate sensitivity

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
Fixed rate				
– Housing loans/financing	2,087,517	2,008,656	1,774,018	1,682,433
– Hire purchase receivables	24,725,657	25,475,809	18,745,691	19,204,007
– Other loans/financing	9,276,829	9,297,212	4,505,399	4,592,199
Variable rate				
– Base lending rate plus	18,485,982	17,513,147	18,142,007	17,430,068
– Cost plus	12,488,535	10,303,658	11,038,931	9,376,443
– Other variable rates	1,518,949	1,323,509	1,512,843	1,316,626
Gross loans, advances and financing	<u>68,583,469</u>	<u>65,921,991</u>	<u>55,718,889</u>	<u>53,601,776</u>

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A11. Loans, Advances and Financing (Contd.)**(v) By sector**

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
Primary agriculture	1,547,090	1,542,566	1,412,502	1,430,213
Mining and Quarrying	336,057	441,170	319,968	428,424
Manufacturing	5,747,751	4,965,474	4,417,568	4,010,107
Electricity, gas and water	2,199,735	2,292,627	1,985,308	2,089,365
Construction	3,909,707	3,759,983	3,426,717	3,448,632
Wholesale, Retail trade, Restaurants and Hotels	3,784,430	3,594,540	3,227,970	3,116,020
Transport, Storage and Communication	2,523,128	3,012,306	2,145,285	2,712,318
Finance, Insurance, Real Estate and Business activity	6,863,704	5,400,271	6,230,207	4,881,099
Education and Health	955,942	819,295	496,759	501,265
Household	40,714,620	39,537,407	31,302,824	30,385,585
of which:				
- purchase of residential properties	11,552,656	11,361,622	10,879,345	10,703,064
- purchase of transport vehicles	23,691,552	23,501,665	17,121,605	17,358,531
- others	5,470,412	4,674,120	3,301,874	2,323,990
Others	1,105,034	902,090	753,781	598,748
	69,687,198	66,267,729	55,718,889	53,601,776
Less: Islamic financing sold to Cagamas Berhad	(1,103,729)	(345,738)	-	-
Gross loans, advances and financing	68,583,469	65,921,991	55,718,889	53,601,776

(vi) By residual contractual maturity

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
Maturing within one year	12,419,817	11,436,948	10,258,291	9,494,938
One year to three years	8,520,665	6,873,234	7,473,868	6,061,422
Three years to five years	11,247,836	11,202,770	8,994,071	9,128,099
Over five years	36,395,151	36,409,039	28,992,659	28,917,317
Gross loans, advances and financing	68,583,469	65,921,991	55,718,889	53,601,776

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A11. Loans, Advances and Financing (Contd.)**(vii) Impaired loans/financing by geographical distribution**

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
Domestic	2,553,069	1,859,762	2,348,437	1,676,942

(viii) Impaired loans/financing by sector

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
Primary agriculture	34,548	2,747	34,026	2,250
Mining and Quarrying	381	1,028	360	1,008
Manufacturing	243,854	101,638	227,423	92,280
Electricity, gas and water	288,792	649	288,739	581
Construction	382,689	296,615	377,611	292,123
Wholesale, Retail trade, Restaurants and Hotels	84,434	63,010	61,544	54,333
Transport, Storage and Communication	15,140	19,278	14,071	18,439
Finance, Insurance, Real Estate and Business activity	144,277	124,633	140,874	123,383
Education and Health	50,590	46,244	48,653	45,705
Household	1,298,464	1,192,289	1,145,292	1,035,209
of which:				
- purchase of residential properties	704,133	633,995	674,957	595,535
- purchase of transport vehicles	404,207	399,828	295,938	295,354
- others	190,124	158,466	174,397	144,319
Others	9,900	11,631	9,844	11,631
	2,553,069	1,859,762	2,348,437	1,676,942

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A11. Loans, Advances and Financing (Contd.)(ix) **Movements in impaired loans, advances and financing are as follows:**

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
Gross				
Balance at 1 April				
- as previously stated	1,859,762	2,419,726	1,676,942	2,180,089
- effect of adopting FRS 139	672,171	-	662,485	-
- as restated	2,531,933	2,419,726	2,339,427	2,180,089
Impaired during the period/year	758,801	1,030,266	634,622	874,543
Reclassification as				
non-impaired	(307,265)	(452,389)	(255,911)	(397,579)
Amount recovered	(178,265)	(197,803)	(161,668)	(176,652)
Amount written off	(256,252)	(940,038)	(212,150)	(803,459)
Repurchase of loan	4,117	-	4,117	-
Balance at end of period/year	2,553,069	1,859,762	2,348,437	1,676,942
Gross loans, advances and financing	68,583,469	65,921,991	55,718,889	53,601,776
Add: Islamic financing sold to Cagamas Berhad	1,103,729	345,738	-	-
Loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	69,687,198	66,267,729	55,718,889	53,601,776
Ratio of gross impaired loans advances and financing to gross loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	3.66%	2.81%	4.21%	3.13%

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A11. Loans, Advances and Financing (Contd.)

(x) **Movements in the allowance for impaired accounts are as follows:**

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
Collective allowance				
At 1 April	-	-	-	-
As previously stated	-	-	-	-
Effect of adopting FRS 139	1,797,171	-	1,502,269	-
Restated at 1 April	1,797,171	-	1,502,269	-
Charge for the period/year - net	396,802	-	305,988	-
Amount written-off	(244,650)	-	(200,390)	-
Repurchase of loan	4,117	-	4,117	-
Exchange differences	(363)	-	(340)	-
	<u>1,953,077</u>	<u>-</u>	<u>1,611,644</u>	<u>-</u>
 As % of gross financing and advances (including) Islamic financing sold to Cagamas Berhad) less individual allowance and financing exempted from collective allowance by Bank Negara Malaysia	 <u>2.83%</u>	 <u>-</u>	 <u>2.92%</u>	 <u>-</u>
Individual allowance				
At 1 April	-	-	-	-
As previously stated	-	-	-	-
Effect of adopting FRS 139	452,386	-	451,278	-
Restated at 1 April	452,386	-	451,278	-
Charge for the period/year - net	36,789	-	27,048	-
Amount written-off	(11,915)	-	(11,915)	-
	<u>477,260</u>	<u>-</u>	<u>466,411</u>	<u>-</u>

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A11. Loans, Advances and Financing (Contd.)

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

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
General Allowance				
At 1 April				
As previously stated	997,741	895,655	808,165	728,700
Effect of adopting FRS 139	(997,741)	-	(808,165)	-
Restated at 1 April	-	895,655	-	728,700
Allowance made during the period/year	-	103,054	-	80,376
Exchange fluctuation adjustments	-	(968)	-	(911)
	-	997,741	-	808,165
As % of total loans, advances and financing including Islamic financing sold to Cagamas Berhad less financing exempted from general allowance by BNM and specific allowance	-	1.53%	-	1.53%
Specific Allowance				
At 1 April				
As previously stated	847,893	914,985	783,103	815,933
Effect of adopting FRS 139	(847,893)	-	(783,103)	-
Restated at 1 April	-	914,985	-	815,933
Allowance made during the period/year	-	1,205,018	-	1,055,246
Amount written back in respect of recoveries during the period/year	-	(336,172)	-	(291,273)
Net charge to income statements	-	868,846	-	763,973
Amount written off	-	(936,525)	-	(796,867)
Adjustment to Asset Deficiency Account	-	587	-	64
	-	847,893	-	783,103

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A12. Other Assets

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
Deferred assets	34,744	34,744	34,744	34,744
Interest/Profit receivable	312,314	271,679	297,671	262,196
Other receivables, deposits and prepayments (net)	392,060	323,692	421,589	308,287
Deferred charges	235,451	239,529	177,901	186,015
Amount due from originators	21,250	22,793	21,250	22,793
Foreclosed properties net of impairment loss	129,700	150,532	129,700	150,532
	<u>1,125,519</u>	<u>1,042,969</u>	<u>1,082,855</u>	<u>964,567</u>

A13. Statutory deposit with Bank Negara Malaysia

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities. As at 30 September 2010 and 31 March 2010, the nominal values of MGS and GIC holdings classified as Financial investments available-for-sale, maintained for SRR purposes amount to RM425,260,000 and RM350,000,000 for the Group and the Bank respectively, as mentioned in Note A9.

