

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

**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2010**

		<b>Group</b>	
	<b>Note</b>	<b>30.09.10 RM'000</b>	<b>30.03.10 RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds		9,107,266	11,627,452
Securities purchased under resale agreements		19,252	16,992
Deposits and placements with banks and other financial institutions		4,011,599	1,831,505
Derivative financial assets	A28	388,671	343,643
Financial assets held-for-trading	A8	4,460,233	1,713,441
Financial investments available-for-sale	A9	7,224,682	9,093,856
Financial investments held-to-maturity	A10	194,813	562,743
Loans, advances and financing	A11	66,589,761	64,425,920
Other assets	A12	3,298,624	1,988,973
Statutory deposits with Bank Negara Malaysia	A13	147,711	167,623
Deferred tax assets		414,133	262,760
Investment in associate and jointly controlled entity		1,101	1,301
Property and equipment		246,069	235,899
Life fund assets		2,469,083	2,382,703
Intangible assets		1,824,925	1,825,492
<b>TOTAL ASSETS</b>		<b>100,397,923</b>	<b>96,480,303</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits and placements of banks and other financial institutions	A14	2,630,941	4,315,276
Recourse obligation on loans sold to Cagamas Berhad		21,250	135,689
Derivative financial liabilities	A28	421,785	392,977
Deposits from customers	A15	69,385,832	68,874,112
Term funding		4,099,741	1,902,107
Bills and acceptances payable		2,355,574	1,399,572
Debt capital		3,751,956	3,747,347
Deferred tax liabilities		16,228	8,582
Other liabilities	A16	5,173,871	3,477,951
Life fund liabilities		162,859	200,357
Life policyholder funds		2,306,224	2,182,346
<b>Total Liabilities</b>		<b>90,326,261</b>	<b>86,636,316</b>
Share capital		3,014,185	3,014,185
Reserves		6,821,059	6,623,528
Equity attributable to equity holders of the Company		9,835,244	9,637,713
Minority interests		236,418	206,274
<b>Total Equity</b>		<b>10,071,662</b>	<b>9,843,987</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>100,397,923</b>	<b>96,480,303</b>
<b>OFF-BALANCE SHEET EXPOSURES</b>			
	A29(e)	76,583,582	62,260,673

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**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2010 (CONTD.)**

	Note	Group	
		30.09.10 RM'000	30.03.10 RM'000
<b>CAPITAL ADEQUACY RATIO</b>	A29		
<b>Before deducting proposed dividends:</b>			
Core capital ratio		9.97%	10.32%
Risk-weighted capital ratio		15.98%	15.77%
<b>After deducting proposed dividends:</b>			
Core capital ratio		9.45%	9.78%
Risk-weighted capital ratio		15.46%	15.30%
<b>NET ASSETS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)</b>		3.26	3.20

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010

**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010**

Group	Note	Individual Quarter		Cumulative Quarter	
		30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Revenue	A23	1,773,809	1,584,878	3,477,850	3,155,507
Interest income	A17	999,146	890,371	1,988,859	1,767,341
Interest expense	A18	(478,876)	(435,494)	(954,620)	(892,595)
Net interest income		520,270	454,877	1,034,239	874,746
Net income from Islamic banking business		184,787	168,635	378,938	402,961
Net income from insurance business	A19	43,314	30,091	95,356	53,845
Other operating income	A20	242,332	192,426	472,216	402,630
Share in result of jointly controlled entity		-	(170)	-	(260)
Share in result of associate		-	-	(200)	-
Net income		990,703	845,859	1,980,549	1,733,922
Other operating expenses	A21	(384,527)	(341,504)	(765,747)	(693,849)
Operating profit		606,176	504,355	1,214,802	1,040,073
Allowances for impairment on loans and financing	A22	(104,297)	(142,052)	(195,931)	(278,916)
Impairment (loss)/writeback on:					
Financial investment		(44,958)	(36,543)	(34,746)	(78,154)
Doubtful sundry receivables - net		(599)	1,870	40	841
Foreclosed properties		(18,913)	(109)	(19,068)	(543)
(Provision)/Writeback for commitments and contingencies		(1,758)	8,232	(1,491)	7,863
Transfer from/(to) profit equalisation reserve		29,541	1,879	17,819	(53)
Profit before taxation and zakat		465,192	337,632	981,425	691,111
Taxation and zakat	B5	(120,574)	(90,143)	(255,096)	(178,131)
<b>Profit for the period</b>		<b>344,618</b>	<b>247,489</b>	<b>726,329</b>	<b>512,980</b>
Attributable to:					
Equity holders of the Company		332,872	240,157	701,155	498,395
Minority interests		11,746	7,332	25,174	14,585
<b>Profit for the period</b>		<b>344,618</b>	<b>247,489</b>	<b>726,329</b>	<b>512,980</b>
<b>EARNINGS PER SHARE (SEN)</b>	B13				
Basic		11.09	8.29	23.33	17.77
Fully diluted		11.09	8.29	23.33	17.77

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010

**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010**

Group	Note	Individual Quarter		Cumulative Quarter	
		30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Profit for the period		344,618	247,489	726,329	512,980
Other comprehensive (loss)/income:					
Exchange differences on translation of foreign operations		(8,019)	1,386	(9,860)	3,349
Net movement on cash flow hedges		23,562	4,339	(17,344)	66,315
Net movement on financial investments available-for-sale		14,048	130,143	52,730	136,880
Income tax relating to the components of other comprehensive income		(18,094)	(25,640)	(15,419)	(36,819)
Other comprehensive income for the period, net of tax		11,497	110,228	10,107	169,725
Total comprehensive income for the period		356,115	357,717	736,436	682,705
Total comprehensive income for the period attributable to:					
Equity holders of the Company		341,547	350,385	708,848	668,120
Minority interests		14,568	7,332	27,588	14,585
		356,115	357,717	736,436	682,705

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010

**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010**

Group	Attributable to Equity Holders of the Company							
	Non- Distributable				Distributable			
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 April 2009	2,722,970	1,986,836	1,210,128	(7,064)	1,823,223	7,736,093	175,462	7,911,555
Effect of first time adoption of RBC framework	-	-	-	-	(3,502)	(3,502)	(3,365)	(6,867)
At 1 April 2009 (restated)	2,722,970	1,986,836	1,210,128	(7,064)	1,819,721	7,732,591	172,097	7,904,688
Profit for the period	-	-	-	-	498,395	498,395	14,585	512,980
Other comprehensive income, net	-	-	169,725	-	-	169,725	-	169,725
Total comprehensive income for the period	-	-	169,725	-	498,395	668,120	14,585	682,705
Issue of ordinary share capital pursuant to:-								
- conversion of unsecured exchangeable bonds	194,915	380,085	-	-	-	575,000	-	575,000
- special issue shares to eligible Bumiputera	96,300	170,451	-	-	-	266,751	-	266,751
Expenses relating to rights issue	-	-	-	-	-	-	-	-
Purchased of shares pursuant to Executives' Share Scheme ("ESS")^	-	-	-	(10,477)	-	(10,477)	-	(10,477)
Share-based payment under ESS	-	-	7,609	-	-	7,609	-	7,609
Transfer from retained earnings	-	-	62,118	-	(62,118)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	87	87
Dividend paid	-	-	-	-	(175,073)	(175,073)	-	(175,073)
At 30 September 2009	3,014,185	2,537,372	1,449,580	(17,541)	2,080,925	9,064,521	186,769	9,251,290

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

Group	Attributable to Equity Holders of the Company				Distributable			
	Non-Distributable							
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
<b>At 1 April 2010</b>	3,014,185	2,537,372	1,546,801	(17,515)	2,556,869	9,637,712	206,274	9,843,986
Effect of adoption of FRS139	-	-	(46,303)	-	(167,961)	(214,264)	5,876	(208,388)
At 1 April 2010 (restated)	3,014,185	2,537,372	1,500,498	(17,515)	2,388,908	9,423,448	212,150	9,635,598
Profit for the period	-	-	-	-	701,155	701,155	25,174	726,329
Other comprehensive income, net	-	-	7,693	-	-	7,693	2,414	10,107
Total comprehensive income for the period	-	-	7,693	-	701,155	708,848	27,588	736,436
Purchased of shares pursuant to Executives' Share Scheme ("ESS")^	-	-	-	(31,497)	-	(31,497)	-	(31,497)
Share-based payment under ESS	-	-	17,778	-	-	17,778	-	17,778
Transfer from retained earnings	-	-	31,770	-	(31,770)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	4,780	4,780
Dividend paid	-	-	-	-	(283,333)	(283,333)	(8,100)	(291,433)
<b>At 30 September 2010</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,557,739</b>	<b>(49,012)</b>	<b>2,774,960</b>	<b>9,835,244</b>	<b>236,418</b>	<b>10,071,662</b>

^ Represent the purchase of 6,234,700 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM5.05 per share.

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**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010**

<b>Group</b>	<b>30.09.10 RM'000</b>	<b>30.09.09 RM'000</b>
Profit before taxation	981,425	691,111
Add adjustments for non-operating and non-cash items	122,354	322,222
Operating profit before working capital changes	1,103,779	1,013,333
Increase in operating assets	(8,674,930)	(7,663,370)
Increase in operating liabilities	996,843	1,017,522
Cash used in operations	(6,574,308)	(5,632,515)
Taxation paid	(99,058)	(29,624)
Net cash used in operating activities	(6,673,366)	(5,662,139)
Net cash generated from investing activities	2,264,566	407,147
Net cash generated from financing activities	1,887,584	130,559
Net decrease in cash and cash equivalents	(2,521,216)	(5,124,433)
Cash and cash equivalents at beginning of period	11,400,435	16,965,886
Cash and cash equivalents at end of period	8,879,219	11,841,453

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

<b>Group</b>	<b>30.09.10 RM'000</b>	<b>30.09.09 RM'000</b>
Cash and short-term funds	9,107,266	12,092,540
Bank overdrafts	-	-
	9,107,266	12,092,540
Less: Cash and bank balances and deposits held in trust	(226,286)	(251,303)
	8,880,980	11,841,237
Effect of exchange rates changes	(1,761)	216
Cash and cash equivalents	8,879,219	11,841,453

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report 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 the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and 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 which have been undertaken by the Group. 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 Share 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

The effects of adopting FRS 4, 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 did not impact earnings per ordinary share, are discussed below:

**FRS 4, Insurance Contracts**

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts (insurers). In particular, it requires disclosures that identify and explain the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts. The adoption of FRS 4 did not have any significant impact on the financial statements of the Group other than expanded disclosure requirements. Certain disclosure and comparative figures have been restated to comply with FRS 4.



#### **A1. BASIS OF PREPARATION (CONTD.)**

##### **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 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.

##### **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 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 has opted for the two statements approach. The adoption of FRS 101 did not impact the financial position or results of the Group as the changes introduced are presentational in nature.

##### **FRS 117, Leases**

The amendments to FRS 117 require leasehold land which are in substance finance leases to be classified as Property, Plant and Equipment or Investment Property as appropriate. The Group has reassessed and determined that all leasehold land of the Group which in substance are finance leases and has reclassified the leasehold land to Property, Plant 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 Program, operated for the benefit of the Group's credit card customers, falls within the scope of IC Interpretation 13. Under the AmBonus Rewards Program, 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 principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments and IC Interpretations are disclosed in Note A32.

