

AmBank (M) Berhad

(Company No. 8515–D)

(Incorporated in Malaysia)

And Its Subsidiaries

Interim Financial Statements

For the Financial Period

1 April 2011 to

30 September 2011

(In Ringgit Malaysia)

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

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

		The Group		The Bank	
	Note	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
ASSETS					
Cash and short-term funds		6,546,350	8,740,986	6,285,602	8,375,879
Securities purchased under resale agreements		508,787	289,731	508,787	289,731
Deposits and placements with banks and other financial institutions		1,551,408	3,792,922	1,551,408	3,702,163
Derivative financial assets		690,589	396,673	690,589	396,673
Financial assets held-for -trading	A8	6,604,180	4,167,002	6,604,180	4,167,002
Financial investments available -for-sale	A9	4,912,598	6,331,969	5,121,741	6,557,696
Financial investments held -to-maturity	A10	138,609	165,331	133,384	159,589
Loans and advances	A11	56,512,184	55,610,208	56,263,619	55,336,273
Other assets	A12	1,203,516	1,034,503	1,197,103	1,029,891
Statutory deposit with Bank Negara Malaysia	A13	1,609,509	143,811	1,609,509	143,811
Deferred tax asset		493,041	416,439	492,879	417,364
Investment in subsidiaries		-	-	65,800	65,800
Investment in associates		1,410	1,243	127	142
Property and equipment		179,813	201,112	155,778	176,868
Intangible assets		104,301	91,664	104,284	91,646
TOTAL ASSETS		81,056,295	81,383,594	80,784,790	80,910,528

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UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011 (CONTD.)

		The Group		The Bank	
	Note	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	A14	3,511,301	4,625,853	3,869,438	4,950,589
Securities sold under repurchase agreements		82,637	30,465	82,637	30,465
Recourse obligation on loans sold to Cagamas Berhad		1,028,298	1,018,043	1,028,298	1,018,043
Derivative financial liabilities		779,889	432,932	779,889	432,932
Deposits from customers	A15	59,520,897	59,506,659	58,945,745	58,878,167
Term funding		4,241,681	3,988,475	4,241,681	3,988,475
Bills and acceptances payable		558,997	988,389	558,997	988,389
Debt capital		3,281,146	3,367,860	3,281,146	3,367,860
Other liabilities	A16	2,452,953	2,308,014	2,444,147	2,298,767
TOTAL LIABILITIES		75,457,799	76,266,690	75,231,978	75,953,687
Share capital		820,364	670,364	820,364	670,364
Reserves		4,778,085	4,446,494	4,732,448	4,286,477
Equity attributable to equity holder of the Bank		5,598,449	5,116,858	5,552,812	4,956,841
Non-controlling interests		47	46	-	-
Total Equity		5,598,496	5,116,904	5,552,812	4,956,841
TOTAL LIABILITIES AND EQUITY		81,056,295	81,383,594	80,784,790	80,910,528
COMMITMENTS AND CONTINGENCIES	A32	93,418,748	92,223,251	93,431,505	92,220,904
NET ASSETS PER SHARE (RM)		6.82	7.63	6.77	7.39

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2011.

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UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011

The Group

		Individual Quarter		Cumulative Quarter	
	Note	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
Operating revenue		1,213,091	1,433,551	2,577,069	2,829,224
Interest income	A17	1,081,741	984,289	2,124,003	1,960,928
Interest expense	A18	(574,440)	(499,187)	(1,129,999)	(976,584)
Net interest income		507,301	485,102	994,004	984,344
Net income from Islamic Banking business	A19	82	(5)	132	(11)
Other operating income	A20	204,914	146,820	452,918	280,300
Share in results of associates		55	57	167	76
Net income		712,352	631,974	1,447,221	1,264,709
Other operating expenses	A21	(259,820)	(289,800)	(520,555)	(588,799)
Operating profit		452,532	342,174	926,666	675,910
Allowance for impairment on loans and advances	A22	(72,489)	(67,236)	(104,250)	(130,049)
Writeback/(provision) for commitments and contingencies		3,309	(2,722)	530	(2,510)
Impairment loss on other assets	A23	(16,352)	(61,601)	(15,839)	(54,275)
Profit before taxation		367,000	210,615	807,107	489,076
Taxation from continuing operations		(85,182)	(72,112)	(197,659)	(167,873)
Profit for the period from continuing operations		281,818	138,503	609,448	321,203
Profit for the period from discontinued operations	A24	-	135,850	-	262,739
Profit for the period		281,818	274,353	609,448	583,942
Attributable to:					
For continuing operations:					
Equity holder of the Bank		281,817	138,361	609,447	321,062
Non-controlling interests		1	30	1	29
Profit for the period		281,818	138,391	609,448	321,091
For discontinued operations:					
Equity holder of the Bank		-	135,850	-	262,739
Non-controlling interests		-	-	-	-
Profit for the period		-	135,850	-	262,739
Earnings per share (sen)	A25				
<i>Basic</i>					
From continuing operations		34.35	20.64	74.29	47.89
From discontinued operations		-	20.27	-	39.19
Total		34.35	40.90	74.29	87.09
<i>Fully diluted</i>					
From continuing operations		34.35	17.14	74.29	39.69
From discontinued operations		-	16.56	-	32.03
Total		34.35	33.70	74.29	71.71

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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011

The Group

		Individual Quarter		Cumulative Quarter	
	Note	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
Profit for the period from continuing operations		281,818	138,503	609,448	321,203
Profit for the period from discontinued operations		-	135,850	-	262,739
Other comprehensive income/(loss) from continuing operations					
Exchange differences on translation of foreign operations		6,325	(6,161)	6,057	(6,942)
Net movement on cash flow hedge		(57,672)	23,562	(66,005)	(17,344)
Net gain/(loss) on financial investments available-for-sale		7,656	(8,596)	23,113	31,050
Income tax relating to the components of other comprehensive income		12,399	(3,382)	10,099	(3,124)
Other comprehensive income/(loss), net of tax from continuing operations		(31,292)	5,423	(26,736)	3,640
Other comprehensive income, net of tax from discontinued operations	A24	-	2,583	-	2,675
Total comprehensive income, net of tax from continuing operations		250,526	143,926	582,712	324,843
Total comprehensive income, net of tax from discontinued operations	A24	-	138,433	-	265,414
Total comprehensive income, for the period, net of tax		250,526	282,359	582,712	590,257
Attributable to:					
Equity holder of the Bank		250,525	282,329	582,711	590,228
Non-controlling interests		1	30	1	29
		250,526	282,359	582,712	590,257

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2011.

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UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011

The Bank

		Individual Quarter		Cumulative Quarter	
	Note	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
Operating revenue		1,412,503	1,126,749	2,699,755	2,233,775
Interest income	A17	1,080,661	980,154	2,120,190	1,953,754
Interest expense	A18	(575,053)	(499,696)	(1,130,945)	(977,866)
Net interest income		505,608	480,458	989,245	975,888
Other operating income	A20	331,842	146,595	579,565	280,021
Net income		837,450	627,053	1,568,810	1,255,909
Other operating expenses	A21	(259,452)	(224,563)	(520,024)	(452,095)
Operating profit		577,998	402,490	1,048,786	803,814
Allowance for impairment on loans and advances	A22	(75,486)	(67,377)	(108,335)	(133,370)
Writeback/(provision) for commitments and contingencies		3,309	(2,722)	530	(2,510)
Impairment loss on other assets	A23	(16,372)	(61,691)	(15,899)	(54,258)
Profit before taxation		489,449	270,700	925,082	613,676
Taxation		(89,798)	(71,506)	(201,370)	(166,634)
Profit for the period		399,651	199,194	723,712	447,042
Earnings per share (sen)	A25				
Basic		48.72	29.71	88.22	66.69
Fully diluted		48.72	24.56	88.22	55.04

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UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011 (CONTD.)