A14. Deposits and Placements of Banks and Other Financial Institutions

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
Licensed banks	85,642	416,941	343,942	327,385
Licensed investment banks	1,174,327	1,250,381	1,040,790	1,127,005
Other financial institutions	1,170,620	2,683,230	733,365	2,030,724
Bank Negara Malaysia ("BNM")	946,401	902,577	930,581	899,754
	<u>3,376,990</u>	<u>5,253,129</u>	<u>3,048,678</u>	<u>4,384,868</u>

A15. Deposits from Customers

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2010	2010	2010	2010
	RM'000	RM'000	RM'000	RM'000
Demand deposits	4,711,610	4,386,833	3,781,689	3,476,074
Savings deposits	4,065,441	3,985,055	2,846,703	2,830,642
Fixed/Investment/Term deposits	60,349,791	60,394,724	49,077,110	48,600,941
Negotiable instruments of deposits	290,297	433,840	226,091	278,058
Other deposits	425,643	171,350	420,505	161,805
	<u>69,842,782</u>	<u>69,371,802</u>	<u>56,352,098</u>	<u>55,347,520</u>

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A15. Deposits from Customers (Contd.)By type of customers

Individuals	27,825,711	26,828,735	25,516,324	24,655,440
Business enterprises	27,405,030	30,086,207	21,308,035	23,297,798
Government and other statutory bodies	12,017,669	11,240,282	7,243,993	6,494,652
Others	2,594,372	1,216,578	2,283,746	899,630
	<u>69,842,782</u>	<u>69,371,802</u>	<u>56,352,098</u>	<u>55,347,520</u>

The maturity structure of fixed/investment/term deposits and negotiable instruments of deposits is as follows:

	The Group		The Bank	
	30 September 2010	31 March 2010	30 September 2010	31 March 2010
	RM'000	RM'000	RM'000	RM'000
Due within six months	48,348,722	49,889,203	38,098,881	38,646,590
Six months to one year	8,490,903	7,116,697	7,867,280	6,705,044
One year to three years	1,748,313	2,199,287	1,495,964	1,966,319
Three years to five years	2,052,150	1,623,377	1,841,076	1,561,046
	<u>60,640,088</u>	<u>60,828,564</u>	<u>49,303,201</u>	<u>48,878,999</u>

A16. Other Liabilities

	The Group		The Bank	
	30 September 2010	31 March 2010	30 September 2010	31 March 2010
	RM'000	RM'000	RM'000	RM'000
Interest/Profit payable	597,561	538,745	532,558	489,546
Other creditors and accruals	1,157,969	1,138,320	1,068,966	1,063,014
Profit equalisation reserve	31,478	49,298	-	-
Lease deposits and advance rentals	63,841	64,720	51,121	54,365
Provision for commitment and contingencies	129,640	16,915	116,089	16,578
Provision for zakat	1,225	1,226	-	-
Provision for taxation	279,374	66,673	222,238	54,773
	<u>2,261,088</u>	<u>1,875,897</u>	<u>1,990,972</u>	<u>1,678,276</u>

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A17. Interest Income

	Individual Quarter		Cumulative Quarter	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
The Group				
Short-term funds and deposits with financial institutions	64,411	53,054	119,585	110,245
Financial assets held-for-trading	20,515	12,695	39,068	21,196
Financial investments available-for-sale	69,145	61,657	140,116	121,478
Financial investments held-to-maturity	2,233	4,457	13,255	12,012
Loans and advances	820,190	747,376	1,636,646	1,481,274
Interest accrued on impaired loans and advances	5,940	-	9,406	-
Others	1,855	(1)	2,852	21
	<u>984,289</u>	<u>879,238</u>	<u>1,960,928</u>	<u>1,746,226</u>
The Bank				
Short-term funds and deposits with financial institutions	64,129	52,955	119,015	110,114
Financial assets held-for-trading	20,515	12,901	39,068	21,667
Financial investments available-for-sale	72,523	65,777	146,979	125,645
Financial investments held-to-maturity	884	4,250	11,906	11,540
Loans and advances	814,308	741,204	1,624,528	1,474,790
Interest accrued on impaired loans and advances	5,940	-	9,406	-
Others	1,855	-	2,852	13
	<u>980,154</u>	<u>877,087</u>	<u>1,953,754</u>	<u>1,743,769</u>

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A18. Interest Expense

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
The Group				
Deposits from customers	356,941	324,596	684,967	658,604
Deposits and placements of banks and other financial institutions	18,965	22,940	38,337	53,143
Recourse obligation of loans sold to Cagamas Berhad	-	1,115	770	2,259
Term funding	37,249	536	66,910	1,012
Debt capital:				
Hybrid securities	10,679	17,315	21,651	29,329
Medium term notes	22,255	20,837	44,268	41,448
Exchangeable bonds	7,566	7,566	15,049	15,049
Non-Innovative Tier I capital securities	11,343	16,398	22,562	27,617
Innovative Tier I capital securities	10,085	3,325	20,061	3,325
Irredeemable Non-Cumulative Convertible Preference Shares	2,250	-	4,500	-
Others	21,854	29,832	57,509	70,259
	<u>499,187</u>	<u>444,460</u>	<u>976,584</u>	<u>902,045</u>
The Bank				
Deposits from customers	356,356	324,410	684,009	658,243
Deposits and placements of banks and other financial institutions	20,095	23,832	40,648	55,108
Recourse obligation of loans sold to Cagamas Berhad	-	1,115	770	2,259
Term funding	37,249	536	66,910	1,012
Debt capital:				
Subordinated term loan	10,679	17,317	21,651	29,393
Medium term notes	22,255	20,837	44,268	41,448
Exchangeable bonds	7,566	7,566	15,049	15,049
Non-Innovative Tier I capital securities	11,343	16,398	22,562	27,617
Innovative Tier I capital securities	10,085	3,325	20,061	3,325
Irredeemable Non-Cumulative Convertible Preference Shares	2,250	-	4,500	-
Others	21,818	29,854	57,438	70,131
	<u>499,696</u>	<u>445,190</u>	<u>977,866</u>	<u>903,585</u>

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A19. Net Income from Islamic Banking Business

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
The Group				
Income derived from investment of depositors' funds and others	252,246	223,105	508,893	436,351
Income derived from investment of shareholder's funds	44,861	35,375	79,101	68,148
Income attributable to the depositors	(113,984)	(87,342)	(209,653)	(167,687)
Finance cost	(5,513)	(5,739)	(11,981)	(10,526)
	<u>177,610</u>	<u>165,399</u>	<u>366,360</u>	<u>326,286</u>

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A20. Other operating income

		Individual Quarter		Cumulative Quarter	
		30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
The Group					
(a)	<u>Fee Income:</u>				
	Commission	15,588	16,929	30,518	31,177
	Guarantee fees	9,893	10,375	17,564	19,235
	Other fee income	55,201	41,543	100,586	75,119
		<u>80,682</u>	<u>68,847</u>	<u>148,668</u>	<u>125,531</u>
(b)	<u>Investment income:</u>				
	Net gain on sale/redemption of:				
	Financial assets held-for-trading	21,007	3,273	34,999	26,475
	Financial investments available-for-sale	14,547	10,385	31,247	18,282
	Financial investments held-to-maturity	150	2,745	5,079	17,571
	Net gain on revaluation of financial assets held-for-trading	29,022	8,114	29,884	6,450
	Foreign exchange*	27,643	12,008	36,755	18,911
	Net gain/(loss) on revaluation of derivatives:				
	- fair value hedge	(252)	(569)	(80)	(522)
	- others	(32,718)	2,847	(21,018)	9,469
	Gross dividend income from:				
	Financial assets held-for-trading	2,174	1,788	2,438	1,788
	Financial investments available-for-sale	2,178	705	4,539	2,674
	Financial investments held-to-maturity	-	3,370	2,902	3,415
	Others	(2)	(1)	(27)	(6)
		<u>63,749</u>	<u>44,665</u>	<u>126,718</u>	<u>104,507</u>
(c)	<u>Other Income-net:</u>				
	Rental income	772	397	1,667	1,764
	Gain/(loss) on disposal of property and equipment	(2)	12	312	210
	Gain/(Loss) on disposal of foreclosed properties	(436)	91	(443)	1,918
	Non trading foreign exchange	771	1,388	1,063	1,679
	Other operating income	1,284	351	2,315	391
	Service transfer pricing income	5,335	4,164	10,495	9,503
		<u>7,724</u>	<u>6,403</u>	<u>15,409</u>	<u>15,465</u>
	Total	<u>152,155</u>	<u>119,915</u>	<u>290,795</u>	<u>245,503</u>

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A20. Other Operating Income (Contd.)