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.

#### **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:

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

#### **A2. AUDIT QUALIFICATION**

There were no audit qualification in the annual financial statements for the year ended 31 March 2010.

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

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

#### **A4. UNUSUAL ITEMS**

There were no unusual items during the current financial quarter.

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

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial period ended 30 September 2010.

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

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

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

#### **A7. DIVIDENDS PAID**

During the financial period ended 30 September 2010, a first and final dividend comprising gross dividend of 4.40% less tax and single tier tax exempt dividend of 6.10% for the financial year ended 31 March 2010 amounting to RM283,333,355 was paid on 24 September 2010 to shareholders whose names appear in the record of Depositors on 9 September 2010.

**A8. FINANCIAL ASSETS HELD-FOR-TRADING**

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Treasury bills	19,792	19,551
Islamic Treasury bills	5,281	39,141
Malaysian Government Securities	774,212	154,746
Malaysian Government Investment Certificates	367,191	452,188
Bank Negara Malaysia Monetary Notes	1,848,424	306,008
Islamic Khazanah bonds	35,125	-
Sukuk Bank Negara Malaysia	-	14,990
	<u>3,050,025</u>	<u>986,624</u>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	209,509	86,852
Warrants	2,813	1,934
Trust units	32,333	5,303
Outside Malaysia:		
Shares	10,763	4,239
Trust units	1,745	-
	<u>257,163</u>	<u>98,328</u>
<b>Unquoted Guaranteed Private Debt Securities</b>		
In Malaysia:		
Corporate bonds	5,147	-
	<u>5,147</u>	<u>-</u>
<b>Unquoted Private Debt Securities:</b>		
In Malaysia:		
Corporate bonds	93,150	-
Corporate notes	277,057	191,407
Islamic corporate bonds	216,659	100,441
Islamic corporate notes	538,136	322,009
Outside Malaysia:		
Corporate bonds	22,896	14,632
	<u>1,147,898</u>	<u>628,489</u>
<b>Total</b>	<u><u>4,460,233</u></u>	<u><u>1,713,441</u></u>

**A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Malaysian Government Securities	387,579	427,258
Malaysian Government Investment Certificates	75,983	76,005
Negotiable instruments of deposits	971,576	2,579,057
Negotiable Islamic debt certificates	930,036	577,330
Islamic khazanah bonds	-	37,890
	<u>2,365,174</u>	<u>3,697,540</u>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	195,819	136,378
Trust units	544,239	1,149,180
Outside Malaysia:		
Shares	24,403	21,847
Trust units	-	1,754
	<u>764,461</u>	<u>1,309,159</u>
<b>Unquoted Securities:</b>		
In Malaysia:		
Shares	142,270	21,476
Outside Malaysia:		
Shares	21,383	17,848
	<u>163,653</u>	<u>39,324</u>
<b>Quoted Debt Equity Converted Securities:</b>		
In Malaysia:		
Shares	13,088	14,380
Loan stocks	11,841	2,326
Loan stocks - collateralised	17,926	-
Corporate bonds	33,615	-
Corporate bonds - collateralised	-	332
Outside Malaysia:		
Shares	45	104
	<u>76,515</u>	<u>17,142</u>

**A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTD.)**

	<b>Group</b>	
	<b>30.09.10 RM'000</b>	<b>31.03.10 RM'000</b>
<b>Unquoted Debt Equity Converted Securities:</b>		
In Malaysia:		
Loan stocks	71,071	-
	<u>71,071</u>	<u>-</u>
<b>Unquoted Private Debt Securities:</b>		
In Malaysia:		
Corporate bonds	955,893	931,847
Islamic corporate bonds	669,247	790,003
Corporate notes	343,504	192,794
Islamic corporate notes	1,605,208	1,702,877
Outside Malaysia:		
Corporate bonds	1,517	7,941
Islamic corporate bonds	17,430	39,333
	<u>3,592,799</u>	<u>3,664,795</u>
<b>Unquoted Guaranteed Private Debt Securities:</b>		
In Malaysia:		
Corporate bonds	204,175	342,452
Islamic corporate bonds	65,649	82,726
	<u>269,824</u>	<u>425,178</u>
Accumulated impairment losses	(78,815)	(59,282)
<b>Total</b>	<b><u>7,224,682</u></b>	<b><u>9,093,856</u></b>

AmBank (M) Berhad and AmIslamic Bank Berhad, the wholly owned subsidiaries of the Company, were 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 is 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 Issues ("GII") holdings instead of cash. As at 30 September 2010, the nominal values of MGS and GII holdings maintained for SRR purpose amounting to RM425,260,000 for the Group.

**A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	<b>Group</b>	
	<b>30.09.10 RM'000</b>	<b>31.03.10 RM'000</b>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	-	2
	<u>-</u>	<u>2</u>
<b>Unquoted Securities:</b>		
In Malaysia:		
Shares	-	103,118
Corporate bonds	959	100
Outside Malaysia:		
Shares	-	2,247
	<u>959</u>	<u>105,465</u>
<b>Quoted Debt Equity Converted Securities:</b>		
In Malaysia:		
Shares	-	40
Loan stocks - collateralised	-	41,915
Corporate bonds - collateralised	-	33,172
	<u>-</u>	<u>75,127</u>

**A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTD.)**

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted Debt Equity Converted Securities:</b>		
In Malaysia:		
Shares	-	3,027
Loan stocks	161,461	41,419
Loan stocks - collateralised	971	314,279
Corporate bonds - collateralised	-	149,200
Corporate bonds	194,737	45,300
	<u>357,169</u>	<u>553,225</u>
<b>Unquoted Private Debt Securities:</b>		
In Malaysia:		
Corporate bonds and notes denominated in USD	-	4,961
Corporate notes	-	30,370
Islamic corporate bonds	30,016	139,435
	<u>30,016</u>	<u>174,766</u>
<b>Unquoted Guaranteed Private Debt Securities:</b>		
In Malaysia:		
Corporate bonds	10,000	10,000
	<u>398,144</u>	<u>918,585</u>
Accumulated impairment losses	(203,331)	(355,842)
Total	<u>194,813</u>	<u>562,743</u>

**A11. LOANS, ADVANCES AND FINANCING**

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Loans and financing:</b>		
Term loans and revolving credit	26,854,823	23,874,032
Housing loans	12,119,253	11,750,125
Staff loans	170,361	167,526
Hire-purchase receivables	30,922,013	30,875,449
Credit card receivables	1,783,169	1,782,020
Lease receivables	566	1,142
Overdrafts	2,067,056	1,934,446
Claims on customers under acceptance credits	2,753,478	2,788,014
Trust receipts	584,551	387,309
Block discount receivables	60,843	57,928
Factoring receivables	61,729	57,143
Bills receivable	225,399	115,140
	<u>77,603,241</u>	<u>73,790,274</u>
Unearned interest and income	(7,466,939)	(7,161,411)
	<u>70,136,302</u>	<u>66,628,863</u>
Islamic financing sold to Cagamas Berhad	(1,103,729)	(345,738)
Gross loans, advances and financing	<u>69,032,573</u>	<u>66,283,125</u>
<b>Allowance for impairment on loans and financing:</b>		
Collective allowance	(1,960,520)	-
Individual allowance	(482,292)	-
General allowance	-	(1,003,472)
Specific allowance	-	(853,733)
	<u>(2,442,812)</u>	<u>(1,857,205)</u>
Net loans, advances and financing	<u>66,589,761</u>	<u>64,425,920</u>

\* Included in term loans and revolving credit of the Group as at 30 September 2010 are loans amounting to RM287,515,000 (31 March 2010: RM210,618,521) which are exempted from collective allowance by Bank Negara Malaysia.

# **A11. LOANS, ADVANCES AND FINANCING (CONTD.)**

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

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	12,856,482	11,784,629
One to three years	8,522,292	6,874,762
Three to five years	11,249,735	11,204,955
Over five years	36,404,064	36,418,779
	<b>69,032,573</b>	<b>66,283,125</b>

(b) Loans, advances and financing analysed by sectors are as follows:

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	1,549,090	1,542,566
Mining and quarrying	336,057	441,170
Manufacturing	5,749,553	4,967,276
Electricity, gas and water	2,199,735	2,292,627
Construction	3,909,707	3,759,983
Wholesale, retail, restaurant and hotel	3,784,430	3,594,540
Transport, storage and communication	2,523,128	3,012,306
Finance, insurance, real estate and business activities	6,850,787	5,413,606
Education and health	957,293	820,596
Investment holdings	50,995	951
Household	41,111,973	39,877,713
of which:		
Purchase of residential properties	11,561,648	11,372,657
Purchase of transport vehicles	23,694,973	23,504,635
Others	5,855,352	5,000,421
Others	1,113,554	905,529
	<b>70,136,302</b>	<b>66,628,863</b>
Islamic financing sold to Cagamas Berhad	(1,103,729)	(345,738)
	<b>69,032,573</b>	<b>66,283,125</b>

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

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic:		
Other non-bank financial institutions	2,609,722	1,315,435
Business enterprises:		
Small and medium enterprises	8,094,507	7,221,486
Others	17,519,229	17,484,714
Government and statutory bodies	355,487	253,528
Individuals	40,019,753	39,479,665
Other domestic entities	2,517	3,021
Foreign entities	431,358	525,276
	<b>69,032,573</b>	<b>66,283,125</b>

**A11. LOANS, ADVANCES AND FINANCING (CONTD.)**

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

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Variable rate:		
Base lending rate plus	18,397,098	17,433,703
Cost plus	12,788,626	10,548,022
Other variable rates	1,518,949	1,323,736
	<u>32,704,673</u>	<u>29,305,461</u>
Fixed rate:		
Housing loans/financing	2,096,508	2,019,245
Hire purchase receivables	24,728,302	25,478,064
Other loans/financing	9,503,090	9,480,355
	<u>36,327,900</u>	<u>36,977,664</u>
	<u>69,032,573</u>	<u>66,283,125</u>

(e) Loans, advances and financing analysed by geographical distribution as follows:

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic	68,416,324	65,736,380
Offshore	616,249	546,745
	<u>69,032,573</u>	<u>66,283,125</u>



**A11. LOANS, ADVANCES AND FINANCING (CONTD.)**

(f) Movements in impaired loans, advances and financing are as follows:

	<b>Group</b>	
	<b>30.09.10 RM'000</b>	<b>31.03.10 RM'000</b>
<b>Gross</b>		
Balance at beginning of period/year	1,865,758	2,426,458
Effect of adopting FRS139	673,015	-
Balance at beginning of period/year (restated)	2,538,773	2,426,458
Impaired during the period/year	758,805	1,030,338
Reclassification to non-impaired loans and financing	(307,289)	(452,389)
Recoveries	(178,519)	(198,611)
Amount written-off	(256,771)	(940,038)
Repurchase of loans	4,117	-
Balance at end of period/year	<u>2,559,116</u>	<u>1,865,758</u>
Ratios of impaired loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	<u>3.6%</u>	<u>2.8%</u>
Loan loss coverage excluding collateral values	<u>95.5%</u>	<u>99.5%</u>

(g) Impaired loans, advances and financing analysed by sectors are as follows:

	<b>Group</b>	
	<b>30.09.10 RM'000</b>	<b>31.03.10 RM'000</b>
Agriculture	34,548	2,747
Mining and quarrying	381	1,028
Manufacturing	243,854	101,638
Electricity, gas and water	288,792	649
Construction	382,689	296,615
Wholesale, retail, restaurant and hotel	84,434	63,010
Transport, storage and communication	15,140	19,278
Fin, real estate, ins and bus activities	144,287	124,633
Education and health	50,590	46,244
Household	1,299,815	1,194,188
of which:		
Purchase of residential properties	704,226	634,064
Purchase of transport vehicles	404,207	399,828
Others	191,382	160,296
Others	14,586	15,728
	<u>2,559,116</u>	<u>1,865,758</u>

(h) Impaired loans, advances and financing analysed by geographical distribution

	<b>Group</b>	
	<b>30.09.10 RM'000</b>	<b>31.03.10 RM'000</b>
Domestic	<u>2,559,116</u>	<u>1,865,758</u>

**A11. LOANS, ADVANCES AND FINANCING (CONTD.)**

(i) Movements in allowances for impaired loans, advances and financing are as follows:

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective allowance</b>		
Balance at beginning of period/year	-	-
Effect of adopting FRS 139	1,803,552	-
Balance at beginning of period/year (restated)	1,803,552	-
Allowance made during the period/year, net	397,866	-
Amount written off	(244,652)	-
Repurchase of loans	4,117	-
Exchange fluctuation adjustments	(363)	-
Balance at end of period/year	1,960,520	-
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less individual allowance	2.81%	-
<b>Individual allowance</b>		
Balance at beginning of period/year	-	-
Effect of adopting FRS 139	458,225	-
Balance at beginning of period/year (restated)	458,225	-
Allowance made during the period/year, net	36,490	-
Amount written off	(12,423)	-
Balance at end of period/year	482,292	-
<b>General allowance</b>		
Balance at beginning of period/year	1,003,472	899,517
Effect of adopting FRS 139	(1,003,472)	-
Balance at beginning of period/year (restated)	-	899,517
Allowance made during the period/year	-	104,924
Exchange fluctuation adjustments	-	(969)
Balance at end of period/year	-	1,003,472
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less specific allowances	-	1.53%
<b>Specific allowance</b>		
Balance at beginning of period/year	853,733	921,611
Effect of adopting FRS 139	(853,733)	-
Balance at beginning of period/year (restated)	-	921,611
Allowance made during the period/year	-	1,205,040
Amount written back in respect of recoveries and reversals	-	(336,980)
Adjustment to deferred asset account	-	588
Amount written off	-	(936,526)
Balance at end of period/year	-	853,733

**A12. OTHER ASSETS**

	Group	
	30.09.10 RM'000	31.03.10 RM'000
Trade receivables, net of allowance for doubtful debts	2,126,944	864,046
Other receivables, deposits and prepayments, net of allowance for doubtful debts	596,682	571,737
Interest receivables on treasury assets, net of allowance for doubtful debts	320,078	278,917
Fee receivables, net of allowance for doubtful debts	41,861	40,261
Amount due from Originators	21,250	22,793
Amount due from agents, brokers and reinsurers, net of allowance	25,974	24,553
Foreclosed properties, net of allowance for impairment in value	131,091	151,922
Deferred assets	34,744	34,744
	<u>3,298,624</u>	<u>1,988,973</u>

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

**A13. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA**

The non-interest bearing statutory deposits pertaining to investment banking , commercial and Islamic banking subsidiaries are 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.

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

	Group	
	30.09.10 RM'000	31.03.10 RM'000
Deposits from:		
Licensed banks	79,243	411,440
Licensed investment banks	471,679	512,060
Bank Negara Malaysia	946,401	902,577
Other financial institutions	1,133,618	2,489,199
	<u>2,630,941</u>	<u>4,315,276</u>

**A15. DEPOSITS FROM CUSTOMERS**

	Group	
	30.09.10 RM'000	31.03.10 RM'000
Term/Investment deposits	59,913,461	59,883,117
Savings deposits	4,065,441	3,985,055
Current deposits	4,711,610	4,386,833
Negotiable instruments of deposits	303,903	447,757
Other deposits	391,417	171,350
	<u>69,385,832</u>	<u>68,874,112</u>
Business enterprises	26,948,080	29,588,517
Individuals	27,825,711	26,828,735
Government and statutory bodies	12,017,669	11,240,282
Others	2,594,372	1,216,578
	<u>69,385,832</u>	<u>68,874,112</u>

**A16. OTHER LIABILITIES**

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payables	2,053,518	766,418
Other payables and accruals	1,698,113	1,706,879
Interest payable on deposits and borrowings	599,104	539,841
Lease deposits and advance rentals	63,841	64,720
General insurance funds	269,787	252,675
Provision for commitments and contingencies	137,408	21,916
Profit equalisation reserve	31,478	49,298
Tax payable	320,622	76,204
	<b>5,173,871</b>	<b>3,477,951</b>

**A17. INTEREST INCOME**

<b>Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.09.10</b>	<b>30.09.09</b>	<b>30.09.10</b>	<b>30.09.09</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term funds and deposits with financial institutions	61,161	51,002	113,704	105,377
Financial assets held-for-trading	20,515	12,667	39,068	21,669
Financial investments available-for-sale	79,781	69,070	160,076	136,067
Financial investments held-to-maturity	2,329	5,367	13,446	13,767
Loans, advances and financing	826,928	751,703	1,649,220	1,489,455
Interest income on impaired loans	6,037	-	9,569	-
Others	2,395	562	3,776	1,006
	<b>999,146</b>	<b>890,371</b>	<b>1,988,859</b>	<b>1,767,341</b>

**A18. INTEREST EXPENSE**

<b>Group</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.09.10</b>	<b>30.09.09</b>	<b>30.09.10</b>	<b>30.09.09</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	355,321	334,305	682,403	669,084
Deposit of banks and other financial institutions	14,588	4,656	39,851	49,201
Senior notes	34,647	-	64,464	-
Credit-Linked Note	2,345	-	3,028	-
Amount due to Cagamas Berhad	-	1,114	770	2,258
Bank borrowings:				
Term loans	3,376	2,583	6,474	5,136
Subordinated deposits and term loans	6,543	11,905	12,994	18,337
Interest on bonds	6,495	8,897	12,386	22,766
Medium term notes	22,255	20,837	44,268	41,448
Net Interest rate swap expense	11,104	29,154	44,138	49,001
Hybrid securities	20,352	21,195	40,878	33,209
Others	1,850	848	2,966	2,155
	<b>478,876</b>	<b>435,494</b>	<b>954,620</b>	<b>892,595</b>

**A19. NET INCOME FROM INSURANCE BUSINESS**

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Income from Insurance Business:				
Premium income from general insurance business	135,570	121,984	267,250	242,036
Surplus transfer from the life insurance business	18,300	6,000	40,800	12,000
	<u>153,870</u>	<u>127,984</u>	<u>308,050</u>	<u>254,036</u>
Insurance Claims and Commissions:				
Insurance commission	14,143	12,528	27,353	24,197
General insurance claims	96,413	85,365	185,341	175,994
	<u>110,556</u>	<u>97,893</u>	<u>212,694</u>	<u>200,191</u>
Total income from insurance business, net	<u>43,314</u>	<u>30,091</u>	<u>95,356</u>	<u>53,845</u>

**A20. OTHER OPERATING INCOME**

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Fee income:				
Fees on loans, financing and securities	69,696	47,835	115,311	83,067
Corporate advisory	8,087	4,475	17,448	11,186
Guarantee fees	10,020	10,712	17,954	19,988
Underwriting commissions	5,669	612	10,861	1,449
Portfolio management fees	3,004	3,451	6,968	6,503
Unit trust management fees	19,077	13,105	35,569	25,430
Brokerage rebates	164	114	232	189
Property trust management fees	1,333	1,282	2,574	2,588
Brokerage fees and commissions	27,338	31,805	52,742	66,967
Bancassurance commission	8,857	10,062	16,672	18,501
Net income from asset securitisation	240	566	470	778
Other fee income	18,087	15,655	36,539	32,033
	<u>171,572</u>	<u>139,674</u>	<u>313,340</u>	<u>268,679</u>
Investment and trading income:				
Net gain from sale of financial assets held-for-trading	22,216	5,202	35,480	30,998
Net gain from sale of financial investments available-for-sale	20,605	10,526	40,912	20,950
Net gain on redemption of financial investments held-to-maturity	150	2,745	5,079	17,571
Gain on revaluation for financial assets held-for-trading	29,227	8,036	29,795	6,862
Foreign exchange <sup>1</sup>	27,813	11,329	36,027	17,111
Loss on redemption of structured product	(2)	-	(24)	(5)
(Loss)/Gain on derivatives	(42,482)	171	(20,190)	12,584
Loss on revaluation of fair value hedge <sup>2</sup>	(425)	(616)	(253)	(569)
Gross dividend income from:				
Financial assets held-for-trading	2,622	2,025	3,825	2,176
Financial investments available-for-sale	7,151	5,144	17,505	13,448
Financial investments held-to-maturity	-	4,033	2,902	4,102
	<u>66,875</u>	<u>48,595</u>	<u>151,058</u>	<u>125,228</u>

**A20. OTHER OPERATING INCOME (CONTD.)**

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Other income:				
Non-trading foreign exchange	1,151	1,768	1,566	2,348
Gain on disposal of property and equipment, net	77	7	391	305
Rental income	895	693	1,922	2,102
Other operating income	1,762	1,689	3,939	3,968
	<u>3,885</u>	<u>4,157</u>	<u>7,818</u>	<u>8,723</u>
	<u>242,332</u>	<u>192,426</u>	<u>472,216</u>	<u>402,630</u>

<sup>1</sup> Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

<sup>2</sup> Arising from changes in fair value of interest rate swap (hedging instrument) and Hybrid Capital (hedged item) relating to the hedged risk.