The Bank

		Individual Quarter		Cumulative Quarter	
	Note	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
Profit for the period		399,651	199,194	723,712	447,042
Other comprehensive income/(loss)					
Exchange differences on translation of foreign operations		1,906	(355)	1,877	(270)
Net movement on cash flow hedge		(57,672)	(66,005)	(66,005)	(17,344)
Net gain on financial investments available-for-sale		11,623	29,305	28,791	68,961
Income tax relating to the components other comprehensive income/(loss)		11,423	(12,858)	8,695	(12,600)
Other comprehensive income/(loss), net of tax		(32,720)	(49,913)	(26,642)	38,747
Total comprehensive income for the period, net of tax		366,931	149,281	697,070	485,789

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2011.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011

The Group	Note	<----- Attributable to Equity Holder of the Bank ----->							Non-controlling Interests RM'000	Total Equity RM'000
		Non-distributable						Distributable		
		Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Other Reserves RM'000	Retained Earnings RM'000		
Balance as at 1 April 2010		670,364	942,844	945,628	397,566	377,492	9,660	1,886,562	17	5,230,133
Total comprehensive income		-	-	-	-	-	6,315	583,913	29	590,257
Dividends on ordinary shares:										
- final, financial year ended 31 March 2010		-	-	-	-	-	-	(283,325)	-	(283,325)
Transfer to statutory reserve		-	-	31,770	-	-	-	(31,770)	-	-
Balance as at 30 September 2010		670,364	942,844	977,398	397,566	377,492	15,975	2,155,380	46	5,537,065
Balance as at 1 April 2011		670,364	942,844	680,459	48,516	-	44,828	2,729,847	46	5,116,904
Conversion of INCPS	A6	150,000	-	-	-	-	-	-	-	150,000
Total comprehensive income		-	-	-	-	-	(26,736)	609,447	1	582,712
Transfer of ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	(3,086)	-	(3,086)
Dividend on ordinary shares:										
- final, financial year ended 31 March 2011		-	-	-	-	-	-	(248,034)	-	(248,034)
Balance as at 30 September 2011		820,364	942,844	680,459	48,516	-	18,092	3,088,174	47	5,598,496

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2011.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011

		←----- Attributable to Equity Holder of the Bank ----->					
		Non-distributable			Distributable		
The Bank	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Other Reserves RM'000	Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 April 2010		670,364	942,844	680,459	13,196	2,296,065	4,602,928
Total comprehensive income		-	-	-	38,747	447,042	485,789
Dividends on ordinary shares:							
- final, financial year ended 31 March 2010		-	-	-	-	(283,325)	(283,325)
Balance as at 30 September 2011		670,364	942,844	680,459	51,943	2,459,782	4,805,392
Balance as at 1 April 2011		670,364	942,844	680,459	47,586	2,615,588	4,956,841
Conversion of INCPS	A6	150,000	-	-	-	-	150,000
Total comprehensive income		-	-	-	(26,642)	723,712	697,070
Transfer of ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	(3,065)	(3,065)
Dividend on ordinary shares:							
- final, financial year ended 31 March 2011		-	-	-	-	(248,034)	(248,034)
Balance as at 30 September 2011		820,364	942,844	680,459	20,944	3,088,201	5,552,812

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2011.

AmBank (M) Berhad
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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011

	The Group		The Bank	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
Profit for the period from continuing operations	807,107	489,076	925,082	613,676
Profit for the period from discontinued operations	-	307,013	-	-
Profit before zakat and taxation	807,107	796,089	925,082	613,676
Adjustments for non-operating and non-cash items	331,247	398,127	202,302	297,279
Operating profit before working capital changes	1,138,354	1,194,216	1,127,384	910,955
Changes in working capital:				
Net change in operating assets	(3,305,048)	(7,642,975)	(3,421,048)	(5,109,336)
Net change in operating liabilities	(1,129,601)	1,769,726	(1,046,611)	1,830,892
Tax paid	(224,228)	(79,241)	(223,017)	(67,023)
Zakat paid	-	(401)	-	-
Net cash generated from/(used in) operating activities	(3,520,523)	(4,758,675)	(3,563,292)	(2,434,512)
Net cash generated from investing activities	1,573,922	2,528,401	1,721,050	739,505
Net cash generated (used in)/from financing activities	(248,035)	(283,325)	(248,035)	(283,325)
Net increase/(decrease) in cash and cash equivalents	(2,194,636)	(2,513,599)	(2,090,277)	(1,978,332)
Cash and cash equivalents at beginning of the period	8,740,986	11,632,433	8,375,879	7,447,516
Cash and cash equivalents at end of the period	6,546,350	9,118,834	6,285,602	5,469,184

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

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 March 2011.

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Notes to the condensed interim financial statements for the quarter ended 30 September 2011

A1. Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Financial Reporting Standard ("FRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Group as at and for the year ended 31 March 2011.

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 2011 except for the adoption of the following FRSs and Technical Releases:

FRS 1, First-time Adoption of Financial Reporting Standards
Amendments to FRS 1, Limited Exemption from Comparative FRS 7, Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
Amendments to FRS 2, Share-based Payment and Group Cash-settled Share-based Payment Transactions
FRS 3, Business Combinations
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7, Improving Disclosures about Financial Instruments
FRS 127, Consolidated and Separate Financial Statements
Amendments to FRS 138, Intangible Assets
IC Interpretation 4, Determining Whether an Arrangement contains a Lease
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
IC Interpretation 12, Service Concession Arrangements
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17, Distributions of Non-cash Assets to Owners
IC Interpretation 18, Transfers of Assets from Customers
Amendments to FRSs contained in Improvements to FRSs (2010)
TR i-4, Shariah Compliant Sale Contract

The adoption of FRS 3 (revised) will potentially have a financial impact on the Group as it will result in changes in accounting for business combinations. FRS 3 (revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2010. The changes in FRS 3 (revised) is summarised as follows:

- FRS 3 (revised) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree. Consequently, the goodwill arising from the acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the fair value of the identifiable net assets of the acquiree;
- FRS 3 (revised) changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the "measurement period" (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;

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A1. Basis of Preparation (Contd.)

- FRS 3 (revised) requires that a settlement gain or loss be recognised where a business combination in effect settles a pre-existing relationship between the Group and the acquiree; and
- FRS 3 (revised) requires that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The adoption of the revised FRS 127 is likely to affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under the amended FRS 127, all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the amended Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

There is no financial impact immediately upon adoption of FRS 3 and FRS 127 as they both only have prospective effect, and hence their adoption will only have impact on future acquisitions of the Group.

The adoption of the Amendments to FRS 7 which promotes enhanced disclosures on fair value measurement of financial instruments via the introduction of the concept of the fair value hierarchy will only affect disclosures and will not have any financial impact on the results of the Group.

The adoption of the other FRSs and Technical Releases did not have any material impact on the financial results of the Group as they mainly deal with accounting policies affecting transactions which do not form part of the Group's normal business operations or transactions where the Group only has minimal exposure.

At the date of authorisation of these condensed consolidated interim financial statements, the following 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 effective for annual periods beginning on or after 1 July 2011:

Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement
IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

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A1. Basis of Preparation (Contd.)

FRSs effective for annual periods beginning on or after 1 January 2012:

IC Interpretation 15, Agreements for the Construction of Real Estate
FRS 124, Related Party Disclosures

The Directors expect that the FRSs above will not have material impact on the financial statements in the period of initial application.

A2. Audit Qualification

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2011 was not qualified.

A3. Seasonality or Cyclicity of Operations

The operations of the Group are not subject to seasonal or cyclical fluctuation in the current financial quarter and period.

A4. Unusual Items

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

A5. Use of Estimates

There was no material change in estimates of amounts reported in prior financial years that have a material effect on the financial quarter and period ended 30 September 2011.

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

On 30 September 2011, the immediate holding company, AMFB Holdings Berhad, exercised its conversion right to convert the entire RM150 million into fully paid ordinary shares of RM1.00 each.

With the conversion of INCPS, the issued and fully paid-up ordinary share capital of the Bank increased to 820,363,762 ordinary shares of RM1.00 each.

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

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

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A7. Dividends Paid

During the financial quarter, the final single tier cash dividend of approximately 37.00 sen per ordinary share on 670,363,762 ordinary shares amounting to RM248,034,592 in respect of the financial year ended 31 March 2011 was paid on 24 August 2011.

The directors do not recommend the payment of any dividend in respect of the financial quarter and period ended 30 September 2011.