		Individual Quarter		Cumulative Quarter	
		30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
The Bank					
(a)	<u>Fee Income:</u>				
	Commission	15,588	16,929	30,518	31,178
	Guarantee fees	9,658	10,077	17,083	18,633
	Other fee income	55,479	41,442	101,124	74,959
		<u>80,725</u>	<u>68,448</u>	<u>148,725</u>	<u>124,770</u>
(b)	<u>Investment income:</u>				
	Net gain on sale/redemption of:				
	Financial assets held-for-trading	21,007	3,273	34,999	26,475
	Financial investments available-for-sale	14,547	10,385	31,247	18,282
	Financial investments held-to-maturity	150	2,745	5,079	17,571
	Net gain on revaluation of financial assets held-for-trading	29,021	8,114	29,884	6,450
	Foreign exchange*	27,643	11,988	36,755	18,911
	Net gain/(loss) on revaluation of derivatives :				
	- fair value hedge	(252)	(569)	(80)	(522)
	- others	(32,718)	2,847	(21,018)	9,469
	Gross dividend income from:				
	Financial assets held-for-trading	2,174	1,788	2,438	1,788
	Financial investments available-for-sale	2,178	705	4,539	2,674
	Financial investments held-to-maturity	-	3,370	2,902	3,415
	Subsidiary	-	133,333	-	133,333
	Others	(2)	(1)	(27)	(6)
		<u>63,748</u>	<u>177,978</u>	<u>126,718</u>	<u>237,840</u>
(c)	<u>Other Income-net:</u>				
	Rental income	603	687	1,293	1,386
	Gain/(loss) on disposal of property and equipment	(2)	12	312	210
	Gain/(loss) on disposal of foreclosed properties	(436)	91	(443)	1,918
	Non trading foreign exchange	766	1,401	1,055	1,612
	Other operating income	1,191	61	2,361	75
	Service transfer pricing income	70,109	62,209	146,425	120,884
		<u>72,231</u>	<u>64,461</u>	<u>151,003</u>	<u>126,085</u>
	Total	216,704	310,887	426,446	488,695

* Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

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A21. Other Operating Expenses

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
The Group				
Personnel costs				
– Salaries, allowances and bonuses	135,513	122,469	270,381	241,696
– Shares and options granted under Executive Share Scheme	5,968	1,233	10,099	4,117
– Others	29,123	35,352	63,774	66,287
Establishment costs				
– Depreciation	11,449	10,941	22,452	23,589
– Rental	16,680	14,850	32,418	29,904
– Cleaning, maintenance and security	4,738	4,583	9,498	9,252
– Computerisation cost	25,714	17,641	54,388	40,055
– Amortisation of intangible assets	5,678	6,799	13,676	13,842
– Others	5,748	6,301	11,609	12,689
Marketing and communication expenses				
– Commission	4,739	3,145	7,161	6,229
– Advertising and marketing	8,279	12,133	18,809	24,662
– Communication	10,450	8,963	20,906	19,104
– Others	2,086	1,678	3,999	3,330
Administration and general expenses				
– Professional services	17,948	14,849	34,950	28,236
– Others	4,994	4,685	12,601	11,380
Service transfer pricing expense	10,503	6,679	21,762	15,661
	<u>299,610</u>	<u>272,301</u>	<u>608,483</u>	<u>550,033</u>

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A21. Other Operating Expenses (Contd.)

	Individual Quarter		Cumulative Quarter	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
The Bank				
Personnel costs				
– Salaries, allowances and bonuses	133,591	121,235	266,415	239,109
– Shares and options granted under Executive Share Scheme	5,728	1,181	9,803	4,061
– Others	28,637	35,104	62,827	65,684
Establishment costs				
– Depreciation	11,247	10,775	22,082	23,258
– Rental	16,944	15,592	32,948	30,436
– Cleaning, maintenance and security	4,478	4,373	9,082	8,905
– Computerisation cost	25,687	17,629	54,350	40,035
– Amortisation of intangible assets	5,635	6,758	13,590	13,761
– Others	5,501	6,069	11,023	12,228
Marketing and communication expenses				
– Commission	4,738	3,145	7,160	6,226
– Advertising and marketing	7,859	10,108	16,948	21,424
– Communication	10,135	9,471	20,728	19,303
– Others	2,052	1,658	3,940	3,291
Administration and general expenses				
– Professional services	17,121	13,743	33,421	26,288
– Others	4,900	4,500	12,465	11,031
Service transfer pricing expense	10,419	6,616	21,738	15,622
	<u>294,672</u>	<u>267,957</u>	<u>598,520</u>	<u>540,662</u>

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A22. Allowance for Losses on Loans, Advances and Financing

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
The Group				
Allowance for bad and doubtful debts and financing:				
Specific allowance				
– made in the financial period	-	319,787	-	603,956
– written back	-	(82,106)	-	(159,197)
General allowance	-	30,908	-	45,652
Individual allowance	14,177	-	36,789	-
Collective allowance	231,084	-	396,802	-
Bad debts and financing recovered - net	(139,630)	(122,427)	(235,278)	(203,297)
	<u>105,631</u>	<u>146,162</u>	<u>198,313</u>	<u>287,114</u>
The Bank				
Allowance for bad and doubtful debts and financing:				
Specific allowance				
– made in the financial period	-	282,995	-	524,656
– written back	-	(71,413)	-	(136,788)
General allowance	-	25,073	-	34,597
Individual allowance	3,780	-	27,048	-
Collective allowance	180,128	-	305,988	-
Bad debts and financing recovered - net	(116,531)	(114,063)	(199,666)	(185,127)
	<u>67,377</u>	<u>122,592</u>	<u>133,370</u>	<u>237,338</u>

A23. Impairment Loss

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Loss/(Writeback)				
The Group				
Financial investments	45,534	32,677	33,749	70,570
Foreclosed properties	18,913	108	19,068	542
Sundry receivables	(119)	(141)	(33)	1,196
	<u>64,328</u>	<u>32,644</u>	<u>52,784</u>	<u>72,308</u>
The Bank				
Financial investments	42,897	28,378	35,223	66,271
Foreclosed properties	18,913	108	19,068	542
Sundry receivables	(119)	(143)	(33)	1,194
	<u>61,691</u>	<u>28,343</u>	<u>54,258</u>	<u>68,007</u>

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A24. Earnings Per Share (EPS)**(a) Basic**

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
The Group				
Net profit attributable to shareholder of the Bank	274,323	201,507	583,913	374,323
	'000	'000	'000	'000
Number of ordinary shares at beginning and end of period/year representing weighted average number of ordinary shares in issue	670,364	670,364	670,364	670,364
Basic earnings per share (sen)	40.92	30.06	87.10	55.84
	RM'000	RM'000	RM'000	RM'000
The Bank				
Net profit attributable to shareholder of the Bank	199,194	232,269	447,042	349,763
	'000	'000	'000	'000
Number of ordinary shares at beginning and end of period/year representing weighted average number of ordinary shares in issue	670,364	670,364	670,364	670,364
Basic earnings per share (sen)	29.71	34.65	66.69	52.18

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A24. Earnings Per Share (EPS) (Contd.)**(b) Fully diluted**

Fully diluted earnings per share is calculated by dividing the adjusted net profit attributable to equity holder of the Bank by the adjusted weighted average number of ordinary shares in issue and issuable during the financial quarter and period.