**A21. OTHER OPERATING EXPENSES**

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Personnel/Staff costs:				
Salaries, allowances and bonuses	176,273	159,847	354,858	315,102
Shares/options granted under Group Executives' Share Scheme	11,911	3,849	17,737	7,599
Others	50,131	47,495	97,422	91,672
	<u>238,315</u>	<u>211,191</u>	<u>470,017</u>	<u>414,373</u>
Establishment costs:				
Depreciation	13,603	13,335	26,710	28,105
Amortisation of computer software	6,186	7,289	14,685	14,724
Computerisation costs	30,582	22,488	63,430	48,668
Rental	21,711	20,153	42,251	39,999
Cleaning and maintenance	5,517	5,239	10,888	10,528
Others	6,522	7,977	13,372	15,299
	<u>84,121</u>	<u>76,481</u>	<u>171,336</u>	<u>157,323</u>
Marketing and communication expenses:				
Sales commission	5,569	5,843	8,771	12,701
Advertising, promotional and other marketing activities	11,205	15,009	24,375	30,336
Telephone charges	4,295	4,310	9,108	9,361
Postage	2,856	1,009	4,734	3,227
Travel and entertainment	4,069	3,359	7,869	6,964
Others	5,390	5,887	10,914	11,023
	<u>33,384</u>	<u>35,417</u>	<u>65,771</u>	<u>73,612</u>
Administration and general:				
Professional services	17,853	12,212	35,393	30,258
Donations	16	23	38	33
Administration and management expenses	141	371	405	434
Others	10,697	5,809	22,787	17,816
	<u>28,707</u>	<u>18,415</u>	<u>58,623</u>	<u>48,541</u>
	<u>384,527</u>	<u>341,504</u>	<u>765,747</u>	<u>693,849</u>

**A22. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING**

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Allowance for bad and doubtful debts and financing:				
Individual allowance, net	13,927	-	36,490	-
Collective allowance	231,497	-	397,866	-
Specific allowance:				
Allowance during the period	-	319,787	-	603,956
Amount written back in respect of recoveries and reversals	-	(82,301)	-	(159,568)
General allowance	-	31,230	-	46,590
Bad debts and financing:				
Written off	-	-	36	-
Recovered	(141,127)	(126,664)	(238,461)	(212,062)
	<u>104,297</u>	<u>142,052</u>	<u>195,931</u>	<u>278,916</u>

**A23. BUSINESS SEGMENT ANALYSIS**

<b>Group 30.09.2010</b>	<b>Retail Banking RM'000</b>	<b>Business Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Corporate and Institutional Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Treasury and Markets RM'000</b>	<b>Group Functions and Others RM'000</b>	<b>Total RM'000</b>
Revenue	1,324,484	269,615	174,530	284,293	451,511	227,529	745,888	3,477,850
Income	928,159	233,121	173,126	185,074	128,623	194,856	137,590	1,980,549
Expenses	(360,761)	(46,323)	(91,410)	(47,400)	(41,907)	(32,253)	(145,693)	(765,747)
Profit/(loss) before provisions	567,398	186,798	81,716	137,674	86,716	162,603	(8,103)	1,214,802
Provisions	(154,704)	(30,023)	(904)	(4,984)	(738)	(5,016)	(37,008)	(233,377)
Profit/(loss) before provisions	412,694	156,775	80,812	132,690	85,978	157,587	(45,111)	981,425
Taxation and zakat	(103,147)	(39,065)	(20,335)	(31,065)	(19,357)	(39,117)	(3,010)	(255,096)
Net profit/(loss) for the period	309,547	117,710	60,477	101,625	66,621	118,470	(48,121)	726,329
<b>Other information:</b>								
Cost to income ratio	38.9%	19.9%	52.8%	25.6%	32.6%	16.6%	105.9%	38.7%
Gross loans/ financing	44,634,065	12,790,769	452,167	11,113,549	3,411	-	38,612	69,032,573
Net loans/ financing	43,409,069	12,633,059	439,617	11,025,792	3,411	-	(921,187)	66,589,761
Gross impaired loans, advances and financing	1,386,335	145,809	6,047	-	-	-	1,020,925	2,559,116
Total deposits	33,229,506	4,329,453	187,307	7,117,803	-	288,896	26,863,808	72,016,773



**A23. BUSINESS SEGMENT ANALYSIS (CONTD.)**

<b>Group 30.09.2009</b>	<b>Retail Banking RM'000</b>	<b>Business Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Corporate and Institutional Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Treasury and Markets RM'000</b>	<b>Group Functions and Others RM'000</b>	<b>Total RM'000</b>
Revenue	1,300,450	199,620	181,587	245,124	426,831	179,233	622,662	3,155,507
Income	912,224	175,319	181,051	138,829	75,440	143,386	107,673	1,733,922
Expenses	(339,340)	(42,215)	(75,068)	(38,464)	(38,806)	(21,295)	(138,661)	(693,849)
Profit/(loss) before provisions	572,884	133,104	105,983	100,365	36,634	122,091	(30,988)	1,040,073
Provisions	(221,295)	(33,790)	(580)	(11,869)	390	(33,973)	(47,845)	(348,962)
Profit/(loss) before provisions	351,589	99,314	105,403	88,496	37,024	88,118	(78,833)	691,111
Taxation and zakat	(88,700)	(24,846)	(26,712)	(20,677)	(4,849)	(24,907)	12,560	(178,131)
Net profit/(loss) for the period	262,889	74,468	78,691	67,819	32,175	63,211	(66,273)	512,980
<b>Other information</b>								
Cost to income ratio	37.2%	24.1%	41.5%	27.7%	51.4%	14.9%	128.8%	40.0%
Gross loans/ financing	44,089,961	10,119,367	287,051	7,284,601	3,898	-	665,096	62,449,974
Net loans/ financing	42,576,990	9,892,300	275,774	7,171,011	3,898	-	517,278	60,437,251
Gross impaired loans, advances and financing	2,160,835	128,698	7,187	-	-	-	559,749	2,856,469
Total deposits	30,518,431	3,564,220	97,358	7,934,107	-	2,438,333	26,372,547	70,924,996

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiaries, AMCI, AmCapital (B) Sdn Bhd, AmSecurities (H.K.) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia, Brunei and Hong Kong respectively. These activities in Singapore, Indonesia, Brunei and Hong Kong are not significant in relation to the Group's activities in Malaysia.

**A24. VALUATIONS OF PROPERTY AND EQUIPMENTS**

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

**A25. EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

There has not arisen in the interval between the end of the reporting 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 result of the operations of the Group for the current financial quarter other than as disclosed in Note B8.

**A26. CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY**

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

## A27. COMMITMENTS AND CONTINGENCIES

As at 30 September 2010, other commitments and contingencies of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantee amounting to RM75,000,000 (RM75,000,000 as at 31 March 2010) on behalf of a subsidiary company for the payment and discharge of all moneys due on a trading account maintained by a customer with that subsidiary company.
- (b) The Company has given a continuing undertaking totalling SGD40,000,000 (31 March 2010: SGD40,000,000) to the Monetary Authority of Singapore on behalf of AmFraser Securities Pte Ltd to meet its liabilities and financial obligations and requirements.
- (c) AmBank has given a continuing guarantee to LFSA on behalf of AMIL, AmBank's offshore bank subsidiary, to meet all its liabilities and financial obligations and requirements.
- (d) The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its subsidiary, AmLife Insurance Berhad ("AmLife"), for the performance and discharge by AmLife of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AmLife's investment-linked product called AmAsia Link-Capital Guaranteed Fund.
- (e) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee Berhad ("AmTrustee") ("Meridian Suit"), a subsidiary of the Company in respect of a claim amounting to RM27,606,169.65 for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ("MAA") has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178 together with interest and costs. AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA ("MAA Suit"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

AmTrustee had filed an application to dismiss Meridian's Suit on a point of law which was dismissed with costs on 17 January 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 15 February 2008 and it was fixed for Hearing on 23 June 2010. The Appeal was dismissed with cost.

AmTrustee has also filed a stay of proceedings application of the Meridian's Suit due to Meridian's counter claim in the MAA action amounting to duplicity/abuse of process on 22 February 2008 which was dismissed with costs on 26 June 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 25 July 2008. No hearing date has been fixed as yet.

Parties have filed several interim applications in the Meridian suit amongst which was application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank Berhad as 2nd Defendant and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian. This application was fixed for hearing on 17 October 2008, and the court dismissed the application with cost. Meridian filed an appeal to the judge in Chambers against this Order and the same was heard on the 8 January 2009 and was fixed for decision on the 23 January 2009. The Learned Judge dismissed Meridian's application to add AmInvestment Bank Berhad as a Party to the Meridian's suit and allowed Meridian's claim to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

No Appeal was lodged to the Court of Appeal by Meridian against the High Court's decision in dismissing its application to add AmInvestment Bank Berhad as a Party to its Suit. With the High Court decision dated 23 March 2009, in dismissing Meridian's application to add AmInvestment Bank as a party to its suit, and with no appeal lodged at the Court of Appeal, there is no litigation pending today against AmInvestment Bank Berhad by Meridian.

In the MAA Suit, AmTrustee has filed and served a Third Party Notice dated 6 November 2006 on Meridian seeking indemnification/contribution from Meridian for MAA's claim. Exchange of pleadings has also been completed with Meridian.

It is to be noted that both the Meridian's Suit and MAA Suit were ordered on 16 September 2008 to be tried together at the same time pursuant to Order 4 Rule 1 of the Rules of the High Court 1980.

AmTrustee has also been served on 2 September 2009 with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian.

The Third Party Notice is taken against AmTrustee by Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007, at the Kuala Lumpur High Court via suit number D5-22-1457-2007 ("KWAP Suit"). The facts of this case revolve around the same facts as that of the above Meridian Suit and MAA Suit. The High Court suit by KWAP is for an alleged breach by Meridian of an Investment Management Agreement executed between KWAP and Meridian in 2001 ("the Agreement") for a sum of RM7,254,050.42 general damages for breach of the Agreement and breach of trust together with interests and costs (KWAP's claim).

On the basis of KWAP's claim, Meridian is seeking against AmTrustee via the Third Party Notice for AmTrustee to indemnify Meridian in respect of KWAP's claim.

AmTrustee has filed an Application to Strike Out the Third Party Notice.

On 23rd March the Court directed all parties in all the three suits to consider the process of resolving these matters via Mediation rather than a trial and to revert back to court with an update on 23rd April 2010 on the outcome of parties consideration of the proposed Mediation. On 23rd April 2010, parties informed court they are not agreeable to resolving these matters via Mediation. Therefore matters have now reverted back to the court to be tried via trial.

Trial dates have been fixed for both Meridian and MAA Suits from 24 January to 26 January 2011.

In the meantime, both Meridian and MAA Suits are fixed for Case Management on 12 November 2010.

AmTrustee's application to Strike Out the Third Party Notice by Meridian in the KWAP Suit was fixed for Hearing on 27 September and is fixed for decision on 1 November 2010, whilst Case Management of this matter is fixed on 23rd November 2010.

Based on documents and evidence in their possession, the solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claim by Meridian and MAA and in any event, that AmTrustee will be entitled to an indemnity or contribution from Meridian in respect of the claim.

Neither material financial loss nor operational impact on the Group is expected as a result of the Writs and Statements of Claim.