A8. Financial Assets Held-For-Trading

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
At fair value				
<u>Money Market Securities</u>				
In Malaysia:				
Treasury bills	34,897	49,046	34,897	49,046
Islamic Treasury bills	-	5,358	-	5,358
Malaysian Government Securities	256,342	160,285	256,342	160,285
Malaysian Government Investment Certificates	437,427	221,650	437,427	221,650
Sukuk Bank Negara Malaysia	7,144	-	7,144	-
Bank Negara Malaysia Monetary Notes	2,913,574	2,270,387	2,913,574	2,270,387
	<u>3,649,384</u>	<u>2,706,726</u>	<u>3,649,384</u>	<u>2,706,726</u>
<u>Quoted Securities</u>				
In Malaysia:				
Shares	255,059	288,337	255,059	288,337
Unit Trusts	65,499	74,137	65,499	74,137
Warrants	2,602	2,835	2,602	2,835
Outside Malaysia:				
Shares	4,543	4,744	4,543	4,744
	<u>327,703</u>	<u>370,053</u>	<u>327,703</u>	<u>370,053</u>
<u>Unquoted Securities</u>				
In Malaysia:				
Private debt securities	2,626,209	1,090,223	2,626,209	1,090,223
Outside Malaysia:				
Private debt securities	884	-	884	-
	<u>2,627,093</u>	<u>1,090,223</u>	<u>2,627,093</u>	<u>1,090,223</u>
Total financial assets held-for-trading	<u>6,604,180</u>	<u>4,167,002</u>	<u>6,604,180</u>	<u>4,167,002</u>

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A9. Financial Investments Available-For-Sale

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
At fair value, or cost less impairment losses for certain unquoted instruments				
<u>Money Market Securities:</u>				
In Malaysia:				
Negotiable instruments				
of deposit	1,930,522	2,523,145	1,930,522	2,523,145
Malaysian Government Securities	72,149	255,789	72,149	255,789
Islamic negotiable instruments				
of deposit	806,145	785,855	806,145	785,855
Malaysian Government Investment Certificates	281,264	94,734	281,264	94,734
	<u>3,090,080</u>	<u>3,659,523</u>	<u>3,090,080</u>	<u>3,659,523</u>
<u>Quoted Securities</u>				
In Malaysia:				
Shares	13,941	11,926	13,837	11,809
Unit Trusts	58,386	39,400	58,386	39,400
Private debt securities	8,372	15,624	8,372	15,624
Private debt securities with options and/or collateral	18,777	40,257	18,777	40,257
	<u>99,476</u>	<u>107,207</u>	<u>99,372</u>	<u>107,090</u>
Outside Malaysia:				
Shares	60	93	16	40
	<u>60</u>	<u>93</u>	<u>16</u>	<u>40</u>
<u>Unquoted Securities</u>				
In Malaysia:				
Shares	86,804	86,804	86,804	86,804
Private debt securities	1,568,194	2,393,618	1,778,381	2,620,711
Private debt securities with options and/or collateral	40,154	58,563	40,154	58,218
	<u>1,695,152</u>	<u>2,538,985</u>	<u>1,905,339</u>	<u>2,765,733</u>
Outside Malaysia:				
Shares	980	84	84	84
Private debt securities	26,850	26,077	26,850	25,226
	<u>27,830</u>	<u>26,161</u>	<u>26,934</u>	<u>25,310</u>
Total financial investments available-for-sale	<u>4,912,598</u>	<u>6,331,969</u>	<u>5,121,741</u>	<u>6,557,696</u>

The Bank was appointed Principal Dealer ("PD") by Bank Negara Malaysia ("BNM") for Government and BNM issuances with effect from 1 July 2009 until 31 December 2012.

As PD, the Bank 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 Statutory Reserve Requirement ("SRR") in the form of Malaysian Government Securities ("MGS") and/or Government Investment Certificates ("GIC") holdings instead of cash. As at 30 September 2011 and 31 March 2011, the nominal values of MGS and GIC holdings maintained for SRR purposes amount to RM350,000,000 for the Group and the Bank.

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A10. Financial Investments Held-To-Maturity

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
<u>Unquoted Securities</u>				
In Malaysia:				
Private debt securities	96,600	106,254	81,659	98,726
Private debt securities with options and/or collateral	249,010	266,852	248,040	265,882
Total	345,610	373,106	329,699	364,608
Less: Accumulated impairment losses	(199,193)	(207,775)	(196,315)	(205,019)
Total financial investments held-to-maturity	146,417	165,331	133,384	159,589

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A11. Loans and Advances

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
(i) By type of loans				
At amortised cost:				
Overdraft	2,144,010	1,988,963	2,144,010	1,988,963
Term loan facilities				
– Housing loans	11,725,421	11,551,536	11,425,343	11,231,830
– Hire-purchase receivables	20,300,800	21,521,483	20,300,800	21,521,483
– Other loans	17,466,004	15,807,340	17,462,464	15,802,232
Card receivables	1,484,785	1,491,939	1,484,785	1,491,939
Bills receivables	332,619	390,546	332,619	390,546
Trust receipts	1,011,377	569,084	1,011,377	569,084
Claims on customers under acceptance credit	2,123,411	2,217,959	2,123,411	2,217,959
Revolving credit	4,037,814	5,028,403	4,089,016	5,074,217
Staff loans	155,005	155,263	154,533	154,770
Block discount receivables	56,763	60,293	56,763	60,293
Factoring receivables	75,070	51,018	75,070	51,018
Total	60,913,079	60,833,827	60,660,191	60,554,334
Unearned interest	(2,808,241)	(3,235,158)	(2,808,241)	(3,235,158)
Gross loans and advances	58,104,838	57,598,669	57,851,950	57,319,176
Allowance for impaired loans and advances:				
– Collective allowance	(1,529,046)	(1,647,390)	(1,524,723)	(1,641,832)
– Individual allowance	(63,608)	(341,071)	(63,608)	(341,071)
Net loans and advances	56,512,184	55,610,208	56,263,619	55,336,273

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

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
Domestic non-bank financial institutions	2,917,864	2,383,193	2,994,148	2,459,268
Domestic business enterprises				
– Small medium enterprises	6,448,961	6,038,799	6,448,961	6,038,799
– Others	16,626,770	16,977,426	16,623,230	16,972,319
Government and statutory bodies	62,430	72,789	62,430	72,789
Individuals	31,359,110	31,623,468	31,058,560	31,303,271
Other domestic entities	2,389	1,862	2,389	1,862
Foreign entities	687,314	501,132	662,232	470,868
Gross loans and advances	<u>58,104,838</u>	<u>57,598,669</u>	<u>57,851,950</u>	<u>57,319,176</u>

(iii) By geographical distribution

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
In Malaysia	57,580,340	57,178,942	57,352,534	56,929,714
Outside Malaysia	524,498	419,727	499,416	389,462
Gross loans and advances	<u>58,104,838</u>	<u>57,598,669</u>	<u>57,851,950</u>	<u>57,319,176</u>

(iv) By interest rate sensitivity

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
Fixed rate				
– Housing loans	1,855,966	1,946,773	1,555,518	1,626,688
– Hire purchase receivables	15,852,456	17,370,545	15,852,354	17,370,433
– Other fixed rate loan	6,007,993	5,104,309	6,007,993	5,104,309
Variable rate				
– Base lending rate plus	21,528,444	20,076,576	21,528,444	20,076,576
– Cost plus	11,285,208	11,078,192	11,336,410	11,124,003
– Other variable rates	1,574,771	2,022,274	1,571,231	2,017,167
Gross loans and advances	<u>58,104,838</u>	<u>57,598,669</u>	<u>57,851,950</u>	<u>57,319,176</u>

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

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
Agriculture	1,920,893	2,072,921	1,920,893	2,072,921
Mining and quarrying	1,073,695	846,035	1,073,695	846,035
Manufacturing	5,702,269	4,671,398	5,698,729	4,666,291
Electricity, gas and water	1,397,141	2,219,446	1,397,141	2,219,446
Construction	2,245,502	2,846,505	2,245,502	2,846,505
Wholesale, retail trade, restaurant and hotel	3,495,634	3,290,692	3,495,634	3,290,692
Transport, storage and communication	1,908,636	2,238,539	1,908,636	2,238,539
Finance, insurance, real estate and business activities	8,088,415	6,680,039	8,139,618	6,726,480
Education and health	713,202	597,548	713,202	597,548
Household	31,394,721	31,639,008	31,094,170	31,318,181
of which:				
- purchase of residential properties	11,710,785	11,518,433	11,410,337	11,197,718
- purchase of transport vehicles	16,097,772	16,684,955	16,097,669	16,684,843
- others	3,586,164	3,435,620	3,586,164	3,435,620
Others	164,730	496,538	164,730	496,538
	58,104,838	57,598,669	57,851,950	57,319,176

(vi) By residual contractual maturity

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
Maturing within one year	11,010,254	12,048,701	11,056,794	12,093,193
One year to three years	8,289,636	6,864,279	8,277,204	6,846,265
Three years to five years	8,312,452	8,767,663	8,290,912	8,743,674
Over five years	30,492,496	29,918,026	30,227,040	29,636,044
Gross loans and advances	58,104,838	57,598,669	57,851,950	57,319,176

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A11. Loans and Advances (Contd.)

(vii) Impaired loans by geographical distribution

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
In Malaysia	1,820,273	2,123,247	1,819,902	2,122,976

(viii) Impaired loans by sector

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
Agriculture	27,000	38,356	27,000	38,356
Mining and quarrying	3,730	355	3,730	355
Manufacturing	211,219	244,898	211,219	244,898
Electricity, gas and water	132,766	288,508	132,766	288,508
Construction	122,560	284,056	122,560	284,056
Wholesale, retail trade, restaurants and hotels	300,851	58,724	300,851	58,724
Transport, storage and communication	5,974	19,562	5,974	19,562
Finance, insurance, real estate and business activities	65,167	116,756	65,167	116,756
Education and health	34,424	41,337	34,424	41,337
Household	907,574	1,018,435	907,203	1,018,164
of which:				
- purchase of residential properties	555,904	628,715	555,533	628,444
- purchase of transport vehicles	256,850	282,368	256,850	282,368
- others	94,820	107,352	94,820	107,352
Others	9,008	12,260	9,008	12,260
	1,820,273	2,123,247	1,819,902	2,122,976

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A11. Loans and Advances (Contd.)