The Bank has one category of dilutive potential ordinary shares:

(i) Irredeemable Non-Cumulative Convertible Preference shares ("INCPS")

	Individual Quarter		Cumulative Quarter	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	RM'000	RM'000	RM'000	RM'000
The Group				
Net profit attributable to shareholder of the Bank (as in (a) above)	274,323	201,507	583,913	374,323
Effect of savings on dividend on INCPS	2,250	-	4,500	-
	<u>276,573</u>	<u>201,507</u>	<u>588,413</u>	<u>374,323</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue (as in (a) above)	670,364	670,364	670,364	670,364
Adjusted for the effect of INCPS	150,000	150,000	150,000	150,000
Adjusted weighted average number of ordinary shares in issue	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>
Fully diluted earnings per share (sen)	<u>33.71</u>	<u>24.56</u>	<u>71.73</u>	<u>45.63</u>

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A24. Earnings Per Share (EPS) (Contd.)

	RM'000	RM'000	RM'000	RM'000
The Bank				
Net profit attributable to shareholder of the Bank (as in (a) above)	199,194	232,269	447,042	349,763
Effect of savings on dividend on INCPS	2,250	-	4,500	-
	<u>201,444</u>	<u>232,269</u>	<u>451,542</u>	<u>349,763</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue (as in (a) above)	670,364	670,364	670,364	670,364
Adjusted for the effect of INCPS	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Adjusted weighted average number of ordinary shares in issue	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>
Fully diluted earnings per share (sen)	<u>24.56</u>	<u>28.31</u>	<u>55.04</u>	<u>42.64</u>

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A25. BUSINESS SEGMENT ANALYSIS

Group 2010	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Total operating revenue	1,412,208	281,945	241,676	219,618	684,270	2,839,717
Income	1,024,428	245,452	142,255	186,945	42,495	1,641,575
Other operating expenses	(409,475)	(53,520)	(18,077)	(27,277)	(100,134)	(608,483)
Profit/(Loss) before provision	614,953	191,932	124,178	159,668	(57,639)	1,033,092
Provision	(154,786)	(30,023)	(5,190)	(5,195)	(41,809)	(237,003)
Profit/(Loss) before zakat and taxation	460,167	161,909	118,988	154,473	(99,448)	796,089
Zakat and taxation	(102,111)	(39,065)	(26,454)	(36,861)	(7,656)	(212,147)
Profit for the period	358,056	122,844	92,534	117,612	(107,104)	583,942

Other information

Cost to income ratio	40.0%	21.8%	12.7%	14.6%	>100%	37.1%
Net loans/financing	43,078,953	12,633,059	11,040,871	-	(599,751)	66,153,132
Impaired loans/financing	1,385,858	145,809	-	-	1,021,402	2,553,069
Deposits	33,229,506	4,329,453	7,117,802	288,897	28,254,114	73,219,772

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

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A25. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group 2009	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Total operating revenue	1,379,938	207,601	202,824	157,258	548,607	2,496,228
Income	994,818	180,052	98,833	117,621	24,760	1,416,084
Other operating expenses	(380,783)	(44,734)	(10,822)	(19,699)	(93,995)	(550,033)
Profit/(Loss) before provision	614,035	135,318	88,011	97,922	(69,235)	866,051
Provision	(216,660)	(33,790)	(12,443)	(26,384)	(62,335)	(351,612)
Profit/(Loss) before zakat and taxation	397,375	101,528	75,568	71,538	(131,570)	514,439
Zakat and taxation	(90,238)	(24,942)	(16,826)	(19,860)	11,744	(140,122)
Profit for the period	307,137	76,586	58,742	51,678	(119,826)	374,317
Other information						
Cost to income ratio	38.3%	24.8%	10.9%	16.7%	>100%	38.8%
Net loans/financing	42,278,742	9,253,104	7,797,138	-	836,327	60,165,311
Impaired loans/financing	1,758,374	109,826	-	-	548,826	2,417,026
Deposits	24,137,655	4,313,461	13,565,643	2,338,334	28,260,561	72,615,654

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

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A26. Performance Review for the period ended 30 September 2010

The Group registered a profit before zakat and taxation ("pre-tax profit") of RM796.1 million representing a 54.7% increase compared to the pre-tax profit for the corresponding period last year.

The impressive improved earnings was due to increase in interest income, other operating income, significant reduction in loans impairment allowances and impairment losses. Net income from Islamic banking business increased by RM40.1 million driven by strong growth in financing.

The increase was offset by higher operating expenses attributable to higher personnel costs and computerisation costs.

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

A27. Prospects for 31 March 2011

Recent positive indicators around the region point to greater optimism and an emerging recovery on the economic front, but potential volatility continues to linger. The 10th Malaysia Plan (2011 – 2015) recently announced by the government should provide opportunity for accelerating domestic economic growth. For 2010, current consensus view projects a GDP expansion of circa +8.0%. The Group will keep abreast with the progress of economic developments and continue to position its business for economic recovery domestically and regionally via leveraging on its strategic partner in banking, Australia and New Zealand Banking Group ("ANZ").

The Malaysian banking operating environment is likely to benefit from the economic recovery, with higher lending growth and increase capital market activity. However, Malaysian banks are expected to face greater competitive pressures as the financial sector progressively liberalises and with new entrants to the industry.

The Group remains focused on executing to its Medium Term Aspirations ("MTA") to position itself as Malaysia's Preferred Banking Group with International Connectivity. The Group's strategic aspirations centre on developing a well diversified business portfolio to deliver sustainable growth via its universal banking group platform and best-in-class key enablers, implementing customer centric business models and expanding regional connectivity in collaboration with ANZ. The Group will continue to accelerate growth in non-interest income and low-cost deposits, maintain high vigilance on asset quality, risk disciplines and cost management, as well as explore potential tactical in-fill acquisitions.

A28. Valuation of Property and Equipment

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

A29. Events Subsequent to Balance Sheet Date

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

A30. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the financial quarter and period ended 30 September 2010.

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A31. Capital Adequacy

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	30 September 2010	31 March 2010	30 September 2010	31 March 2010
Before deducting proposed dividends				
Core capital ratio	9.53%	9.88%	10.56%	10.98%
Risk-weighted capital ratio	15.56%	15.33%	15.59%	15.34%
After deducting proposed dividends				
Core capital ratio	8.90%	9.39%	9.78%	10.38%
Risk-weighted capital ratio	15.01%	14.91%	14.93%	14.83%

The capital adequacy ratios on a consolidated basis of the banking institutions including the financial related services subsidiaries within the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework ("RWCAF - Basel II"). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% for the risk weighted capital ratio.

The capital adequacy ratios of the Bank refers to the combined capital base as a ratio of the combined risk-weighted assets of the Bank and its wholly-owned offshore banking subsidiary, AmInternational (L) Ltd ("AMIL").

(b) The capital adequacy ratios of the banking subsidiaries of the Group are as follows:

	AmIslamic (Note 1)		AMIL (Note 2)	
	30 September 2010	31 March 2010	30 September 2010	31 March 2010
Before deducting proposed dividends				
Core capital ratio	10.04%	10.53%	46.54%	38.32%
Risk-weighted capital ratio	15.01%	15.29%	46.70%	38.50%
After deducting proposed dividends				
Core capital ratio	9.75%	10.53%	46.54%	38.32%
Risk-weighted capital ratio	14.71%	15.29%	46.70%	38.50%

Note 1 The capital adequacy ratios of AmIslamic Bank Berhad ("AmIslamic") are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB"), which are based on the Basel II capital accord. AmIslamic has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

Note 2 The capital adequacy ratios of AMIL for capital compliance on a standalone basis are computed in accordance with the guidelines on Risk-weighted Capital Adequacy issued by Labuan Financial Services Authority ("LFSA"), which is based on the Basel I capital accord.