## A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	30.09.10			30.03.10		
	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
<b>Trading derivative</b>						
Interest rate related contracts:						
Interest rate futures	130,000	1,662	-	160,000	2,587	-
Less than one year	30,000	1,637	-	60,000	1,325	-
One to three years	-	-	-	-	-	-
More than three years	100,000	25	-	100,000	1,262	-
Interest rate swaps	20,822,606	174,168	162,001	21,440,650	174,433	188,058
Less than one year	4,185,000	12,107	11,066	4,200,000	4,858	10,166
One to three years	10,606,606	84,840	80,524	16,142,526	128,210	78,033
More than three years	6,031,000	77,221	70,411	1,098,124	41,365	99,859
Foreign exchange related contracts:						
Currency forward	11,592,165	46,419	44,820	3,227,699	36,599	47,941
Less than one year	11,592,165	46,419	44,820	3,227,699	36,599	47,941
One to three years	-	-	-	-	-	-
More than three years	-	-	-	-	-	-
Currency options	1,136,967	387	-	514,758	2,752	-
Less than one year	1,136,967	387	-	514,758	2,752	-
One to three years	-	-	-	-	-	-
More than three years	-	-	-	-	-	-
Credit related contracts:						
Credit default swap	335,832	2,838	4,680	-	-	-
Less than one year	-	-	-	-	-	-
One to three years	335,832	2,838	4,680	-	-	-
More than three years	-	-	-	-	-	-
Equity related contracts:						
Options	941,445	28,064	19,431	592,830	12,809	7,586
Less than one year	188,580	15,615	8,282	-	-	-
One to three years	560,618	6,473	6,472	492,478	10,159	4,939
More than three years	192,247	5,976	4,677	100,352	2,650	2,647
Futures	15,239	-	-	28,173	-	467
Less than one year	15,239	-	-	28,173	-	467
One to three years	-	-	-	-	-	-
More than three years	-	-	-	-	-	-
Contract For Difference	8,160	77	77	-	-	-
Less than one year	-	-	-	-	-	-
One to three years	-	-	-	-	-	-
More than three years	8,160	77	77	-	-	-
Cross currency swaps	538,397	11,032	46,071	531,127	7,757	39,370
Less than one year	-	-	-	49,631	1,031	-
One to three years	152,272	7,257	5,009	318,398	2,840	36,112
More than three years	386,125	3,775	41,062	163,098	3,886	3,258
Structured Warrant	256,376	-	55,538	52,011	-	31,813
Less than one year	250,637	-	50,008	30,521	-	10,485
One to three years	-	-	-	-	-	-
More than three years	5,739	-	5,530	21,490	-	21,328
	35,777,187	264,647	332,618	26,547,248	236,937	315,235
<b>Hedging derivative</b>						
Interest rate related contracts:						
Interest rate swaps	11,247,800	124,024	89,167	9,732,400	106,706	77,742
Less than one year	1,270,000	110	13,386	40,000	-	279
One to three years	6,860,000	21,420	23,317	7,485,000	42,344	35,627
More than three years	3,117,800	102,494	52,464	2,207,400	64,362	41,836
Total	47,024,987	388,671	421,785	36,279,648	343,643	392,977

### 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.

## A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT.)

### Purpose of engaging in financial derivatives (Contd.)

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 options is a financial derivatives 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 Options ("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 e.g. 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 types of market and credit risk as other financial instruments, and the Group manages these risks in a consistent manner under the overall risk management framework.

### Market risk of derivatives used for trading purposes

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

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical 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, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. 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.

## A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT.)

### General disclosure for derivatives and counterparty credit risk (Contd.)

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 were downgraded, the Group or the counterparty would likely to be required to place additional collateral. The amount required to be placed would depend upon the underlying instruments and the state of the markets, so 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 FX 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 (i.e. like 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).

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 balance sheet, 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 hedging reserve. The gain or loss relating to the ineffective portion is recognized 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.

## A29. CAPITAL ADEQUACY RATIO

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

	30.09.10					
	AmBank	AmIslamic	AmBank Group	AmIB	AmIB Group	AHB Banking Group *
Before deducting proposed dividends:						
Core capital ratio	10.56%	10.04%	9.53%	31.00%	24.69%	9.97%
Risk-weighted capital ratio	15.59%	15.01%	15.56%	32.89%	30.34%	15.98%
After deducting proposed dividends:						
Core capital ratio	9.78%	9.75%	8.90%	31.00%	24.69%	9.45%
Risk-weighted capital ratio	14.93%	14.71%	15.01%	32.89%	30.34%	15.46%
	30.03.10					
	AmBank	AmIslamic	AmBank Group	AmIB	AmIB Group	AHB Banking Group *
Before deducting proposed dividends:						
Core capital ratio	10.98%	10.53%	9.88%	28.29%	23.98%	10.32%
Risk-weighted capital ratio	15.34%	15.29%	15.33%	30.07%	29.37%	15.77%
After deducting proposed dividends:						
Core capital ratio	10.38%	10.53%	9.39%	25.51%	21.73%	9.78%
Risk-weighted capital ratio	14.83%	15.29%	14.91%	27.30%	27.13%	15.30%

The Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is applicable to the banking subsidiaries within the Group both at the entity level as well as at the consolidated basis. The banking subsidiaries of the Group are AmBank (M) Berhad ("AmBank"), AmIslamic Bank Berhad ("AmIslamic")-which offers Islamic banking services, AmInvestment Bank Berhad ("AmIB") and AmInternational (L) Ltd ("AMIL").

The capital adequacy ratios of the AHB Banking Group\* are computed on a consolidated basis, including the financial related services subsidiaries, in accordance with Bank Negara Malaysia's Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

\* The aggregated components of the AHB Banking Group Tier I and Tier II capital are that of the banking subsidiary groups, namely AmBank Group and AmIB Group.

The capital adequacy ratios of AmBank and AmIB are computed in accordance with Bank Negara Malaysia's Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord. Both AmBank and AmIB had have adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

The capital adequacy ratio of the AmBank refers to the combined capital base as a ratio of the combined risk-weighted assets of AmBank and its wholly-owned offshore banking subsidiary, AmIL.

The capital adequacy ratios of 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 Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

## A29. CAPITAL ADEQUACY RATIO (CONTD.)

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

	30.09.10					
	AmBank RM'000	AmIslamic RM'000	AmBank Group RM'000	AmIB RM'000	AmIB Group RM'000	AHB Banking Group * RM'000
Tier 1 capital						
Paid-up ordinary share capital	670,364	403,038	670,364	200,000	200,000	870,364
Share premium	942,844	534,068	942,844	-	-	942,844
Statutory reserve	680,459	296,939	977,398	200,000	200,000	1,177,398
Capital reserve	-	-	377,492	-	2,815	380,307
Merger reserve	48,516	-	397,566	-	7,656	405,222
Exchange fluctuation reserve	(212)	-	(212)	-	24,172	23,960
Irredeemable non-cumulative convertible preference shares	150,000	-	150,000	-	-	150,000
Innovative tier 1 capital	908,774	-	1,006,668	-	-	1,006,668
Non-innovative tier 1 capital	500,000	-	500,000	-	-	500,000
Unappropriated profit at end of year	2,502,369	180,285	2,107,925	90,832	93,091	2,201,016
Minority interests	-	-	21	-	-	21
Total	6,403,114	1,414,330	7,130,066	490,832	527,734	7,657,800
Less: Goodwill	-	-	-	-	(11,243)	(11,243)
Deferred tax (assets)/liabilities, net	(344,619)	(74,326)	(418,945)	508	194	(418,751)
Total tier 1 capital	6,058,495	1,340,004	6,711,121	491,340	516,685	7,227,806
Tier 2 capital						
Medium term notes	1,557,800	-	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	400,000	135,000	135,000	535,000
Exchangeable bonds	575,000	-	575,000	-	-	575,000
Redeemable unsecured bonds	-	-	-	-	-	-
Innovative Tier 1 capital	326,326	-	228,432	-	-	228,432
Collective allowance for bad and doubtful debts <sup>#</sup>	1,241,470	262,831	1,510,475	6,839	6,839	1,517,314
Total tier 2 capital	3,700,596	662,831	4,271,707	141,839	141,839	4,413,546
Total capital funds	9,759,091	2,002,835	10,982,828	633,179	658,524	11,641,352
Less: Investment in subsidiary company	(816,850)	-	(32,769)	(88,231)	-	(32,769)
Investment in capital of related financial institutions	-	-	-	(23,647)	(23,647)	(23,647)
Other deduction	(56)	-	(56)	-	-	(56)
Capital base	8,942,185	2,002,835	10,950,003	521,301	634,877	11,584,880

<sup>#</sup> Excludes collective allowance on impaired loans/financing restricted from tier 2 capital of the AHB Banking Group of RM443,438,000.



**A29. CAPITAL ADEQUACY RATIO (CONTD.)**

	31.03.10					
	AmBank RM'000	Amlslamic RM'000	AmBank Group RM'000	AmIB RM'000	AmIB Group RM'000	AHB Banking Group * RM'000
Tier 1 capital:						
Paid-up ordinary share capital	670,364	403,038	670,364	200,000	200,000	870,364
Share premium	942,844	534,068	942,844	-	-	942,844
Statutory reserve	680,459	265,169	945,628	200,000	200,000	1,145,628
Capital reserve	-	-	377,492	-	2,815	380,307
Merger reserve	-	-	397,566	-	7,656	405,222
Exchange fluctuation reserve	9,470	-	60	-	24,172	24,232
Irredeemable non-cumulative convertible preference shares	150,000	-	150,000	-	-	150,000
Innovative tier 1 capital	921,431	-	1,011,446	-	-	1,011,446
Non-innovative tier 1 capital	500,000	-	500,000	-	-	500,000
Unappropriated profit at end of year	2,498,526	133,719	2,019,923	113,874	116,133	2,136,056
Total	6,373,094	1,335,994	7,015,323	513,874	550,776	7,566,099
Less: Goodwill	-	-	-	-	(11,243)	(11,243)
Deferred tax (assets)/liabilities, net	(231,088)	(42,218)	(273,306)	(4,556)	(4,870)	(278,176)
Total tier 1 capital	6,142,006	1,293,776	6,742,017	509,318	534,663	7,276,680
Tier 2 capital:						
Medium term notes	1,557,800	-	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	400,000	-	-	400,000
Exchangeable bonds	575,000	-	575,000	-	-	575,000
Redeemable unsecured bonds	-	-	-	135,000	135,000	135,000
Innovative tier 1 capital	313,669	-	223,654	-	-	223,654
General allowance for bad and doubtful debts	808,631	184,803	997,741	9,768	9,768	1,007,509
Total tier 2 capital	3,255,100	584,803	3,754,195	144,768	144,768	3,898,963
Total capital funds	9,397,106	1,878,579	10,496,212	654,086	679,431	11,175,643
Less: Investment in subsidiary company	(816,850)	-	(32,779)	(88,231)	-	(32,779)
Investment in capital of related financial institutions	-	-	-	(24,448)	(24,448)	(24,448)
Other deduction	(50)	-	(50)	-	-	(50)
Capital base	8,580,206	1,878,579	10,463,383	541,407	654,983	11,118,366

## A29. CAPITAL ADEQUACY RATIO (CONTD.)

(c) The aggregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Group for the current financial period are as follows:

30.09.2010

The Group\*

### Exposure Class

		Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	<b>Credit Risk</b>				
	<i>On-Balance Sheet Exposures:</i>				
	Sovereigns/Central Banks	9,770,944	9,770,944	-	-
	Public Sector Entities ("PSEs")	-	-	-	-
	Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	6,667,304	6,667,304	1,379,672	110,373
	Corporates	27,855,336	25,141,244	23,367,648	1,869,412
	Regulatory Retail	33,192,556	32,993,405	24,656,212	1,972,498
	Residential Mortgages	6,915,827	6,904,754	2,891,636	231,330
	Higher Risk Assets	243,957	243,957	365,935	29,274
	Other Assets	2,723,676	2,723,676	2,353,399	188,273
	Equity Exposure	72,151	72,151	72,151	5,772
	Securitisation Exposures	221,821	221,821	73,440	5,875
	Defaulted Exposures	2,840,147	2,544,351	3,493,550	279,484
	<b>Total for On-Balance Sheet Exposures</b>	<b>90,503,719</b>	<b>87,283,607</b>	<b>58,653,643</b>	<b>4,692,291</b>
	<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	5,738,373	5,482,851	4,850,078	388,006
	<b>Total for Off-Balance Sheet Exposures [Note A29(e)]</b>	<b>7,017,759</b>	<b>6,762,237</b>	<b>5,347,914</b>	<b>427,833</b>
	<b>Total On and Off-Balance Sheet Exposures</b>	<b>97,521,478</b>	<b>94,045,844</b>	<b>64,001,557</b>	<b>5,120,124</b>
2.	<b>Large Exposures Risk Requirement</b>	-	-	-	-
3.	<b>Market Risk</b>	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	133,497	22,154	133,497	10,679
	Equity Risk				
	- General risk	247,955	35,286	212,922	17,034
	- Specific risk	247,955	35,286	444,865	35,589
	Foreign Risk	-	-	-	-
	Option Risk	237,347	708,063	20,143	1,612
	<b>Total</b>	<b>42,606,651</b>	<b>32,801,340</b>	<b>2,957,886</b>	<b>236,631</b>
4.	<b>Operational Risk</b>			5,526,048	442,084
5.	<b>Total RWA and Capital Requirements</b>			<b>72,485,491</b>	<b>5,798,839</b>