(ix) Movements in impaired loans and advances are as follows:

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
Gross				
At beginning of period/year	2,123,247	2,531,933	2,122,976	2,339,427
Classified as impaired	1,149,918	1,324,479	1,149,701	1,001,196
Reclassification as non-impaired	(231,516)	(382,239)	(231,405)	(327,582)
Amount recovered	(452,454)	(335,855)	(452,448)	(302,239)
Amount written off	(768,922)	(673,685)	(768,922)	(591,968)
Repurchase of loan	-	4,142	-	4,142
Arising from disposal of subsidiary	-	(345,528)	-	-
At end of period/year	<u>1,820,273</u>	<u>2,123,247</u>	<u>1,819,902</u>	<u>2,122,976</u>
Gross loans and advances	58,104,838	57,598,669	57,851,950	57,319,176
Ratio of gross impaired loans and advances to gross loans and advances	<u>3.1%</u>	<u>3.7%</u>	<u>3.1%</u>	<u>3.7%</u>

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A11. Loans and Advances (Contd.)

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

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
Collective allowance				
At beginning of period/year	1,647,390	1,797,171	1,641,832	1,502,269
Charge to the income statement	207,264	784,839	208,521	526,591
Amount written-off	(325,930)	(472,658)	(325,930)	(390,699)
Repurchase of loan	-	4,142	-	4,142
Arising from disposal of subsidiary	-	(465,603)	-	-
Exchange differences	322	(501)	300	(471)
At end of period/year	<u>1,529,046</u>	<u>1,647,390</u>	<u>1,524,723</u>	<u>1,641,832</u>
As % of gross loans and advances less individual allowance	<u>2.6%</u>	<u>2.9%</u>	<u>2.6%</u>	<u>2.9%</u>
Individual allowance				
At beginning of period/year	341,071	452,386	341,071	451,278
Charge to the income statement	153,335	92,381	153,335	79,936
Transfer from debt converted instrument	11,642	12,356	11,642	12,356
Amount written-off	(442,440)	(202,499)	(442,440)	(202,499)
Arising from disposal of subsidiary	-	(13,553)	-	-
At end of period/year	<u>63,608</u>	<u>341,071</u>	<u>63,608</u>	<u>341,071</u>

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A12. Other Assets

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
Deferred assets	-	34,744	-	34,744
Interest/Profit receivable	401,232	345,049	401,237	345,055
Other receivables, deposits and prepayments (net)	541,626	352,537	535,208	347,919
Deferred charges	159,271	171,597	159,271	171,597
Amount due from originators	18,623	19,583	18,623	19,583
Foreclosed properties net of impairment loss	82,764	110,993	82,764	110,993
	<u>1,203,516</u>	<u>1,034,503</u>	<u>1,197,103</u>	<u>1,029,891</u>

A13. Statutory deposit with Bank Negara Malaysia

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities. As at 30 September 2011 and 31 March 2011, the nominal values of MGS and GIC holdings classified as Financial investments available-for-sale, maintained for SRR purposes amount to RM350,000,000 for the Group and the Bank, as mentioned in Note A9.

A14. Deposits and Placements of Banks and Other Financial Institutions

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
Licensed banks	288,595	263,639	656,118	596,413
Licensed investment banks	1,132,834	1,171,960	1,132,834	1,171,960
Other financial institutions	922,841	958,193	913,455	950,155
Bank Negara Malaysia ("BNM")	1,167,031	2,232,061	1,167,031	2,232,061
	<u>3,511,301</u>	<u>4,625,853</u>	<u>3,869,438</u>	<u>4,950,589</u>

A15. Deposits from Customers

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
Demand deposits	4,565,625	4,494,670	4,566,584	4,494,980
Savings deposits	3,004,889	2,923,609	3,004,889	2,923,609
Fixed/Investment/Term deposits	51,179,289	51,442,097	50,603,178	50,813,295
Negotiable instruments of deposits	179,357	224,130	179,357	224,130
Other deposits	591,737	422,153	591,737	422,153
	<u>59,520,897</u>	<u>59,506,659</u>	<u>58,945,745</u>	<u>58,878,167</u>

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A15. Deposits from Customers (Contd.)

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
<u>By type of customers</u>				
Individuals	26,997,087	27,171,911	26,996,753	27,171,175
Business enterprises	21,142,593	21,019,180	20,567,879	20,391,660
Government and other statutory bodies	9,869,617	10,393,190	9,869,617	10,393,191
Others	1,511,600	922,378	1,511,496	922,141
	<u>59,520,897</u>	<u>59,506,659</u>	<u>58,945,745</u>	<u>58,878,167</u>

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

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
Due within six months	40,118,860	41,679,293	39,542,749	41,050,491
Six months to one year	7,591,411	6,471,725	7,591,411	6,471,725
One year to three years	1,853,721	1,783,750	1,853,721	1,783,750
Three years to five years	1,794,654	1,731,459	1,794,654	1,731,459
	<u>51,358,646</u>	<u>51,666,227</u>	<u>50,782,535</u>	<u>51,037,425</u>

A16. Other Liabilities

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
Interest/Profit payable	687,370	657,874	686,973	657,201
Other creditors and accruals	1,369,733	1,256,717	1,361,373	1,248,203
Lease deposits and advance rentals	38,406	45,736	38,406	45,736
Provision for commitments and contingencies	130,403	131,051	130,403	131,051
Provision for taxation	227,041	216,636	226,992	216,576
	<u>2,452,953</u>	<u>2,308,014</u>	<u>2,444,147</u>	<u>2,298,767</u>

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A17. Interest Income

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Group				
Short-term funds and deposits with financial institutions	73,236	64,411	160,542	119,585
Financial assets held-for-trading	65,187	20,515	92,781	39,068
Financial investments available-for-sale	41,804	69,145	96,037	140,116
Financial investments held-to-maturity	1,057	2,233	3,347	13,255
Loans and advances	895,762	820,190	1,761,423	1,636,646
Interest accrued on impaired loans and advances	2,329	5,940	5,699	9,406
Others	2,366	1,855	4,174	2,852
	<u>1,081,741</u>	<u>984,289</u>	<u>2,124,003</u>	<u>1,960,928</u>
The Bank				
Short-term funds and deposits with financial institutions	72,967	64,129	159,926	119,015
Financial assets held-for-trading	65,187	20,515	92,781	39,068
Financial investments available-for-sale	44,637	72,523	101,813	146,979
Financial investments held-to-maturity	977	884	3,147	11,906
Loans and advances	892,198	814,308	1,752,650	1,624,528
Interest accrued on impaired loans and advances	2,329	5,940	5,699	9,406
Others	2,366	1,855	4,174	2,852
	<u>1,080,661</u>	<u>980,154</u>	<u>2,120,190</u>	<u>1,953,754</u>

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A18. Interest Expense

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Group				
Deposits from customers	439,541	356,941	857,712	684,967
Deposits and placements of banks and other financial institutions	29,538	18,965	53,064	38,337
Recourse obligation of loans sold to Cagamas Berhad	10,683	-	21,262	770
Term funding	42,196	37,249	83,137	66,910
Debt capital:				
Hybrid securities	10,228	10,679	20,445	21,651
Medium term notes	22,255	22,255	44,268	44,268
Exchangeable bonds	-	7,566	-	15,049
Non-Innovative Tier 1 capital securities	11,343	11,343	22,562	22,562
Innovative Tier 1 capital securities	10,085	10,085	20,061	20,061
Irredeemable Non-Cumulative Convertible Preference Shares	(2,250)	2,250	-	4,500
Others	821	21,854	7,488	57,509
	<u>574,440</u>	<u>499,187</u>	<u>1,129,999</u>	<u>976,584</u>
The Bank				
Deposits from customers	439,051	356,356	856,539	684,009
Deposits and placements of banks and other financial institutions	30,618	20,095	55,164	40,648
Recourse obligation of loans sold to Cagamas Berhad	10,683	-	21,262	770
Term funding	42,196	37,249	83,137	66,910
Debt capital:				
Subordinated term loan	10,217	10,679	20,434	21,651
Medium term notes	22,255	22,255	44,268	44,268
Exchangeable bonds	-	7,566	-	15,049
Non-Innovative Tier 1 capital securities	11,343	11,343	22,562	22,562
Innovative Tier 1 capital securities	10,085	10,085	20,061	20,061
Irredeemable Non-Cumulative Convertible Preference Shares	(2,250)	2,250	-	4,500
Others	855	21,818	7,518	57,438
	<u>575,053</u>	<u>499,696</u>	<u>1,130,945</u>	<u>977,866</u>