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A31. Capital Adequacy (Contd.)

(c) The components of Tier I and Tier II Capital of the Group and the Bank are as follows:

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
<u>Tier I capital</u>				
Paid-up share capital	670,364	670,364	670,364	670,364
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	150,000	150,000	150,000
Innovative Tier I capital	1,006,668	1,011,446	908,774	921,431
Non-innovative Tier I capital	500,000	500,000	500,000	500,000
Share premium	942,844	942,844	942,844	942,844
Statutory reserve	977,398	945,628	680,459	680,459
Capital reserve	377,492	377,492	-	-
Merger reserve	397,566	397,566	48,516	-
Exchange fluctuation reserve	(211)	60	(211)	9,470
Retained earnings	2,107,925	2,019,923	2,502,368	2,498,526
Minority Interest	21	-	-	-
	<u>7,130,067</u>	<u>7,015,323</u>	<u>6,403,114</u>	<u>6,373,094</u>
Less: Deferred tax assets	<u>(418,946)</u>	<u>(273,306)</u>	<u>(344,619)</u>	<u>(231,088)</u>
Total Tier I capital	<u>6,711,121</u>	<u>6,742,017</u>	<u>6,058,495</u>	<u>6,142,006</u>
<u>Tier II capital</u>				
Innovative Tier I capital	228,432	223,654	326,326	313,669
Medium term notes	1,557,800	1,557,800	1,557,800	1,557,800
Subordinated bonds	400,000	400,000	-	-
Exchangeable bonds	575,000	575,000	575,000	575,000
Collective allowance / General allowance for bad and doubtful debts and financing #	1,510,475	997,741	1,241,470	808,631
Total Tier II capital	<u>4,271,707</u>	<u>3,754,195</u>	<u>3,700,596</u>	<u>3,255,100</u>
Maximum allowable Tier II Capital	<u>4,271,707</u>	<u>3,754,195</u>	<u>3,700,596</u>	<u>3,255,100</u>
	<u>10,982,828</u>	<u>10,496,212</u>	<u>9,759,091</u>	<u>9,397,106</u>
Less:				
Investment in subsidiaries	(32,769)	(32,779)	(816,850)	(816,850)
Other deduction	(56)	(50)	(56)	(50)
Capital base	<u>10,950,003</u>	<u>10,463,383</u>	<u>8,942,185</u>	<u>8,580,206</u>

Excludes collective allowance on impaired loans/financing restricted from Tier II capital of the Group and the Bank of RM442,602,000 and RM370,551,000 respectively as at 30 September 2010.

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A31. Capital Adequacy (Contd.)

The breakdown of the risk-weighted assets in various categories of risks are as follows:

	The Group		The Bank	
	30 September 2010 RM'000	31 March 2010 RM'000	30 September 2010 RM'000	31 March 2010 RM'000
Credit risk	62,478,126	61,340,190	50,987,839	50,564,551
Market risk	2,827,106	2,041,201	2,444,444	1,584,871
Operational risk	5,087,947	4,877,266	3,918,455	3,783,839
Large exposure risk requirement for equity holdings	-	5,203	-	5,203
Total risk-weighted assets	<u>70,393,179</u>	<u>68,263,860</u>	<u>57,350,738</u>	<u>55,938,464</u>

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A31. CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Group is as follows:

30 September 2010	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	9,770,217		9,770,217	-	-
Public Sector Entities	-		-		
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")	6,007,530		6,007,530	1,229,536	98,363
Insurance Companies, Securities Firms and Fund Managers	45,060		45,060	22,530	1,803
Corporates	27,401,923		25,089,309	23,302,308	1,864,185
Regulatory Retail	33,154,800		32,988,923	24,652,851	1,972,228
Residential Mortgages	6,910,233		6,899,160	2,889,555	231,164
Higher Risk Assets	228,170		228,170	342,255	27,380
Other Assets	1,622,299		1,622,299	1,261,554	100,924
Equity Exposures	72,151		72,151	72,151	5,772
Securitisation Exposures	221,821		221,821	73,440	5,875
Defaulted Exposures	2,840,009		2,544,213	3,493,347	279,468
Total for On- Balance Sheet Exposures	88,274,213		85,488,853	57,339,527	4,587,162
<i>Off-Balance Sheet Exposures</i>					
Over The Counter ("OTC") Derivatives	1,278,120		1,278,120	497,203	39,776
Credit Derivatives	1,266		1,266	633	51
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,515,634		5,260,111	4,640,763	371,261
Total for Off- Balance Sheet Exposures	6,795,020		6,539,497	5,138,599	411,088
Total On and Off- Balance Sheet Exposures	95,069,233		92,028,350	62,478,126	4,998,250
Large Exposure Risk Requirement	-		-	-	-
<u>Market Risk</u>	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	36,675,601	31,831,465		1,761,339	140,907
- Specific interest rate risk	5,064,296	169,086		385,120	30,810
Foreign Currency Risk	48,916	21,019		48,916	3,913
Equity Risk					
- General rate risk	227,351	19,852		207,752	16,620
- Specific risk	227,351	19,852		418,205	33,456
Option Risk	226,897	708,063		5,774	462
	42,470,412	32,769,337		2,827,106	226,168
Operational Risk				5,087,947	407,036
Total RWA and Capital Requirements				70,393,179	5,631,454

A31. CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Group is as follows (Contd):

31 March 2010	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	11,956,071		11,956,071	-	-
Public Sector Entities	79,464		79,464	15,893	1,272
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")	5,339,184		5,339,184	1,132,161	90,573
Insurance Companies, Securities Firms and Fund Managers	800,523		800,523	800,523	64,042
Corporates	22,905,262		21,736,229	19,486,537	1,558,923
Regulatory Retail	33,481,043		33,353,322	24,942,498	1,995,400
Residential Mortgages	6,873,319		6,863,926	2,906,731	232,539
Higher Risk Assets	208,404		208,404	312,606	25,008
Other Assets	1,483,663		1,483,663	1,159,247	92,740
Specialised Financing/Investment					
Equity Exposures	66,546		66,546	66,546	5,324
Securitisation Exposures	326,731		326,730	95,256	7,620
Other Assets					
Defaulted Exposures	5,068,153		4,150,969	5,923,806	473,904
Total for On- Balance Sheet Exposures	88,588,363		86,365,031	56,841,804	4,547,345
<i>Off-Balance Sheet Exposures</i>					
Over The Counter ("OTC") Derivatives	1,176,143		1,176,143	523,626	41,890
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,616,009		4,286,550	3,974,760	317,981
Defaulted Exposures	-		-	-	-
Total for Off- Balance Sheet Exposures	5,792,152		5,462,693	4,498,386	359,871
Total On and Off- Balance Sheet Exposures	94,380,515		91,827,724	61,340,190	4,907,216
Large Exposure Risk Requirement	-		-	5,203	416
<u>Market Risk</u>	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	29,457,307	27,207,877		1,037,271	82,982
- Specific interest rate risk	3,230,626	1,011,669		230,851	18,468
Foreign Currency Risk	690,817	276		690,817	55,265
Equity Risk					
- General rate risk	33,859	-		33,859	2,709
- Specific risk	33,859	-		43,701	3,496
Option Risk	283,459	220,852		4,702	376
	33,729,927	28,440,674		2,041,201	163,296
Operational Risk				4,877,266	390,181
Total RWA and Capital Requirements				68,263,860	5,461,109

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A31. CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Bank is as follows:

30 September 2010	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	6,217,171		6,217,171	-	-
Public Sector Entities	-		-	-	-
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")	5,684,770		5,684,770	1,407,450	112,596
Insurance Companies, Securities Firms and Fund Managers	45,060		45,060	22,530	1,803
Corporates	23,449,795		21,172,470	19,480,487	1,558,439
Regulatory Retail	24,777,639		24,618,615	18,400,528	1,472,042
Residential Mortgages	6,708,153		6,697,128	2,810,549	224,844
Higher Risk Assets	228,170		228,170	342,255	27,380
Other Assets	1,573,633		1,573,633	1,214,190	97,135
Equity Exposures	72,151		72,151	72,151	5,772
Securitisation Exposures	550,743		550,743	179,614	14,369
Defaulted Exposures	2,550,717		2,279,740	3,162,356	252,988
Total for On- Balance Sheet Exposures	71,858,002		69,139,651	47,092,110	3,767,368
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	1,271,027		1,271,027	495,785	39,663
Credit Derivatives	1,266		1,266	633	51
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,994,635		3,739,337	3,399,311	271,945
Total for Off- Balance Sheet Exposures	5,266,928		5,011,630	3,895,729	311,659
Total On and Off- Balance Sheet Exposures	77,124,930		74,151,281	50,987,839	4,079,027
Large Exposure Risk Requirement			-	-	-
<u>Market Risk</u>	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	35,606,701	31,780,894		1,504,005	120,321
- Specific interest rate risk	3,995,396	118,515		260,253	20,820
Foreign Currency Risk	48,455	21,019		48,455	3,877
Equity Risk					
- General rate risk	227,351	19,852		207,752	16,620
- Specific risk	227,351	19,852		418,205	33,456
Option Risk	226,897	708,063		5,774	462
	40,332,151	32,668,195		2,444,444	195,556
Operational Risk				3,918,455	313,476
Total RWA and Capital Requirements				57,350,738	4,588,059

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A31. CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Bank is as follows (Contd.):

31 March 2010	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	7,987,961		7,987,961	-	-
Public Sector Entities	49,633		49,633	9,927	794
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")	4,848,770		4,848,770	1,104,972	88,398
Insurance Companies, Securities Firms and Fund Managers	800,523		800,523	800,523	64,042
Corporates	19,549,382		18,432,051	16,354,368	1,308,349
Regulatory Retail	24,806,323		24,683,975	18,441,195	1,475,296
Residential Mortgages	6,675,206		6,665,868	2,826,995	226,160
Higher Risk Assets	208,404		208,404	312,606	25,008
Other Assets	1,393,602		1,393,602	1,070,551	85,644
Equity Exposures	66,546		66,546	66,546	5,324
Securitisation Exposures	605,279		605,277	150,965	12,077
Defaulted Exposures	4,792,655		3,890,574	5,557,455	444,596
Total for On- Balance Sheet Exposures	71,784,284		69,633,184	46,696,103	3,735,688
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	1,166,642		1,166,642	521,726	41,738
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,880,777		3,551,319	3,346,722	267,738
Total for Off- Balance Sheet Exposures	5,047,419		4,717,961	3,868,448	309,476
Total On and Off- Balance Sheet Exposures	76,831,703		74,351,145	50,564,551	4,045,164
Large Exposure Risk Requirement	-		-	5,203	416
<u>Market Risk</u>	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	28,409,568	27,101,614		735,629	58,851
- Specific interest rate risk	2,182,887	905,407		76,163	6,093
Foreign Currency Risk	690,817	276		690,817	55,265
Equity Risk					
- General rate risk	33,859	-		33,859	2,709
- Specific risk	33,859	-		43,701	3,496
Option Risk	283,459	220,852		4,702	376
	31,634,449	28,228,149		1,584,871	126,790
Operational Risk				3,783,839	302,707
Total RWA and Capital Requirements				55,938,464	4,475,077

The Group and the Bank does not have any issuance of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

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A31. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Group is as follows:

30 September 2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	9,948,261	-	-	-	-	-	-	-	358,979	56	-	10,307,296	-
20%	-	-	6,339,500	-	1,870,761	15,485	-	-	2,207	187,371	-	8,415,324	1,683,065
35%	-	-	-	-	-	-	3,734,185	-	-	-	-	3,734,185	1,306,965
50%	-	-	827,834	45,060	672,069	225,616	3,164,561	-	-	15,226	-	4,950,366	2,475,184
75%	-	-	-	-	-	34,986,820	413	-	-	-	-	34,987,233	26,240,425
100%	20,389	-	7,072	31,053	25,747,298	2,425	214,561	-	1,261,112	-	72,151	27,356,061	27,356,061
150%	-	-	-	-	1,258,495	768,574	-	231,648	-	19,168	-	2,277,885	3,416,426
Average Risk Weight													
Total	9,968,650	-	7,174,406	76,113	29,548,623	35,998,920	7,113,720	231,648	1,622,298	221,821	72,151	92,028,350	62,478,126
Deduction from Capital Base										56		56	

A31. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Group is as follows (Contd.):

31 March 2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	12,093,403	-	-	-	-	-	-	-	323,174	50	-	12,416,627	-
20%	-	83,064	5,201,432	-	2,355,901	16,710	-	-	1,551	292,072	-	7,950,730	1,590,146
35%	-	-	-	-	-	-	3,503,056	-	-	-	-	3,503,056	1,226,070
50%	-	-	1,143,386	-	685,864	232,118	3,361,200	-	-	15,073	-	5,437,641	2,718,821
75%	-	-	-	-	-	34,606,416	444	-	-	-	-	34,606,860	25,955,145
100%	-	-	3,254	800,826	21,754,714	53,043	201,092	-	1,158,938	-	66,546	24,038,413	24,038,413
150%	-	-	-	-	2,882,091	760,040	-	212,730	-	19,536	-	3,874,397	5,811,595
Average Risk Weight													
Total	12,093,403	83,064	6,348,072	800,826	27,678,570	35,668,327	7,065,792	212,730	1,483,663	326,731	66,546	91,827,724	61,340,190
Deduction from Capital Base										50		50	

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A31. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Bank is as follows:

30 September 2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	6,395,214		-	-	-	-	-	-	355,492	56	-	6,750,762	-
20%			5,201,428	-	1,708,024	15,485	-	-	4,938	442,856	-	7,372,731	1,474,546
35%			-	-	-	-	3,587,459	-	-	-	-	3,587,459	1,255,610
50%			1,636,953	45,060	659,955	225,616	3,109,255	-	-	15,226	-	5,692,065	2,846,033
75%			-	-	-	25,441,960	413	-	-	82,810	-	25,525,183	19,143,887
100%	20,389		7,072	31,053	21,582,649	2,425	203,978	-	1,213,202	-	72,151	23,132,919	23,132,919
150%			-	-	1,143,241	697,687	-	230,066	-	19,168		2,090,162	3,134,844
Average Risk Weight													
Total	6,415,603	-	6,845,453	76,113	25,093,869	26,383,173	6,901,105	230,066	1,573,632	560,116	72,151	74,151,281	50,987,839
Deduction from Capital Base										56		56	

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A31. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Bank is as follows (contd.):

31 March 2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	8,125,293	-	-	-	-	-	-	-	319,626	50	-	8,444,969	-
20%	-	53,233	4,465,205	-	2,146,764	16,710	-	-	4,281	570,619	-	7,256,812	1,451,363
35%	-	-	-	-	-	-	3,374,434	-	-	-	-	3,374,434	1,181,052
50%	-	-	1,379,100	-	641,614	221,310	3,291,743	-	-	15,073	-	5,548,840	2,774,420
75%	-	-	-	-	63,091	25,501,399	444	-	-	1,427	-	25,566,361	19,174,771
100%	-	-	3,254	800,523	18,345,473	40,177	187,629	-	1,069,695	-	66,546	20,513,297	20,513,297
150%	-	-	-	-	2,744,670	672,406	-	209,820	-	19,536	-	3,646,432	5,469,648
Average Risk Weight													
Total	8,125,293	53,233	5,847,559	800,523	23,941,612	26,452,002	6,854,250	209,820	1,393,602	606,705	66,546	74,351,145	50,564,551
Deduction from Capital Base										50		50	