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

## A29. CAPITAL ADEQUACY RATIO (CONTD.)

(c) The aggregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Group for the previous financial year are as follows:

### 31.03.10

#### Group\*

#### Exposure Class

		Gross Exposures RM'000		Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	<b><u>Credit Risk</u></b>					
	<i>On-Balance Sheet Exposures</i>					
	Sovereigns/Central Banks	11,956,160		11,956,160	-	-
	Public Sector Entities ("PSEs")	79,464		79,464	15,893	1,272
	Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	6,813,793		6,813,793	2,072,109	165,769
	Corporates	23,252,974		21,776,056	19,544,419	1,563,554
	Regulatory Retail	33,520,188		33,358,800	24,946,606	1,995,729
	Residential Mortgages	6,879,999		6,870,606	2,909,190	232,736
	Higher Risk Assets	225,754		225,754	338,631	27,090
	Other Assets	2,452,746		2,452,746	2,106,934	168,555
	Equity Exposure	70,620		70,620	70,620	5,650
	Securitisation Exposures	326,731		326,730	95,256	7,620
	Defaulted Exposures	5,100,676		4,182,241	5,970,715	477,657
	<b>Total for On-Balance Sheet Exposures</b>	90,679,105		88,112,970	58,070,373	4,645,632
	<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	5,053,745		4,724,286	4,399,069	351,926
	<b>Total for Off-Balance Sheet Exposures [Note A29(e)]</b>	6,229,888		5,900,429	4,922,695	393,816
	<b>Total On and Off-Balance Sheet Exposures</b>	96,908,993		94,013,399	62,993,068	5,039,448
2.	<b>Large Exposures Risk Requirement</b>			-	5,203	416
3.	<b><u>Market Risk</u></b>	Long Position	Short Position			
	Interest Rate Risk					
	- General interest rate risk	29,457,508	27,208,078		1,037,283	82,983
	- Specific interest rate risk	3,230,626	1,011,669		230,851	18,468
	Foreign Currency Risk	729,299	276		729,299	58,344
	Equity Risk					
	- General risk	94,965	-		94,965	7,597
	- Specific risk	94,965	-		83,717	6,697
	Option Risk	6,941	-		13,798	1,104
	<b>Total</b>	33,614,304	28,220,023		2,189,913	175,193
4.	<b><u>Operational Risk</u></b>				5,305,721	424,457
5.	<b>Total RWA and Capital Requirements</b>				70,493,905	5,639,514

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

**A29. CAPITAL ADEQUACY RATIO (CONTD.)**

(d) The aggregated breakdown of credit risk exposures by risk weights of the Group for the current financial period are as follows:

**30.09.10**

**Group\***

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
	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	RM'000
0%	9,948,987	-	-	-	-	-	-	-	358,992	-	56	-	10,308,035	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	6,938,671	-	1,870,761	15,486	-	-	14,107	-	187,370	-	9,026,395	1,805,279
35%	-	-	-	-	-	-	3,738,962	-	-	-	-	-	3,738,962	1,308,637
50%	-	-	843,377	45,060	672,069	225,616	3,165,378	-	-	-	15,227	-	4,966,727	2,483,364
75%	-	-	-	-	-	34,991,383	414	-	-	-	-	-	34,991,797	26,243,847
100%	20,389	-	7,072	31,053	26,021,891	2,425	214,569	-	2,350,577	-	-	72,151	28,720,127	28,720,129
150%	-	-	-	-	1,258,625	768,573	-	247,435	-	-	19,168	-	2,293,801	3,440,301
Average Risk Weight														
<b>Total</b>	9,969,376	-	7,789,120	76,113	29,823,346	36,003,483	7,119,323	247,435	2,723,676	-	221,821	72,151	94,045,844	64,001,557
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	56	-	56	

**A29. CAPITAL ADEQUACY RATIO (CONTD.)**

(d) The aggregated breakdown of credit risk exposures by risk weights of the Group for the current financial period are as follows:

**31.03.10**

**Group\***

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs and DFIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Specialised Financing /Investment RM'000	Securitisation RM'000	Equity RM'000		
0%	12,093,492	-	-	-	-	-	-	-	323,188	-	50	-	12,416,730	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	83,064	5,860,158	-	2,355,901	16,710	-	-	28,280	-	292,072	-	8,636,185	1,727,237
35%	-	-	-	-	-	-	3,508,930	-	-	-	-	-	3,508,930	1,228,126
50%	-	-	1,158,746	-	685,864	232,118	3,362,006	-	-	-	15,073	-	5,453,807	2,726,904
75%	-	-	-	-	-	34,611,983	444	-	-	-	-	-	34,612,427	25,959,320
100%	-	-	3,254	800,826	22,222,886	53,043	201,092	-	2,101,278	-	-	70,620	25,452,999	25,452,999
150%	-	-	-	-	2,922,607	760,098	-	230,080	-	-	19,536	-	3,932,321	5,898,482
Average Risk Weight														
<b>Total</b>	12,093,492	83,064	7,022,158	800,826	28,187,258	35,673,952	7,072,472	230,080	2,452,746	-	326,731	70,620	94,013,399	62,993,068
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	50	-	50	

## A29. CAPITAL ADEQUACY RATIO

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

Group	30.9.2010				31.3.2010			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
<b>Credit-Related Exposures</b>								
Guarantees given on behalf of customers	2,381,828	-	2,300,841	2,113,464	2,455,921	-	2,396,791	2,181,702
Certain transaction-related contingent items	1,884,853	-	975,861	893,586	1,812,955	-	936,042	879,324
Underwriting liabilities	497,950	-	-	-	696,115	-	-	-
Short term self liquidating trade-related contingencies	442,390	-	88,478	90,152	473,429	-	94,686	95,417
Islamic financing sold to Cagamas	1,057,840	-	1,057,840	798,578	335,852	-	335,852	253,809
Irrevocable commitments to extend credit maturing:	-	-	-	-	-	-	-	-
- within one year	16,435,410	-	-	-	13,408,721	-	-	-
- more than one year	2,529,493	-	449,881	360,489	1,954,602	-	422,678	346,698
Unutilised credit card line	3,914,796	-	783,134	585,535	4,192,748	-	838,550	627,089
Sell and buy back agreements	25,008	-	501	250	306,538	-	6,286	5,786
Others	41,592	-	150	150	39,798	-	150	150
	29,211,160	-	5,656,686	4,842,204	25,676,679	-	5,031,035	4,389,975
<b>Derivative Financial Instruments</b>								
Foreign exchange related contracts:								
Currency forward	11,592,165	46,419	100,343	67,697	3,227,699	36,599	50,758	29,579
- One year or less	11,592,165	46,419	100,343	67,697	3,227,699	36,599	50,758	29,579
- Over one year to five years	-	-	-	-	-	-	-	-
- Over five years	-	-	-	-	-	-	-	-
Currency options	1,136,967	387	2,146	477	514,758	2,752	5,122	1,122
- One year or less	1,136,967	387	2,146	477	514,758	2,752	5,122	1,122
- Over one year to five years	-	-	-	-	-	-	-	-
- Over five years	-	-	-	-	-	-	-	-
Cross currency swaps	538,397	11,032	54,220	34,027	531,127	7,757	50,684	32,255
- One year or less	-	-	-	-	49,631	1,031	1,854	927
- Over one year to five years	306,722	11,032	42,636	28,235	481,496	6,726	48,830	31,328
- Over five years	231,675	-	11,584	5,792	-	-	-	-
Interest rate related contracts:								
Interest rate futures	130,000	1,662	-	-	160,000	2,587	-	-
- One year or less	30,000	1,637	-	-	60,000	1,325	-	-
- Over one year to five years	100,000	25	-	-	100,000	1,262	-	-
- Over five years	-	-	-	-	-	-	-	-
Interest rate swaps	32,070,406	298,192	1,077,830	375,381	31,173,050	281,139	1,038,181	444,637
- One year or less	5,455,000	12,217	26,291	11,181	4,240,000	4,858	15,660	7,722
- Over one year to five years	22,707,606	126,774	600,937	192,530	23,627,526	170,554	669,377	259,890
- Over five years	3,907,800	159,201	450,602	171,670	3,305,524	105,727	353,144	177,025
Equity related contracts:								
Options	860,435	28,032	40,308	18,966	215,672	9,348	21,897	1,900
- One year or less	188,580	15,615	6,830	1,366	-	-	-	-
- Over one year to five years	671,855	12,417	33,478	17,600	215,672	9,348	21,897	1,900
- Over five years	-	-	-	-	-	-	-	-
Futures	15,239	-	-	-	28,173	-	-	-
- One year or less	15,239	-	-	-	28,173	-	-	-
- Over one year to five years	-	-	-	-	-	-	-	-
- Over five years	-	-	-	-	-	-	-	-
Contract For Difference	8,160	77	-	-	-	-	-	-
- One year or less	-	-	-	-	-	-	-	-
- Over one year to five years	-	-	-	-	-	-	-	-
- Over five years	8,160	77	-	-	-	-	-	-
Commodity related contracts:								
Options	81,010	32	3,273	655	75,500	3,461	9,501	14,133
- One year or less	-	-	-	-	-	-	-	-
- Over one year to five years	81,010	32	3,273	655	75,500	3,461	9,501	14,133
- Over five years	-	-	-	-	-	-	-	-
Credit related contracts:								
Credit default swap	335,832	2,838	1,266	633	-	-	-	-
- One year or less	-	-	-	-	-	-	-	-
- Over one year to five years	335,832	2,838	1,266	633	-	-	-	-
- Over five years	-	-	-	-	-	-	-	-
Structured Warrant	256,376	-	-	-	52,011	-	-	-
- One year or less	250,637	-	-	-	30,521	-	-	-
- Over one year to five years	5,739	-	-	-	21,490	-	-	-
- Over five years	-	-	-	-	-	-	-	-
	47,024,987	388,671	1,279,386	497,836	35,977,990	343,643	1,176,143	523,626
<b>Other Treasury related Exposure</b>								
Forward purchase commitments	347,435	-	81,687	7,874	606,004	-	22,710	9,094
Total	76,583,582	388,671	7,017,759	5,347,914	62,260,673	343,643	6,229,888	4,922,695

**A30. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

	<b>Group</b>	
	<b>30.09.10</b>	<b>31.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	738,287	800,143
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>0.97</u>	<u>1.10</u>
- which is non-performing or in default	<u>0.22</u>	<u>0.02</u>

The disclosure on Credit Transaction and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

### A31. ISLAMIC BANKING BUSINESS

The state of affairs as at 30 September 2010 and the results for the period ended 30 September 2010 of the Islamic banking business of the Group and included in the financial statements after elimination of intercompany transactions and balances are summarised as follows:

#### UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	Group	
	30.09.10 RM'000	30.03.10 RM'000
<b>ASSETS</b>		
Cash and short-term funds	3,443,394	3,926,360
Deposit and placements with banks and other financial institutions	770,000	150,000
Derivative financial assets	3,613	3,461
Financial assets held-for-trading	822,122	350,934
Financial investments available-for-sale	439,705	907,930
Financing and advances	12,230,296	11,758,678
Other receivables, deposits and prepayments	98,267	92,584
Statutory deposits with Bank Negara Malaysia	28,079	32,079
Deferred tax assets	74,584	41,500
Property and equipment	840	408
Intangible assets	366	452
<b>TOTAL ASSETS</b>	<b>17,911,266</b>	<b>17,264,386</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits and placements of banks and other financial institutions	1,306,576	1,398,521
Derivative financial liabilities	3,609	3,458
Term funding	550,000	-
Subordinated Sukuk Musyarakah	400,000	400,000
Deposits from customers	12,925,986	13,395,919
Bills and acceptances payable	852,395	394,986
Deferred tax liability	-	8
Other liabilities	347,351	229,166
<b>Total Liabilities</b>	<b>16,385,917</b>	<b>15,822,058</b>
Share capital/Capital funds	435,877	435,877
Reserves	1,089,472	1,006,451
<b>Total Islamic Banking Funds</b>	<b>1,525,349</b>	<b>1,442,328</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>17,911,266</b>	<b>17,264,386</b>
<b>OFF-BALANCE SHEET EXPOSURES</b>	<b>5,469,574</b>	<b>4,255,836</b>



**A31. ISLAMIC BANKING BUSINESS (CONTD.)**

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

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Income derived from investment of depositors' funds and others	252,170	223,355	508,832	436,603
Allowance for losses on financing	(38,395)	(24,323)	(68,264)	(45,304)
Impairment writeback/(loss) on financial investments	(2,727)	(4,298)	1,491	(4,298)
Impairment loss on doubtful sundry receivables, net	(710)	-	(710)	-
(Provision)/Writeback for commitments and contingencies	(1,270)	13,042	(1,215)	12,871
Transfer from/(to) profit equalisation reserve	29,541	1,879	17,819	(53)
Total attributable income	238,609	209,655	457,953	399,819
Income attributable to the depositors	(113,123)	(88,453)	(208,188)	(168,577)
Profit attributable to the Group	125,486	121,202	249,765	231,242
Income derived from Islamic Banking Funds	51,352	39,198	90,439	145,461
Total net income	176,838	160,400	340,204	376,703
Operating expenditure	(70,012)	(62,819)	(146,519)	(127,062)
Finance cost	(5,513)	(5,466)	(11,981)	(10,526)
Profit before taxation and zakat	101,313	92,115	181,704	239,115
Taxation and zakat	(25,828)	(24,541)	(46,878)	(62,422)
Profit for the period	75,485	67,574	134,826	176,693

**UNAUDITED CONSOLIDATION COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010**

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Profit for the period	75,485	67,574	134,826	176,693
Other comprehensive income/(loss):				
Exchange differences on translation of foreign operations	(249)	(94)	(292)	(301)
Net gain/(loss) on financial investments available-for-sale	3,448	(9,924)	3,571	(10,964)
Income tax relating to the components of other comprehensive income	(866)	2,217	(897)	2,742
Other comprehensive income/(loss) for the period, net of tax	2,333	(7,801)	2,382	(8,523)
Total comprehensive income for the period	77,818	59,773	137,208	168,170

### A31. ISLAMIC BANKING BUSINESS (CONTD.)

#### (a) Financing and Advances

	Group	
	30.09.10 RM'000	30.03.10 RM'000
Term financing and revolving credit facilities	4,547,762	3,839,443
Islamic hire purchase, net of unearned income	5,641,960	6,040,264
Credit card receivables	288,485	286,801
Trust receipts	59,332	69,009
Claims on customer under acceptance credits	964,453	917,819
Other financing	1,073,935	854,929
Gross financing and advances	<u>12,575,927</u>	<u>12,008,265</u>
Allowance for impairment on financing and advances:		
Collective allowance	(334,782)	-
Individual allowance	(10,849)	-
General allowance	-	(184,803)
Specific allowance	-	(64,784)
	<u>(345,631)</u>	<u>(249,587)</u>
Net financing and advances	<u>12,230,296</u>	<u>11,758,678</u>

\* Included in term financing and revolving credit facilities of the Islamic banking business as at 30 September 2010 is loans amounting to RM287,515,000 (31 March 2010: RM210,618,521) which are exempted from collective provision by Bank Negara Malaysia.

(i) Movements in impaired financing and advances are as follows:

	Group	
	30.09.10 RM'000	30.03.10 RM'000
<b>Gross</b>		
Balance at beginning of period/year	182,232	239,637
Effect of adopting FRS139	9,662	-
Balance at beginning of period/year (restated)	<u>191,894</u>	<u>239,637</u>
Impaired during the period/year	123,972	155,135
Reclassification to non-impaired financing	(51,027)	(54,810)
Recoveries	(16,581)	(21,151)
Amount written off	<u>(44,102)</u>	<u>(136,579)</u>
Balance at end of period/year	<u>204,156</u>	<u>182,232</u>
Impaired financing and advances as % of total financing and advances (including Islamic financing sold to Cagamas Berhad)	<u>1.49%</u>	<u>1.48%</u>

**A31. ISLAMIC BANKING BUSINESS (CONTD.)**

**(a) Financing and Advances (Contd.)**

(ii) Movements in allowances for impaired financing and advances are as follows:

	Group	
	30.09.10 RM'000	30.03.10 RM'000
<b>Collective allowance</b>		
Balance at beginning of period/year	-	-
Effect of adopting FRS 139	287,844	-
Balance at beginning of period/year (restated)	287,844	-
Allowance made during the period/year	91,040	-
Amount written off	(44,102)	-
Balance at end of period/year	334,782	-
<b>Individual allowance</b>		
Balance at beginning of period/year	-	-
Effect of adopting FRS 139	1,108	-
Balance at beginning of period/year (restated)	1,108	-
Allowance made during the period/year	9,741	-
Balance at end of period/year	10,849	-
<b>General allowance</b>		
Balance at beginning of period/year	184,803	166,508
Effect of adopting FRS 139	(184,803)	-
Balance at beginning of period/year (restated)	-	166,508
Allowance made during the period/year	-	18,295
Balance at end of period/year	-	184,803
% of total financing and advances (including Islamic financing sold to Cagamas Berhad) less specific allowance	-	1.53%
<b>Specific allowance</b>		
Balance at beginning of period/year	64,784	99,053
Effect of adopting FRS 139	(64,784)	-
Balance at beginning of period/year (restated)	-	99,053
Allowance made during the period/year	-	149,764
Amount written back in respect of recoveries	-	(44,898)
Net charge to income statement	-	104,866
Amount written off/Adjustment to Asset Deficiency Account	-	(139,135)
Balance at end of period/year	-	64,784

**A31. ISLAMIC BANKING BUSINESS (CONTD.)**

**(b) DEPOSITS FROM CUSTOMERS**

	<b>Group</b>	
	<b>30.09.10</b>	<b>30.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Mudarabah Fund:		
Demand deposits	7,796	7,322
Saving deposits	8,657	8,239
General investment deposits	10,594,421	11,086,850
Structured deposits	113,562	78,570
	<u>10,724,436</u>	<u>11,180,981</u>
Non-Mudarabah Fund:		
Demand deposits	922,125	903,437
Saving deposits	1,210,081	1,146,175
Negotiable instruments of deposits	64,206	155,782
Other deposits	5,138	9,544
	<u>2,201,550</u>	<u>2,214,938</u>
	<u>12,925,986</u>	<u>13,395,919</u>

**(c) OTHER LIABILITIES**

	<b>Group</b>	
	<b>30.09.10</b>	<b>30.03.10</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	213,335	133,325
Taxation and zakat payable	87,728	36,801
Amount owing to/(from) head office	2,091	(613)
Lease deposits and advance rentals	12,719	10,355
Profit equalisation reserve	31,478	49,298
	<u>347,351</u>	<u>229,166</u>

## A32. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES

### (1) Change in Accounting Policies

The adoption of new and revised FRSs during the financial period has 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

- (i) 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. Therefore, the adoption of the full FRS 139 on 1 April 2010 resulted in changes in the following areas:

- (a) 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 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 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 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 as tabulated in item 1(d) below.

## A32. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

### (1) Change in Accounting Policies (Contd.)

#### (b) 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 and the resulting opening retained earnings adjustment is tabulated in item 1(d) below.

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. The opening retained earnings adjustment as a result of this change in accounting policy is presented in item 1(d) below.

#### (c) 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 derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured.

The Group 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.

#### (d) Opening reserves adjustments

The application of the above new accounting policies has the following effects:

	As previously reported RM'000	Effect of Adoption of FRS139 RM'000	As restated RM'000
Effects on retained earnings	2,556,869	(167,961)	2,388,908
Effects on other reserves	1,546,801	(46,303)	1,500,498
Effects on minority interests	206,274	5,876	212,150

### (2) Restatement of 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.

### A32. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

#### (2) Restatement of comparatives (contd.)

##### (iii) FRS 117, Leases

The adoption of FRS 117 during the financial period resulted in the reclassification of all leasehold land of the Group which are in substance finance leases, to Property, Plant and Equipment.

##### (iv) IC Interpretation 13, Customer Loyalty Programmes

The adoption of IC13 had resulted in the set-off of customer loyalty programme expenses with fee income instead of interest income as previously presented.

The following comparative figures have been restated following the adoption of the above-mentioned FRSs:

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
<b>Statement of Financial Position as at 31 March 2010</b>			
Prepaid land lease payments	6,350	(6,350)	-
Property and equipment	229,549	6,350	235,899
<b>Income Statement for second quarter ended 30 September 2009</b>			
Operating revenue	1,589,770	(4,892)	1,584,878
Interest income	888,061	2,310	890,371
Other operating income	194,736	(2,310)	192,426
<b>Income Statement for cumulative quarter ended 30 September 2009</b>			
Operating revenue	3,177,603	(22,096)	3,155,507
Interest income	1,764,283	3,058	1,767,341
Other operating income	405,688	(3,058)	402,630

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

The Group recorded a net profit of RM344.6 million for the second quarter ended 30 September 2010, an improvement of RM97.1 million or 39.2% as compared to the previous corresponding period of RM247.5 million. The Group's pre-tax profit for the second quarter ended 30 September 2010 improved to RM981.4 million as compared to RM691.1 million reported for the corresponding period last year.

The improvement in earnings for the reporting quarter was mainly attributed by increase in interest income by RM108.8 million, increase in other operating income by RM49.9 million mainly contributed by fees income on loans, financing and securities, increase in net income from Islamic banking business and insurance business by RM16.2 million and RM13.2 million respectively. In addition, there was a large transfer of RM29.5 million from profit equalisation reserve as compared to RM1.9 million for the preceding year's corresponding quarter. The improvement was however offset by an increase in other operating expenses by RM43.0 million, higher net impairment loss on financial investment, sundry receivables and foreclosed properties by RM29.7 million and provision for commitments and contingencies of RM1.8 million made as compared to writeback of RM8.2 million in preceding year's corresponding quarter.