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A19. Net Income from Islamic Banking Business

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Group				
Income derived from investment of depositors' funds and others	15	42	22	50
Income derived from investment of shareholder's funds	78	-	126	-
Income attributable to the depositors	(11)	(47)	(16)	(61)
	<u>82</u>	<u>(5)</u>	<u>132</u>	<u>(11)</u>

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A20. Other operating income

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Group				
(a) <u>Fee Income:</u>				
Commission	16,388	15,588	31,002	30,518
Guarantee fees	10,539	9,893	23,056	17,564
Other fee income	52,641	55,201	115,333	100,586
	<u>79,568</u>	<u>80,682</u>	<u>169,391</u>	<u>148,668</u>
(b) <u>Investment income:</u>				
Net gain on sale/redemption of:				
Financial assets held-for-trading	43,379	21,007	78,135	34,999
Financial investments available-for-sale	9,543	14,547	76,929	31,247
Financial investments held-to-maturity	4,008	150	8,972	5,079
Net (loss)/ gain on revaluation of financial assets held-for-trading	(41,215)	29,022	(20,618)	29,884
Foreign exchange*	25,376	27,643	49,200	36,755
Net (loss)/gain on derivatives:				
- fair value hedge	(388)	(252)	623	(80)
- others	78,850	(32,718)	84,930	(21,018)
Gross dividend income from:				
Financial assets held-for-trading	4,968	2,174	7,548	2,438
Financial investments available-for-sale	16	2,178	5,003	7,441
Others	(6,537)	(2)	(17,938)	(27)
	<u>118,000</u>	<u>63,749</u>	<u>272,784</u>	<u>126,718</u>
(c) <u>Other Income-net:</u>				
Rental income	884	772	1,749	1,667
Gain/(loss) on disposal of property and equipment	86	(2)	213	312
Loss on disposal of foreclosed properties	(8)	(436)	(8)	(443)
Non trading foreign exchange	3,468	771	3,678	1,063
Other operating income	2,916	1,284	5,111	2,315
	<u>7,346</u>	<u>2,389</u>	<u>10,743</u>	<u>4,914</u>
Total	<u>204,914</u>	<u>146,820</u>	<u>452,918</u>	<u>280,300</u>

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A20. Other Operating Income (Contd.)

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Bank				
(a) <u>Fee Income:</u>				
Commission	16,388	15,588	31,002	30,518
Guarantee fees	10,371	9,658	22,699	17,083
Other fee income	52,929	55,479	115,913	101,124
	<u>79,688</u>	<u>80,725</u>	<u>169,614</u>	<u>148,725</u>
(b) <u>Investment income:</u>				
Net gain on sale/redemption of:				
Financial assets held-for-trading	43,379	21,007	78,135	34,999
Financial investments available-for-sale	9,543	14,547	76,929	31,247
Financial investments held-to-maturity	4,008	150	8,972	5,079
Net (loss)/gain on revaluation of financial assets held-for-trading	(41,215)	29,021	(20,618)	29,884
Foreign exchange*	25,376	27,643	49,200	36,755
Net (loss)/gain on derivatives:				
- fair value hedge	(388)	(252)	623	(80)
- others	78,850	(32,718)	84,930	(21,018)
Gross dividend income from:				
Financial assets held-for-trading	4,968	2,174	7,548	2,438
Financial investments available-for-sale	16	2,178	5,003	7,441
Subsidiaries	130,407	-	130,407	-
Others	(6,537)	(2)	(17,938)	(27)
	<u>248,407</u>	<u>63,748</u>	<u>403,191</u>	<u>126,718</u>
(c) <u>Other Income-net:</u>				
Rental income	669	603	1,362	1,293
Gain/(loss) on disposal of property and equipment	16	(2)	143	312
Loss on disposal of foreclosed properties	(8)	(436)	(8)	(443)
Non trading foreign exchange	103	766	302	1,055
Other operating income	2,967	1,191	4,961	2,361
	<u>3,747</u>	<u>2,122</u>	<u>6,760</u>	<u>4,578</u>
Total	<u>331,842</u>	<u>146,595</u>	<u>579,565</u>	<u>280,021</u>

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

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A21. Other Operating Expenses

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Group				
Personnel costs				
– Salaries, allowances and bonuses	156,460	133,942	316,738	267,142
– Shares and options granted under Executive Share Scheme ("ESS")	11,541	5,787	12,728	9,870
– Others	43,713	28,710	86,234	62,987
	<u>211,714</u>	<u>168,439</u>	<u>415,700</u>	<u>339,999</u>
Establishment costs				
– Depreciation	11,155	11,399	22,353	22,363
– Rental	16,898	16,494	33,243	32,048
– Cleaning, maintenance and security	6,241	4,725	11,986	9,475
– Computerisation cost	29,489	25,694	58,061	54,366
– Amortisation of intangible assets	9,441	5,635	18,055	13,590
– Others	5,452	5,737	12,009	11,587
	<u>78,676</u>	<u>69,684</u>	<u>155,707</u>	<u>143,429</u>
Marketing and communication expenses				
– Commission	567	4,739	841	7,161
– Advertising and marketing	6,776	7,859	13,287	16,948
– Communication	11,492	10,149	20,720	20,750
– Others	2,611	2,068	4,963	3,964
	<u>21,446</u>	<u>24,815</u>	<u>39,811</u>	<u>48,823</u>
Administration and general expenses				
– Professional services	14,478	17,227	30,152	33,530
– Others	5,454	4,928	12,312	12,607
	<u>19,932</u>	<u>22,155</u>	<u>42,464</u>	<u>46,137</u>
Service transfer pricing expense/ (recovery) - net	(71,948)	4,707	(133,127)	10,411
Total	<u>259,820</u>	<u>289,800</u>	<u>520,555</u>	<u>588,799</u>

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A21. Other Operating Expenses (Contd.)

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Bank				
Personnel costs				
– Salaries, allowances and bonuses	156,080	133,591	315,959	266,415
– Shares and options granted under Executive Share Scheme ("ESS")	11,513	5,728	12,682	9,803
– Others	43,603	28,637	86,041	62,827
	<u>211,196</u>	<u>167,956</u>	<u>414,682</u>	<u>339,045</u>
Establishment costs				
– Depreciation	11,029	11,247	22,096	22,082
– Rental	17,284	16,944	34,093	32,948
– Cleaning, maintenance and security	6,012	4,478	11,637	9,082
– Computerisation cost	29,486	25,687	58,096	54,350
– Amortisation of intangible assets	9,442	5,635	18,054	13,590
– Others	5,272	5,501	11,635	11,023
	<u>78,525</u>	<u>69,492</u>	<u>155,611</u>	<u>143,075</u>
Marketing and communication expenses				
– Commission	567	4,738	841	7,160
– Advertising and marketing	6,776	7,859	13,287	16,948
– Communication	11,479	10,135	20,695	20,728
– Others	2,610	2,052	4,957	3,940
	<u>21,432</u>	<u>24,784</u>	<u>39,780</u>	<u>48,776</u>
Administration and general expenses				
– Professional services	14,464	17,121	30,114	33,421
– Others	5,339	4,900	12,090	12,465
	<u>19,803</u>	<u>22,021</u>	<u>42,204</u>	<u>45,886</u>
Service transfer pricing expense/ (recovery) - net	(71,504)	(59,690)	(132,253)	(124,687)
Total	<u>259,452</u>	<u>224,563</u>	<u>520,024</u>	<u>452,095</u>

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A22. Allowance for impairment on Loans and Advances

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Group				
Allowance for impairment of loans and advances:				
Individual allowance	157,671	3,780	153,335	27,048
Collective allowance	58,764	179,984	207,264	305,763
Bad debts recovered - net	(143,946)	(116,528)	(256,349)	(202,762)
	<u>72,489</u>	<u>67,236</u>	<u>104,250</u>	<u>130,049</u>
The Bank				
Allowance for impairment of loans and advances:				
Individual allowance	157,671	3,780	153,335	27,048
Collective allowance	58,933	180,128	208,521	305,988
Bad debts recovered - net	(141,118)	(116,531)	(253,521)	(199,666)
	<u>75,486</u>	<u>67,377</u>	<u>108,335</u>	<u>133,370</u>

A23. Impairment Loss On Other Assets

	Individual Quarter		Cumulative Quarter	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
The Group				
Loss/(Writeback)				
Financial investments	(8,129)	42,807	(8,699)	35,240
Foreclosed properties	28,206	18,913	28,274	19,068
Sundry receivables	(3,725)	(119)	(3,736)	(33)
	<u>16,352</u>	<u>61,601</u>	<u>15,839</u>	<u>54,275</u>
The Bank				
Financial investments	(8,109)	42,897	(8,654)	35,223
Associate	-	-	15	-
Foreclosed properties	28,206	18,913	28,274	19,068
Sundry receivables	(3,725)	(119)	(3,736)	(33)
	<u>16,372</u>	<u>61,691</u>	<u>15,899</u>	<u>54,258</u>

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A24. Discontinued Operations

On 21 February 2011, following the approval from the Minister of Finance and Bank Negara Malaysia ("BNM"), the Bank entered into a sale and purchase agreement with AMMB Holdings Berhad ("AMMB") to dispose its entire shareholding in its wholly-owned Islamic banking subsidiary, Amlslamic Bank to AMMB for a sale consideration of RM1,337,698,000 ("The Disposal"). The Disposal was completed on 28 February 2011. Arising from this, the 6 months comparative results for the operations of Amlslamic Bank are presented separately in the Income Statement and Statement of Comprehensive Income of the Group as discontinued operations.