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A31. CAPITAL ADEQUACY

(f) The Off-Balance Sheet exposures and their related counterparty credit risk of the Group are as follows:

Group	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
30 September 2010	RM'000	RM'000	RM'000	RM'000
Contingent Liabilities				
Direct credit substitutes	2,159,168		2,078,181	1,904,208
Certain transaction-related contingent items	1,884,853		975,861	893,586
Obligations under underwriting agreements	487,500		-	-
Short term self liquidating trade-related contingencies	442,390		88,478	90,152
Islamic financing sold to Cagamas Berhad	1,057,840		1,057,840	798,578
Others	41,592		150	150
	6,073,343		4,200,510	3,686,674
Commitments				
Irrevocable commitments to extend credit maturing :				
- within one year	16,286,904		-	-
- more than one year	2,526,409		449,801	360,429
Unutilised credit card lines	3,914,796		783,134	585,535
Forward asset purchase	347,436		81,687	7,875
Sell and Buy back commitments	25,008		501	250
	23,100,553		1,315,123	954,089
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts/currency option contracts				
- One year or less	12,727,823	46,805	102,489	68,174
Cross currency swaps				
- Over one year to five years	306,722	11,031	42,636	28,235
- Over five years	231,675	-	11,584	5,792
Interest rate related contracts				
Interest rate futures				
- One year or less	30,000	1,637	-	-
- Over one year to five years	100,000	25	-	-
Interest rate swaps				
- One year or less	5,455,000	12,217	26,291	11,181
- Over one year to five years	22,707,606	126,774	600,937	192,530
- Over five years	3,907,800	159,201	450,602	171,670
Credit related contracts				
Credit default swap				
- Over one year to five years	335,831	2,838	1,266	633
Equity/Commodity related contracts:				
Options				
- One year or less	439,218	15,615	6,830	1,366
- Over one year to five years	758,602	12,450	36,752	18,255
	47,000,277	388,593	1,279,387	497,836
Total	76,174,173	388,593	6,795,020	5,138,599

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A31. CAPITAL ADEQUACY (CONTD).

(f) The Off-Balance Sheet exposures and their related counterparty credit risk of the Group are as follows (contd.):

Group	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
31 March 2010	RM'000	RM'000	RM'000	RM'000
Contingent Liabilities				
Direct credit substitutes	2,018,273		1,959,143	1,757,459
Certain transaction-related contingent items	1,812,955		936,042	879,324
Short term self liquidating trade-related contingencies	473,429		94,686	95,417
Islamic financing sold to Cagamas Berhad	335,852		335,852	253,809
Obligations under underwriting agreements	689,500		-	-
Others	39,798		150	150
	<u>5,369,807</u>		<u>3,325,873</u>	<u>2,986,159</u>
Commitments				
Irrevocable commitments to extend credit maturing :				
- within one year	13,242,262		-	-
- more than one year	1,950,158		422,590	346,632
Unutilised credit card lines	4,192,748		838,550	627,089
Forward asset purchase	605,798		22,710	9,094
Sell and Buy back commitments	306,538	-	6,286	5,786
	<u>20,297,504</u>		<u>1,290,136</u>	<u>988,601</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts/currency options contracts				
- One year or less	3,742,457	39,351	55,880	30,701
Cross currency swaps				
- One year or less	49,631	1,031	1,854	927
- Over one year to five years	481,496	6,726	48,830	31,328
Interest rate related contracts				
Interest rate futures				
- One year or less	60,000	1,325	-	-
- Over one year to five years	100,000	1,262	-	-
Interest rate swaps				
- One year or less	4,240,000	4,858	15,660	7,722
- Over one year to five years	23,627,526	170,554	669,377	259,890
- Over five years	3,305,524	105,727	353,144	177,025
Equity/Commodity related contracts:				
Options				
- One year or less	30,521	-	-	-
- Over one year to five years	334,152	12,809	31,398	16,033
	<u>35,971,307</u>	<u>343,643</u>	<u>1,176,143</u>	<u>523,626</u>
Total	<u>61,638,618</u>	<u>343,643</u>	<u>5,792,152</u>	<u>4,498,386</u>

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A31. CAPITAL ADEQUACY (CONTD).

(f) The Off-Balance Sheet exposures and their related counterparty credit risk of the Bank are as follows:

Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
30 September 2010	RM'000	RM'000	RM'000	RM'000
Contingent Liabilities				
Direct credit substitutes	1,926,495		1,845,508	1,671,535
Certain transaction-related contingent items	1,634,389		850,629	767,779
Obligations under underwriting agreements	260,000		-	-
Short term self liquidating trade-related contingencies	344,260		68,852	70,522
Others	20,480		150	150
	<u>4,185,624</u>		<u>2,765,139</u>	<u>2,509,986</u>
Commitments				
Irrevocable commitments to extend credit maturing :				
- within one year	13,762,868		-	-
- more than one year	2,287,625		440,089	352,657
Irrevocable commitments to extend credit for securitisation exposure	46,866		9,373	7,030
Unutilised credit card lines	3,483,878		696,946	521,063
Forward asset purchase	367,436		83,087	8,575
	<u>19,948,673</u>		<u>1,229,495</u>	<u>889,325</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts/currency option contracts				
- One year or less	12,727,823	46,805	102,489	68,174
Cross currency swaps				
- Over one year to five years	306,722	11,031	42,636	28,235
- Over five years	231,675	-	11,584	5,792
Interest rate related contracts				
Interest rate futures				
- One year or less	30,000	1,637	-	-
- Over one year to five years	100,000	25	-	-
Interest rate swaps				
- One year or less	5,455,000	12,217	26,291	11,181
- Over one year to five years	22,707,606	126,774	600,937	192,530
- Over five years	3,907,800	159,201	450,602	171,670
Credit related contracts				
Credit default swap				
- Over one year to five years	335,831	2,838	1,266	633
Equity/Commodity related contracts:				
Options				
- One year or less	439,218	15,615	6,830	1,366
- Over one year to five years	609,908	11,305	29,659	16,837
	<u>46,851,583</u>	<u>387,448</u>	<u>1,272,294</u>	<u>496,418</u>
Total	<u>70,985,880</u>	<u>387,448</u>	<u>5,266,928</u>	<u>3,895,729</u>

The breakdown of the total principal amount for commitment and contingencies is as follows:

Relating to AmBank (M) Berhad	70,939,366
Relating to AMIL :	
- with external counterparties	46,514
- with AmBank (M) Berhad	35,400
Less : Elimination	(35,400)
	<u>70,985,880</u>

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A31. CAPITAL ADEQUACY (CONTD).

(f) The Off-Balance Sheet exposures and their related counterparty credit risk of the Bank are as follows (contd.):

Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
31 March 2010	RM'000	RM'000	RM'000	RM'000
Contingent Liabilities				
Direct credit substitutes	1,833,479		1,774,349	1,572,664
Certain transaction-related contingent items	1,682,727		870,928	813,552
Short term self liquidating trade-related contingencies	383,072		76,614	77,045
Obligations under underwriting agreements	298,500		-	-
Others	31,373		150	150
	<u>4,229,151</u>		<u>2,722,041</u>	<u>2,463,411</u>
Commitments				
Irrevocable commitments to extend credit maturing :				
- within one year	11,255,160		-	-
- more than one year	1,789,651		385,175	312,809
Irrevocable commitments to extend credit for securitisation exposure	7,136		1,427	1,070
Unutilised credit card lines	3,745,109		749,022	560,136
Forward asset purchase	620,798	-	23,112	9,295
	<u>17,417,854</u>		<u>1,158,736</u>	<u>883,310</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts/currency options contracts				
- One year or less	3,742,457	39,351	55,880	30,701
Cross currency swaps				
- One year or less	49,631	1,031	1,854	927
- Over one year to five years	481,496	6,726	48,830	31,328
Interest rate related contracts				
Interest rate futures				
- One year or less	60,000	1,325	-	-
- Over one year to five years	100,000	1,262	-	-
Interest rate swaps				
- One year or less	4,240,000	4,858	15,660	7,722
- Over one year to five years	23,627,526	170,554	669,377	259,890
- Over five years	3,305,524	105,727	353,144	177,025
Equity/Commodity related contracts:				
Options				
- One year or less	30,521	-	-	-
- Over one year to five years	258,652	9,348	21,897	14,133
	<u>35,895,807</u>	<u>340,182</u>	<u>1,166,642</u>	<u>521,726</u>
Total	<u>57,542,812</u>	<u>340,182</u>	<u>5,047,419</u>	<u>3,868,447</u>

The breakdown of the total principal amount for commitment and contingencies is as follows:

	RM'000
Relating to AmBank (M) Berhad	57,477,383
Relating to AMIL	65,429
	<u>57,542,812</u>

The Bank has given a continuing guarantee to LFSA to meet all the liabilities and financial obligations of its subsidiary, AmInternational (L) Ltd.