The Group's retail banking operations were the largest contributors to the Group pre-tax profit, reporting a pre-tax profit of RM412.7 million for the reporting quarter, followed by treasury and markets of RM157.6 million, while business banking operations contributed RM156.8 million for the quarter ended 30 September 2010.

Gross loans and advances expanded to RM69.0 billion to register an annual growth of 8.3%. The growth was mainly attributed to financing of finance, insurance, real estate and business activities, education and health, residential properties, manufacturing and construction. Financing for purchase of transport vehicles accounted for 34.3% of total loans, followed by loans for residential properties which accounted for 16.7% of total loans.

As at 30 September 2010, the Group's total assets stood at RM100.4 billion. Meanwhile, the Group's banking subsidiaries aggregated risk-weighted capital ratio ("RWCR") stood at 16.0% as at 30 September 2010, compared with 15.8% as at 31 March 2010.

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

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

The Group reported a pre-tax profit of RM465.2 million for the second quarter ended 30 September 2010 as compared to RM516.2 million for the first quarter ended 30 June 2010. This was mainly attributed by higher allowance for impairment on loans and financing by RM12.7 million and total impairment loss of RM64.5 million on financial investment, sundry receivable and foreclosed properties as compared to a net write back of RM10.7 million in previous quarter. However, it was cushioned by a transfer of RM29.5 million from profit equalisation as compared to RM11.7 million transferred to profit equalisation reserve in preceding quarter ended 30 June 2010.

## **B3. PROSPECTS FOR 31 MARCH 2011**

The Malaysian economy is expected to remain resilient for 2010 spearheaded by domestic economic activities, private consumption and trade surplus. Nevertheless, recent indicators around the region point to slight moderation of growth on the economic front, while uncertainties still abound in the global economic recovery. The Group projects a gross domestic product ("GDP") growth of circa +7.0% for third quarter 2010, and a GDP expansion of circa +8.0% for the full year 2010. The recently unveiled Economic Transformation Programme with the vision to transform Malaysia into a high income nation will encourage higher private investments and spur medium to long term economic growth.

The Malaysian banking environment will benefit from an improving economy, with potential for better lending growth and capital market activities. Overnight policy rate ("OPR") had remained unchanged at 2.75% as Bank Negara Malaysia opines that the current level is accommodative and supportive of growth. The new Basel III update pronouncement in September 2010 has accorded a longer transition period. However, most Malaysian banks should be able to comply with it much earlier. Domestic banks are expected to face greater competitive pressures as the financial sector progressively liberalises and with new entrants to the industry. AHB Group will continue to strengthen its competitive position via leveraging on its strategic partner, the Australia And New Zealand Banking Group ("ANZ").

AHB Group's Medium Term Aspirations ("MTA") is to be Malaysia's Preferred Banking Group with International Connectivity as measured by customer satisfaction, sound financial performances and well diversified and sustainable growth. Our aspirations centre on developing a well diversified business portfolio to deliver sustainable growth via its universal banking platform and best-in-class key enablers, implementation of customer centric business models and expansion of international connectivity in collaboration with ANZ. The strategic priorities for the current financial year will continue to deliver a more rebalanced portfolio of assets and liabilities, whilst diversifying its revenue streams to deliver good profit growth. Concerted efforts will be placed to accelerate growth in non-interest incomes and low-cost deposits. In addition, the Group continually enhances its customer service and develops comprehensive banking solutions to deliver greater value proposition.



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

This is not applicable to the Group.

**B5. TAXATION**

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Estimated current tax payable	200,525	93,742	337,409	122,724
Transfer from deferred tax	(80,151)	(3,419)	(79,839)	54,864
	120,374	90,323	257,570	177,588
(Over)/under provision of current taxation in respect of prior years	(7)	(677)	(2,874)	(276)
Taxation	120,367	89,646	254,696	177,312
Zakat	207	497	400	819
Taxation and zakat	120,574	90,143	255,096	178,131

The total tax charge of the Group for the financial quarter ended 30 September 2010 and 2009 reflect an effective tax rate which is higher than the statutory tax rate mainly due to disallowances of certain expenses.

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

Group	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000	30.09.09 RM'000	30.09.10 RM'000	30.09.09 RM'000
Net gain from sale of financial assets held-for-trading	22,216	5,202	35,480	30,998
Net gain from sale of financial investments available-for-sale	20,605	10,526	40,912	20,950
Net gain from redemption of financial investments held-to-maturity	150	2,745	5,079	17,571

**B7. QUOTED SECURITIES**

This note is not applicable to financial institutions.

## B8. CORPORATE PROPOSALS

- 1 AmG Insurance Berhad ("AmG") has on 10 November 2008 entered into a non-binding memorandum of understanding ("MOU") with MAA Holdings Berhad and Malaysian Assurance Alliance Berhad (MAA) in respect of the proposed acquisitions of:

- (i) the general insurance business of MAA at a headline price (subject to adjustments) of RM274.8 million (subsequently revised to RM254.8 million), and
- (ii) a 4.9% equity stake in MAA Takaful Berhad at a consideration of RM16.2 million, equivalent to RM3.30 per share.

On 17 November 2009, the Company announced the following in relation to the above proposed acquisitions:

- (i) to proceed with the proposed acquisition of general insurance business of MAA on a standalone basis and the proposed acquisition of 4.9% equity stake in MAA Takaful Berhad will no longer pursued, and
- (ii) revision of headline price for the proposed acquisition of general insurance business of MAA to RM180.0 million (subject to adjustments).

The Bank Negara Malaysia has vide its letter of 5 January 2010 approved the acquisition of general insurance business of MAA.

- 2 In relation to the intra-group transfers of subsidiaries for the formation of Capital Market Group and Asset Management Group as proposed in previous financial years, the intra-group transfer of domestic subsidiaries has been completed during the preceding financial year. The intra-group transfer involving PT. AmCapital Indonesia, the Group's Indonesian subsidiary, which is licensed to undertake stockbroking, underwriting and investment management activities, is subject to obtaining the approval of Badan Pengawas Pasar Modal dan Lembaga Keuangan, the Indonesian securities regulatory authority.
- 3 During the financial period, the trustee of the executives' share scheme ("ESS") had purchased 6,234,700 of the Company's issued ordinary shares from the open market at an average price of RM5.05 per share. The total consideration paid for the purchase including transaction costs amounted to RM31,496,599.

As at 30 September 2010, the trustee of the ESS held 11,697,500 ordinary shares representing 0.39% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM49,011,535.

- 4 On 6 July 2010, the Company announced that its subsidiary Amlslamic Bank Berhad ("Amlslamic") has obtained approval of the Securities Commission vide its letter dated 2 July 2010, for the issuance of up to RM3.0 billion senior Islamic securities ("Senior Sukuk") under a senior sukuk issuance programme ("Senior Sukuk Musyarakah Programme").

The Senior Sukuk Musyarakah Programme has a tenor of up to thirty years from the date of first issuance of the Senior Sukuk. Each tranche of Senior Sukuk to be issued will have a tenor of one year and up to ten years.

- 5 On 1 September 2010, the Company announced that it has received Bank Negara Malaysia's approval for the joint application with Friends Provident Group plc ("FP Group"), the Company's joint venture partner in the life insurance business of AmLife Insurance Berhad ("AmLife"), for a new family takaful licence under the Takaful Act 1984.

The family takaful business will be undertaken by a new company to be established, which will, similar to the joint venture in AmLife, be held by:

- the Company, through its wholly owned insurance holding company AMAB Holdings Sdn Bhd with a 70% equity interest; and
- FP Group, through its wholly owned subsidiary Friends Provident Ltd with a 30% equity interest.

## B9. BORROWINGS

	Group	
	30.09.10 RM'000	31.03.10 RM'000
(i) Deposits from customers		
Due within six months	57,080,860	57,920,834
Six months to one year	8,504,509	7,116,698
One to three years	1,748,649	2,213,203
Three to five years	2,051,814	1,623,377
	<u>69,385,832</u>	<u>68,874,112</u>
(ii) Deposits and placements of banks and other financial institutions		
Due within six months	140,705	2,219,425
Six months to one year	723,009	831,015
One to three years	699,595	194,996
Three to five years	1,067,632	1,069,840
	<u>2,630,941</u>	<u>4,315,276</u>
<b>Recap:</b>		
Interbank lendings	12,264,642	12,644,562
Interbank borrowings	(55,214)	(96,730)
<b>Net interbank lendings</b>	<u>12,209,428</u>	<u>12,547,832</u>
(iii) Term funding		
(a) Unsecured senior notes		
More than one year	3,385,782	1,420,000
(b) Credit-Linked Note		
More than one year	174,422	-
(c) Term loans		
Due within one year		
Secured	333,539	276,106
Unsecured	205,998	206,001
	<u>539,537</u>	<u>482,107</u>
	<u>4,099,741</u>	<u>1,902,107</u>
(iv) Debt capital		
(a) Unsecured bonds		
More than one year	515,000	515,000
(b) Medium Term Notes		
More than one year	1,557,800	1,557,800
(c) Hybrid capital		
More than one year	694,156	689,547
The above hybrid capital includes amounts denominated in USD. Principal amount - USD200.0 million		
(d) Non-Innovative Tier 1 Capital Securities		
More than one year	500,000	500,000
(e) Innovative Tier 1 Capital Securities		
More than one year	485,000	485,000
	<u>3,751,956</u>	<u>3,747,347</u>

## B10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Please refer to note A28

# **B11. MATERIAL LITIGATION**

The Group and the Company do not have any material litigation which would materially affect the financial position of the Group and the Company. For other litigations, please refer to Note A27(e).

# **B12. DIVIDENDS**

- (i) A proposed interim single tier ordinary dividend of 6.0% for the financial year ending 31 March 2011;
- (ii) Amount per share: 6 Sen;
- (iii) Previous corresponding period: nil;
- (iv) Payment date: To be determined and announced at a later date; and
- (iv) In respect of deposited securities, entitlement to the proposed dividend will be determined on the basis of the Record of Depositors as at the close of business on the date to be determined and announced at a later date.

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

## **a. Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial quarter.

	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000/000	30.09.09 RM'000/000	30.09.10 RM'000/000	30.09.09 RM'000/000
Net profit attributable to equity holders of the Company	332,872	240,157	701,155	498,395
Weighted average number of ordinary shares in issue	3,003,130	2,887,450	3,005,709	2,804,219
Basic earnings per share (Sen)	11.08	8.32	23.33	17.77

## **b. Fully diluted earnings per share**

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

During the previous reporting period, the Company has one category of potential dilutive ordinary shares:

- (i) Unsecured exchangeable bonds

	Individual Quarter		Cumulative Quarter	
	30.09.10 RM'000/000	30.09.09 RM'000/000	30.09.10 RM'000/000	30.09.09 RM'000/000
Net profit attributable to equity holders of the Company	332,872	240,157	701,155	498,395
Weighted average number of ordinary shares in issue (as in (a) above)	3,003,130	2,887,450	3,005,709	2,804,219
Fully diluted earnings per share (Sen)	11.08	8.32	23.33	17.77

During the previous financial period ended 30 September 2009, the unsecured exchangeable bonds were exchanged into new ordinary shares of RM1.00 each at the exchange price of RM2.95 nominal value of the unsecured exchangeable bonds for one new ordinary share in the Company.