(a) Income Statement

	The Group	
	Individual Quarter 30 September 2010 RM'000	Cumulative Quarter 30 September 2010 RM'000
Revenue	297,067	587,946
Net income from Islamic Banking Business	177,615	366,371
Other operating expenses	(69,146)	(144,847)
Operating profit	108,469	221,524
Allowances for impairment on financing and advances:		
Individual allowance	(10,397)	(9,741)
Collective allowance	(51,101)	(91,040)
Bad financing recovered (net)	23,103	32,517
Provision for commitments and contingencies	(1,269)	(1,215)
Impairment writeback	(2,727)	1,491
Transfer from profit equalisation reserve	29,541	17,819
Profit before zakat and taxation	95,619	171,355
Zakat	(207)	(400)
Taxation	(24,233)	(43,874)
Profit for the period	71,179	127,081
Intercompany transactions eliminated on consolidation:		
Other operating expenses	64,671	135,658
Profit for the period as reported in the Income Statement	135,850	262,739

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A24. Discontinued Operations (Contd.)

(b) Statement of Comprehensive Income

	The Group	
	Individual Quarter 30 September 2010 RM'000	Cumulative Quarter 30 September 2010 RM'000
Profit for the period	135,850	262,739
Other comprehensive income		
Net gain on financial investments available-for-sale	3,448	3,571
Income tax relating to the components of other comprehensive income	(865)	(896)
Other comprehensive income for the period, net of tax	<u>2,583</u>	<u>2,675</u>
Total comprehensive income for the period as reported in the Income Statement	<u>138,433</u>	<u>265,414</u>

(c) Cash Flows

	6 months ended 30 September 2010 RM'000
Cash Flows from Operating activities	(944,019)
Cash Flows from Investing activities	481,108
Net cash outflow	<u>(462,911)</u>

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A25. Earnings Per Share (EPS)**(a) Basic**Continuing operations

Basic earnings per share amounts are calculated by dividing profit for the period from continuing operations, net of tax attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding during the financial quarter and period.

Discontinued operations

Basic earnings per share amounts are calculated by dividing profit for the period from discontinued operations, net of tax attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding during the financial quarter and period.

	Individual Quarter		Cumulative Quarter	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
The Group				
Continuing operations				
Net profit attributable to shareholder of the Bank (RM'000)	281,817	138,361	609,447	321,062
Number of ordinary shares at beginning of period/year ('000)	670,364	670,364	670,364	670,364
Effect of the conversion of INCPS ('000)	150,000	-	150,000	-
Weighted average number of ordinary shares in issue ('000)	<u>820,364</u>	<u>670,364</u>	<u>820,364</u>	<u>670,364</u>
Basic earnings per share (sen)	<u>34.35</u>	<u>20.64</u>	<u>74.29</u>	<u>47.89</u>
Discontinued operations				
Net profit attributable to shareholder of the Bank (RM'000)	-	135,850	-	262,739
Number of ordinary shares at beginning of period/year ('000)	-	670,364	-	670,364
Effect of the conversion of INCPS ('000)	-	-	-	-
Weighted average number of ordinary shares in issue ('000)	<u>-</u>	<u>670,364</u>	<u>-</u>	<u>670,364</u>
Basic earnings per share (sen)	<u>-</u>	<u>20.27</u>	<u>-</u>	<u>39.19</u>

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A25. Earnings Per Share (EPS) (Contd.)

(a) Basic (Contd.)

	Individual Quarter		Cumulative Quarter	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
The Bank				
Net profit attributable to shareholder of the Bank	399,651	199,194	723,712	447,042
Number of ordinary shares at beginning of period/year ('000)	670,364	670,364	670,364	670,364
Effect of the conversion of INCPS ('000)	150,000	-	150,000	-
Weighted average number of ordinary shares in issue ('000)	<u>820,364</u>	<u>670,364</u>	<u>820,364</u>	<u>670,364</u>
Basic earnings per share (sen)	<u>48.72</u>	<u>29.71</u>	<u>88.22</u>	<u>66.69</u>

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A25. Earnings Per Share (EPS) (Contd.)**(b) Fully diluted**Continuing operations

Fully diluted earnings per share amounts are calculated by dividing profit for the period from continuing operations, net of tax (after adjusting for dividend on convertible preference shares) attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding and issuable during the financial quarter and period.

Discontinued operations

Fully diluted earnings per share amounts are calculated by dividing profit for the period from discontinued operations, net of tax (after adjusting for dividend on convertible preference shares) attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding and issuable during the financial quarter and period.

The Bank has one category of dilutive potential ordinary shares:

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

On 30 September 2011, the immediate holding company, AMFB Holdings Berhad, exercised its conversion right to convert the entire RM150 million INCPS into 150,000,000 fully paid ordinary shares of RM1.00 each. The INCPS was converted into new shares of the Bank and credited as fully paid on the basis of one (1) new ordinary share of every one (1) INCPS held. With the conversion, the Bank does not have any category of dilutive potential ordinary shares as at 30 September 2011.

	Individual Quarter		Cumulative Quarter	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
The Group				
Continuing operations				
Net profit attributable to shareholder of the Bank (as in (a) above) (RM'000)	281,817	138,361	609,447	321,062
Effect of savings on dividend on INCPS (RM'000)	-	2,250	-	4,500
	<u>281,817</u>	<u>140,611</u>	<u>609,447</u>	<u>325,562</u>
Weighted average number of ordinary shares in issue (as in (a) above) ('000)	820,364	670,364	820,364	670,364
Adjusted for the effect of INCPS ('000)	-	150,000	-	150,000
Adjusted weighted average number of ordinary shares in issue ('000)	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>
Fully diluted earnings per share (sen)	<u>34.35</u>	<u>17.14</u>	<u>74.29</u>	<u>39.69</u>

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A25. Earnings Per Share (EPS) (Contd.)**(b) Fully diluted (Contd.)**

	Individual Quarter		Cumulative Quarter	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
The Group				
Discontinued operations				
Net profit attributable to shareholder of the Bank (as in (a) above) (RM'000)	-	135,850	-	262,739
Weighted average number of ordinary shares in issue (as in (a) above) ('000)	-	670,364	-	670,364
Adjusted for the effect of INCPS ('000)	-	150,000	-	150,000
Adjusted weighted average number of ordinary shares in issue ('000)	-	820,364	-	820,364
Fully diluted earnings per share (sen)	-	16.56	-	32.03
The Bank				
Net profit attributable to shareholder of the Bank (as in (a) above) (RM'000)	399,651	199,194	723,712	447,042
Effect of savings on dividend on INCPS (RM'000)	-	2,250	-	4,500
	399,651	201,444	723,712	451,542
Weighted average number of ordinary shares in issue (as in (a) above) ('000)	820,364	670,364	820,364	670,364
Adjusted for the effect of INCPS ('000)	-	150,000	-	150,000
Adjusted weighted average number of ordinary shares in issue ('000)	820,364	820,364	820,364	820,364
Fully diluted earnings per share (sen)	48.72	24.56	88.22	55.04

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A26. BUSINESS SEGMENT ANALYSIS

**Group
Financial quarter ended 30 September 2011**

	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Markets RM'000	Group Functions and Others RM'000	Total RM'000
Total operating revenue	1,088,745	293,235	545,614	258,584	390,891	2,577,069
Income	671,167	230,304	152,464	243,758	149,528	1,447,221
Other operating expenses	(287,493)	(44,990)	(22,012)	(33,769)	(132,291)	(520,555)
Profit before provision	383,674	185,314	130,452	209,989	17,237	926,666
Provision	(69,977)	(120,035)	13,598	5,026	51,829	(119,559)
Profit before taxation	313,697	65,279	144,050	215,015	69,066	807,107
Taxation	(78,424)	(15,966)	(31,992)	(53,622)	(17,655)	(197,659)
Profit for the period	235,273	49,313	112,058	161,393	51,411	609,448