A32. 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 derivative is one of the financial instruments engaged by the Group both for client solutions generating revenue for future as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focused on interest rate, equity and foreign exchange rate derivatives.

The principal foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. 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. A foreign exchange option is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

An Interest Rate Option ("IRO") is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified underlying interest rate related asset, for example the KLIBOR index at a nominated strike rate during a certain period of time or on a specific date. Basic IRO includes interest rate cap and interest rate floor.

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 or fixed income security 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.

The principal equity contracts used are equity option and equity futures. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future.

The Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate, equity 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 type 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.

A32. Risk Management Policy on Financial Derivatives (Contd.)

Market risk of derivatives used for trading purposes

Market risk arising from the above interest rate-related, foreign exchange-related and equity-related derivative 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 measure that estimates the potential changes in portfolio value that may occur, brought about by daily changes in market rates over a specified holding period at a specific confidence level under normal market condition.

General disclosure for derivatives and counterparty credit risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest rates, foreign exchange, credit default swaps and equities.

For counterparty credit risk, the general approach is to calculate the exposure as the sum of the mark-to-market value of the exposure, plus the sum of the notional principal multiplied by the potential credit risk exposure (PCRE) factor for the exposure.

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, ("in the money") the Group has credit exposure against the counterparty; if it is negative ("out of the money"), the value used in calculation is zero.
- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

Exposure to the counterparty risk is governed by setting a credit limit to manage such exposure. This limit is governed under the Group Risk Appetite Framework approved by the Board.

Other than credit limit setting, the Group's primary tool to mitigate counterparty credit risk by having collateral arrangement with the counterparty. Standard market documentation governs the amount of collateral required and the re-margining frequency between counterparties. Some of the standard market documentation has link between the amount of collateral required and external ratings, as well as minimum transfer amounts. This means that if the Group's or a counterparty's external rating was downgraded, the Group or the counterparty would likely be required to place additional collateral. The amount required to be placed would depend on the underlying instruments and the state of the markets, therefore, would be different at each re-margining interval.

Liquidity risk of derivatives

Two types of liquidity risk are associated with derivatives - market liquidity risk and funding risk.

Market liquidity risk arises when a position cannot be sold or closed out quickly or risk be eliminated by entering into an offsetting position. In general, an over-the-counter ("OTC") market tends to offer less liquidity than an exchange market due to the customized nature of some OTC contracts. OTC contracts include foreign exchange contracts, cross currency swaps, interest rate swaps and forex options while interest rate futures, equity futures and equity options are examples of exchange traded derivatives. The liquidity risk of a position can be estimated by the notional amount of contracts held and the market value of the contract position. Both the OTC and exchange markets have liquid and illiquid contracts.

Funding risk is the risk of derivative activities placing an adverse funding and cash flow pressure on the Group, arising from the need to post collateral (for example, a margin call due to mark-to-market valuations) to compensate for an existing out of the money position (Note: If collateral isn't posted, the counterparty can close out their position and claim such mark-to-market loss from the Group. This would also result in the Group no longer being hedged).

A32. Risk Management Policy on Financial Derivatives (Contd.)

Liquidity risk of derivatives (Contd.)

Generally, the Group measures and monitors funding risk through the cash flow gap analysis according to specified time interval. The Group's access to deposits and funding markets is dependent on its credit rating. A downgrading in the credit rating could adversely affect its access to liquidity, as well as the competitive position, and could increase the cost of funding.

The primary objective of funding risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due under normal market condition and on contingency basis.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value upon inception in the statement of financial position, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statement. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(i) Fair value hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the income statement. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the expected life of the hedged item.

(ii) Cash flow hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are released to the income statement in the periods when the hedged forecast transactions affect the income statement. If the hedged forecast transactions result in the recognition of a non-financial asset or a non-financial liability, the gain and loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset or liability.

(iii) Net investment hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of its foreign operations. The hedge is accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion of the hedge are recognised in the income statement. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the income statement.

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A33. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	The Group		The Bank	
	30 September 2010	31 March 2010	30 September 2010	31 March 2010
Outstanding credit exposures with connected parties (RM'000)	770,807	799,398	1,074,492	1,118,456
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	1.02	1.11	1.77	1.91
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.22	0.02	0.16	0.01

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

A34. Change in accounting policies and Comparatives**(i) FRS 101, Presentation of Financial Statements**

Following the adoption of FRS 101 (revised), all non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are no longer presented in the statement of changes in equity.

(ii) FRS 7, Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period results in more extensive disclosures of financial instruments in the annual financial statements. The standard also requires disclosure of the statement of financial position, income statement and statement of comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Group, as the current presentation is already made by categories of financial assets and liabilities.

(iii) Reclassification of comparatives:**(a) FRS 117 Leases**

The adoption of FRS 117 during the financial period had resulted in the reclassification of leasehold land which are in substance finance leases to Property and equipment.

(b) IC Interpretation 13, Customer Loyalty Programmes

The adoption of IC 13 had resulted in the set-off of customer loyalty programme expenses with fee income instead of interest income as previously presented.

(c)

During the first quarter of the current financial year, the Group changed the presentation of Net Income from Islamic Banking Business. Previously, amount relating to transfer from/(to) profit equalisation reserve was included as part of Net Income from Islamic Banking Business. In line with the Ultimate holding company's presentation, the above item has been separately disclosed in the Consolidated Income Statement.

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A34. Change in accounting policies and Comparatives (contd.)**(iii) Reclassification of comparatives (Contd.):**

The following comparative figures which have been restated arising from the above are as follows:

	As previously reported	Reclassification	As restated
	RM'000	RM'000	RM'000
The Group			
<u>Statement of Financial position as at 31 March 2010</u>			
Prepaid land lease payments	3,815	(3,815)	-
Property and equipment	183,923	3,815	187,738
<u>Consolidated Income Statement for the period ended 30 September 2009</u>			
Interest income	1,743,168	3,058	1,746,226
Net income from			
Islamic Banking business	326,233	53	326,286
Other operating income	248,561	(3,058)	245,503
Transfer from/(to)			
profit equalisation reserve	-	(53)	(53)
The Bank			
<u>Statement of Financial position as at 31 March 2010</u>			
Prepaid land lease payments	2,781	(2,781)	-
Property and equipment	159,683	2,781	162,464
<u>Income Statement for the period ended 30 September 2009</u>			
Interest income	1,740,711	3,058	1,743,769
Other operating income	491,753	(3,058)	488,695

(iv) Restatement of opening reserves:

The adoption of FRS 139 had resulted in restatement of reserves as follows:

The Group

Effect on opening Retained Earnings	2,057,820	(171,258)	1,886,562
Effect on Other Reserves	55,363	(45,703)	9,660

The Bank

Effect on opening Retained Earnings	2,425,419	(129,354)	2,296,065
Effect on Other Reserves	53,454	(40,258)	13,196