Other information

Cost to income ratio	42.8%	19.5%	14.4%	13.9%	88.5%	36.0%
Gross loans/financing	34,340,118	11,417,456	11,782,052	-	565,212	58,104,838
Net loans/financing	33,417,324	11,272,555	11,710,765	-	111,540	56,512,184
Impaired loans/financing	1,011,124	365,304	-	-	443,845	1,820,273
Deposits	29,903,514	5,366,407	25,355,229	213,354	2,193,694	63,032,198

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A26. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group Financial quarter ended 30 September 2010	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Markets RM'000	Group Functions and Others RM'000	Total RM'000
Total operating revenue						
Continuing operations	1,003,464	242,716	450,568	203,924	340,606	2,241,278
Discontinued operations	275,973	44,618	112,022	17,968	137,365	587,946
	<u>1,279,437</u>	<u>287,334</u>	<u>562,590</u>	<u>221,892</u>	<u>477,971</u>	<u>2,829,224</u>
Income	903,767	225,607	140,651	189,218	171,837	1,631,080
Continuing operations	674,237	196,825	125,818	172,462	95,367	1,264,709
Discontinued operations	229,530	28,782	14,833	16,756	76,470	366,371
Expenses	(350,229)	(46,398)	(19,073)	(32,578)	(149,710)	(597,988)
Continuing operations	(249,081)	(34,044)	(18,619)	(31,224)	(255,831)	(588,799)
Discontinued operations	(101,148)	(12,354)	(454)	(1,354)	106,121	(9,189)
Profit/(Loss) before provision	553,538	179,209	121,578	156,640	22,127	1,033,092
Continuing operations	425,156	162,781	107,199	141,238	(160,464)	675,910
Discontinued operations	128,382	16,428	14,379	15,402	182,591	357,182
Provision	(166,755)	(33,193)	(8,173)	(5,196)	(23,686)	(237,003)
Continuing operations	(116,243)	(19,771)	(4,782)	(9,469)	(36,569)	(186,834)
Discontinued operations	(50,512)	(13,422)	(3,391)	4,273	12,883	(50,169)
Profit/(Loss) before zakat and taxation	386,783	146,016	113,405	151,444	(1,559)	796,089
Continuing operations	308,913	143,010	102,417	131,769	(197,033)	489,076
Discontinued operations	77,870	3,006	10,988	19,675	195,474	307,013
Zakat and Taxation	(96,696)	(36,374)	(25,380)	(37,581)	(16,116)	(212,147)
Continuing operations	(77,228)	(35,623)	(22,633)	(32,662)	273	(167,873)
Discontinued operations	(19,468)	(751)	(2,747)	(4,919)	(16,389)	(44,274)
Profit/(Loss) for the period from continuing operations	231,685	107,387	79,784	99,107	(196,760)	321,203
Profit for the period from discontinued operations	58,402	2,255	8,241	14,756	179,085	262,739
Profit for the period	<u>290,087</u>	<u>109,642</u>	<u>88,025</u>	<u>113,863</u>	<u>(17,675)</u>	<u>583,942</u>
Other information						
Cost to income ratio	38.8%	20.6%	13.6%	17.2%	87.1%	36.7%
Gross loans/financing	44,635,693	12,589,708	11,353,856	-	4,212	68,583,469
Net loans/financing	43,358,798	12,397,769	11,257,616	-	(861,051)	66,153,132
Impaired loans/financing	1,386,335	156,645	-	-	1,010,089	2,553,069
Deposits	31,999,208	6,132,729	32,845,868	288,897	1,953,070	73,219,772

Note:

- 1 The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.
- 2 Certain comparative figures have been reclassified to conform with current period's presentation.

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A27. Performance Review for the period ended 30 Sept 2011

The Group registered a profit before taxation ("pre-tax profit") of RM807.1 million representing a 1.4% increase compared to the pre-tax profit for the corresponding period last year.

For the current period, other operating income increased by RM172.6 million or 61.6%, loans impairment allowances decreased by RM25.8 million or 19.8% and lower operating expenses had contributed to the increase in pre-tax profit. The increase in other operating income was mainly contributed by net gain on derivatives, higher gain on disposal of securities and foreign exchange income. Loan impairment allowances decreased due to higher bad debt recoveries compared to loan loss allowances charged.

The discontinued operations for the corresponding period last year was in respect of the results from its Islamic banking subsidiary which was disposed to AMMB as at 28 February 2011.

The Group and the Bank remained well capitalised with Risk Weighted capital adequacy ratios of 14.7% and 14.9% respectively.

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

A28. Prospects for 31 March 2012

The Group projects Malaysia's economy to grow at around 5% in 2011 supported by private investments and domestic consumption. Domestic demand is expected to remain robust backed by stable employment outlook coupled with higher household income; whilst the sustained inflows in foreign direct investment and implementation of Economic Transformation Programme ("ETP") projects should support private investment. Nevertheless, headwinds from slower global growth will mean potentially slower growth in the next few years. As such, monetary policy is expected to remain accommodative to provide the basis for economic and financial stability.

The Malaysian banking sector is expected to remain vigilant against potential risks, supported with healthy asset quality, strong capital levels and improved risk management practices. Initiatives announced in Budget 2012 are expected to spur the development of capital markets and further strengthen Malaysia's leadership in Islamic banking. Implementation of high impact projects in addition to the existing initiatives announced under the ETP as well as special funds being setup to assist SMEs in recognition of their contribution to the economy provide potential growth opportunities for the banking sector.

The Group whilst cautious in its outlook given the weaker global economic backdrop will maintain its discipline approach in executing to our strategic themes to meet the FY2012 – 2014 Medium Term Aspirations of becoming "Malaysia's preferred banking group with international connectivity". Our international connectivity agenda continues to gain momentum with several initiatives being rolled out this year such as AmBank-ANZ Get Set solutions and signature priority banking in Malaysia.

A29. Valuation of Property and Equipment

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

A30. Events Subsequent to Reporting Date

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

A31. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the financial period ended 30 September 2011.

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A32. Commitments and Contingencies

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

	30 September 2011 RM'000	31 March 2011 RM'000
The Group		
Contingent Liabilities		
Direct credit substitutes	1,617,162	2,259,750
Transaction related contingent items	2,585,168	1,869,799
Short term self liquidating trade related contingencies	1,062,343	615,999
Obligations under on-going underwriting agreements	265,000	260,000
Others	52,610	31,506
	<u>5,582,283</u>	<u>5,037,054</u>
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	11,426,006	10,796,440
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,637,789	4,498,060
Unutilised credit card lines	3,082,065	3,322,322
Forward asset purchases	397,730	424,290
	<u>20,543,590</u>	<u>19,041,112</u>
Derivative Financial Instruments		
Foreign exchange related contracts		
- One year or less	20,385,871	28,584,266
- Over one year to five years	3,982,397	929,849
- Over five years	60,842	151,265
Interest rate related contracts		
- One year or less	8,717,782	5,870,000
- Over one year to five years	26,172,480	27,256,982
- Over five years	5,647,699	3,900,759
Credit Derivative Contracts		
- One year or less	63,709	76,473
- Over one year to five years	571,159	252,433
- Over five years	304,287	-
Equity and commodity related contracts		
- One year or less	917,348	601,986
- Over one year to five years	469,301	521,072
	<u>67,292,875</u>	<u>68,145,085</u>
Total	<u>93,418,748</u>	<u>92,223,251</u>

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A32. Commitments and Contingencies (Contd.)

	30 September 2011 RM'000	31 March 2011 RM'000
The Bank		
Contingent Liabilities		
Direct credit substitutes	1,617,162	2,259,750
Transaction related contingent items	2,585,168	1,869,799
Short term self liquidating trade related contingencies	1,062,104	615,999
Obligations under on-going underwriting agreements	265,000	260,000
Others	52,510	31,406
	<u>5,581,944</u>	<u>5,036,954</u>
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	11,470,013	10,840,686
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,637,789	4,498,060
Unutilised credit card lines	3,082,065	3,322,322
Forward asset purchases	397,730	424,290
	<u>20,587,597</u>	<u>19,085,358</u>
Derivative Financial Instruments		
Foreign exchange related contracts		
- One year or less	20,385,871	28,584,266
- Over one year to five years	3,982,397	929,849
- Over five years	60,842	151,265
Interest rate related contracts		
- One year or less	8,717,782	5,870,000
- Over one year to five years	26,172,480	27,256,982
- Over five years	5,647,699	3,900,759
Credit Derivative Contracts		
- One year or less	63,709	76,473
- Over one year to five years	571,159	252,433
- Over five years	304,287	-
Equity and commodity related contracts		
- One year or less	917,348	601,986
- Over one year to five years	469,301	521,072
	<u>67,292,875</u>	<u>68,145,085</u>
Total	<u>93,462,416</u>	<u>92,267,397</u>

The breakdown of the commitment and contingencies of the Bank is as follows:

	30 September 2011 RM'000	31 March 2011 RM'000
Relating to AmBank (M) Berhad	93,431,505	92,220,904
Relating to AMIL with external parties*	30,911	46,493
	<u>93,462,416</u>	<u>92,267,397</u>

* The Bank has given a continuing guarantee to LFSA to meet all the liabilities and financial obligations of its subsidiary, AMIL.

A33. Risk Management Policy on Financial Derivatives

Purpose of engaging in financial derivatives

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

The principal foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. A foreign exchange option is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

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

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

The principal equity contracts used are equity option, equity futures and equity swaps. 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. Equity Swaps are one of the most basic equity derivatives products and are usually traded over-the-counter (OTC) with financial institutions and corporates. It is a contractual agreement between parties to exchange two stream of payments, one based on a predetermined index or equity price, and the other based on a reference interest rate (that is, KLIBOR or LIBOR). The underlying reference for Equity Swaps is usually to an index, a basket of stocks or a single underlying stock.

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.

A33. Risk Management Policy on Financial Derivatives (Contd.)

Risk associated with financial derivatives

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

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 type 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, that is in the money, the Group has credit exposure against the counterparty; if it is negative, that is out of the money, the value used in calculation is zero.
- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

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

Other than credit limit setting, the Group's primary tool to mitigate counterparty credit risk by having collateral arrangement with the counterparty. Standard market documentation governs the amount of collateral required and the re-margining frequency between counterparties. Some of the standard market documentation has link between the amount of collateral required and external ratings, as well as minimum transfer amounts. This means that if the Group's or a counterparty's external rating was downgraded, the Group or the counterparty would likely 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.

A33. Risk Management Policy on Financial Derivatives (Contd.)

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

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

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

A33. Risk Management Policy on Financial Derivatives (Contd.)

Liquidity risk of derivatives

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

(i) Fair value hedge

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

(ii) Cash flow hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedge reserve. The gain or loss relating to the ineffective portion is 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 similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion of the hedge are recognised in the income statement. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the income statement.

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A34. Capital Adequacy

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

	The Group		The Bank	
	30 September 2011	31 March 2011	30 September 2011	31 March 2011
Before deducting proposed dividends				
Core capital ratio	10.1%	9.8%	10.2%	10.0%
Risk-weighted capital ratio	14.7%	14.5%	14.9%	14.8%
After deducting proposed dividends				
Core capital ratio	10.1%	9.3%	10.2%	9.5%
Risk-weighted capital ratio	14.7%	14.1%	14.9%	14.4%

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

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

(b) The capital adequacy ratios of AMIL are as follows:

	AMIL	
	30 September 2011	31 March 2011
Before deducting proposed dividends		
Core capital ratio	17.2%	47.3%
Risk-weighted capital ratio	17.4%	47.5%
After deducting proposed dividends		
Core capital ratio	17.2%	47.3%
Risk-weighted capital ratio	17.4%	47.5%

The capital adequacy ratios of AMIL for capital compliance on a standalone basis are computed in accordance with the BNM guidelines on RWCAF based on the Basel II capital accord.

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A31. Capital Adequacy (Contd.)

(c) The components of Tier 1 and Tier 2 Capital of the Group and the Bank are as follows:

	The Group		The Bank	
	30 September 2011 RM'000	31 March 2011 RM'000	30 September 2011 RM'000	31 March 2011 RM'000
<u>Tier 1 capital</u>				
Paid-up share capital	820,364	670,364	820,364	670,364
Irredeemable Non-Cumulative Convertible Preference Shares	-	150,000	-	150,000
Innovative Tier 1 capital	982,278	926,409	978,264	925,373
Non-innovative Tier 1 capital	500,000	500,000	500,000	500,000
Share premium	942,844	942,844	942,844	942,844
Statutory reserve	680,459	680,459	680,459	680,459
Merger reserve	48,516	48,516	48,516	48,516
Exchange fluctuation reserve	1,168	(709)	1,168	(709)
Retained earnings	3,073,322	2,690,387	3,049,228	2,684,567
Non-controlling Interests	50	50	-	-
	<u>7,049,001</u>	<u>6,608,320</u>	<u>7,020,843</u>	<u>6,601,414</u>
Less: Deferred tax asset	<u>(500,484)</u>	<u>(432,260)</u>	<u>(499,081)</u>	<u>(432,260)</u>
Total Tier 1 capital	<u>6,548,517</u>	<u>6,176,060</u>	<u>6,521,762</u>	<u>6,169,154</u>
<u>Tier 2 capital</u>				
Innovative Tier 1 capital	252,822	308,691	256,836	309,727
Medium term notes	1,557,800	1,557,800	1,557,800	1,557,800
Collective allowance for impaired loans and advances	1,184,635	1,166,407	1,180,772	1,161,406
Total Tier 2 capital	<u>2,995,257</u>	<u>3,032,898</u>	<u>2,995,408</u>	<u>3,028,933</u>
Maximum allowable Tier 2 Capital	<u>2,995,257</u>	<u>3,032,898</u>	<u>2,995,408</u>	<u>3,028,933</u>
Total capital funds	9,543,774	9,208,958	9,517,170	9,198,087
Less:				
Investment in subsidiaries	(32,769)	(32,769)	(32,780)	(32,780)
Other deduction	(13,909)	(18,672)	(13,909)	(18,672)
Capital base	<u>9,497,096</u>	<u>9,157,517</u>	<u>9,470,481</u>	<u>9,146,635</u>

Excludes collective allowance on impaired loans restricted from Tier 2 capital of the Group and the Bank as at 30 September 2011 of RM344,411,000 (31 March 2011: RM480,983,000) and RM344,387,000 (31 March 2011: RM480,964,000) respectively.

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A34. Capital Adequacy (Contd.)

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

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
Credit risk	55,394,424	55,812,960	55,317,234	55,732,987
Market risk	3,973,988	2,242,197	3,973,988	2,242,197
Operational risk	5,350,299	5,176,229	4,339,231	3,997,167
Large exposure risk requirement for equity holdings	3,897	-	3,897	-
Total risk-weighted assets	<u>64,722,608</u>	<u>63,231,386</u>	<u>63,634,350</u>	<u>61,972,351</u>

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A35. Credit Exposure Arising From Credit Transactions With Connected Parties

	The Group		The Bank	
	30 September	31 March	30 September	31 March
	2011	2011	2011	2011
	RM'000	RM'000	RM'000	RM'000
Outstanding credit exposures with connected parties (RM'000)	799,207	918,448	1,106,171	1,247,065
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	1.2	1.4	1.7	1.9
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.1	0.1	0.1	0.1

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

A36. Change in accounting policies and Comparatives

Restatement of comparatives:

- (a) During the previous financial year, the Bank disposed its entire shareholding in its wholly-owned Islamic banking subsidiary, AmIslamic Bank to its ultimate holding company, AMMB. Arising from this, the 6 months comparative results for the operations of AmIslamic Bank are presented separately in the Income Statement and Statement of Comprehensive Income of the Group as discontinued operations.
- (b) During the quarter, recoveries of expenses charged to subsidiaries and other related companies which were previously taken up under Other Operating Income were reclassified to Other operating Expenses under Service Transfer Pricing Expenses/(Recovery). The classification is to conform with current year presentation which better reflects the nature of the items.

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A36. Change in accounting policies and Comparatives (Contd.)**Restatement of comparatives (Contd.):**

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

The Group	As previously reported RM'000	Other Reclassification RM'000	Reclassified as Discontinued operations RM'000	As restated RM'000
<u>Consolidated Income Statement for the period ended 30 September 2011</u>				
Net income from Islamic banking business	366,360	-	(366,371)	(11)
Other operating income	290,795	(10,495)	-	280,300
Other operating expenses	(608,483)	10,495	9,189	(588,799)
Allowance for impairment on loans and advances	(198,313)	-	68,264	(130,049)
(Provision)/writeback for commitment and contingencies	(3,725)	-	1,215	(2,510)
Impairment (loss)/writeback on other assets	(52,784)	-	(1,491)	(54,275)
Transfer to profit equalisation reserve	17,819	-	(17,819)	-
Zakat	(400)	-	400	-
Taxation	(211,747)	-	43,874	(167,873)
<u>Consolidated Statement of Comprehensive Income for the period ended 30 September 2011</u>				
Net gain on financial investments available-for-sale	34,621	-	(3,571)	31,050
Income tax relating to the components of other comprehensive income	(4,020)	-	896	(3,124)
The Bank				
<u>Income Statement for the period ended 30 September 2011</u>				
Other operating income	426,446	(146,425)	-	280,021
Other operating expenses	(598,520)	146,425	-	(452,095)