

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
and its subsidiary companies
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	Note	The Group	
		30.6.08 RM'000	31.3.08 RM'000
ASSETS			
Cash and short-term funds		12,120,880	10,958,364
Securities purchased under resale agreements		70,314	52,468
Deposits and placements with banks and other financial institutions		211,053	1,387,810
Securities held-for-trading	A8	1,973,079	6,699,010
Securities available-for-sale	A9	5,615,659	1,850,935
Securities held-to-maturity	A10	1,109,842	1,179,878
Loans, advances and financing	A11	53,030,998	52,453,593
Derivative financial assets		550,658	370,681
Other assets	A12	2,013,032	2,231,758
Statutory deposits with Bank Negara Malaysia		1,981,305	1,660,197
Investments in associated companies		1,301	1,301
Prepaid land lease payments		7,020	7,059
Property and equipment		216,866	225,616
Life fund assets		1,808,484	1,702,469
Deferred tax assets		547,900	608,583
Intangible assets		1,808,491	1,801,985
TOTAL ASSETS		83,066,882	83,191,707
LIABILITIES AND EQUITY			
Deposits from customers	A13	47,084,976	47,767,451
Deposits and placements of banks and other financial institutions	A14	16,093,467	15,118,689
Bills and acceptances payable		2,067,576	1,909,243
Recourse obligations on loans sold to Cagamas Berhad		141,801	243,979
Derivative financial liabilities		554,133	410,929
Other liabilities	A15	2,982,151	3,250,328
Term loans		983,827	1,790,844
Subordinated term loan		460,000	460,000
Unsecured bonds		1,550,000	1,750,000
Medium Term Notes		1,460,000	860,000
Hybrid capital		654,855	673,830
Life fund liabilities		270,304	189,819
Life policyholder funds		1,538,181	1,512,650
Total Liabilities		75,841,271	75,937,762
Share capital		2,722,970	2,722,970
Reserves		4,416,957	4,446,623
Equity attributable to equity holders of the Company		7,139,927	7,169,593
Minority interests		85,684	84,352
Total Equity		7,225,611	7,253,945
TOTAL LIABILITIES AND EQUITY		83,066,882	83,191,707

AMMB HOLDINGS BERHAD
 (223035-V) (Incorporated in Malaysia)
 and its subsidiary companies
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008 (CONTD.)

	Note	The Group	
		30.6.08	31.3.08
		RM'000	RM'000
COMMITMENTS AND CONTINGENCIES	A25	56,244,904	57,539,798
CAPITAL ADEQUACY RATIO	A29		
Core capital ratio		8.66%	8.17%
Risk-weighted capital ratio		14.26%	13.50%
NET ASSETS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)		2.62	2.63

The Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 March 2008.

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

UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2008

The Group	Note	Individual Quarter		Cumulative Quarter	
		30.6.08 RM'000	30.6.07 RM'000	30.6.08 RM'000	30.6.07 RM'000
Revenue		1,402,807	1,464,113	1,402,807	1,464,113
Interest income	A16	956,212	902,066	956,212	902,066
Interest expense	A17	(521,740)	(531,423)	(521,740)	(531,423)
Net interest income		434,472	370,643	434,472	370,643
Net income from Islamic banking business		124,731	130,182	124,731	130,182
Other operating income	A18	219,967	331,025	219,967	331,025
Net income		779,170	831,850	779,170	831,850
Other operating expenses	A19	(417,588)	(350,858)	(417,588)	(350,858)
Operating profit		361,582	480,992	361,582	480,992
Allowance for losses on loans and financing	A20	(52,814)	(159,382)	(52,814)	(159,382)
Impairment loss on:					
Securities		(26,442)	(6,614)	(26,442)	(6,614)
Amount recoverable under asset-backed securitisation transaction		-	(7,000)	-	(7,000)
Assets acquired in exchange of debts		-	(72)	-	(72)
Transfer from profit equalisation reserve (Allowance)/Writeback of allowance for doubtful sundry receivables - net		6,065	25,851	6,065	25,851
(Provision)/Writeback of provision for commitments and contingencies		(1,326)	799	(1,326)	799
		(13,432)	297	(13,432)	297
Profit before taxation		273,633	334,871	273,633	334,871
Taxation	B5	(69,487)	(103,919)	(69,487)	(103,919)
Profit for the period		204,146	230,952	204,146	230,952
Attributable to:					
Equity holders of the Company		202,914	181,078	202,914	181,078
Minority interests		1,232	49,874	1,232	49,874
Profit for the period		204,146	230,952	204,146	230,952
EARNINGS PER SHARE (SEN)	B13				
Basic		7.45	8.20	7.45	8.20
Fully diluted		7.41	7.77	7.41	7.77

The Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2008

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

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2008**

The Group	Attributable to Equity Holders of the Company							Unappropriated profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000	
	Ordinary share capital RM'000	Converting preference shares RM'000	Non-Distributable									Exchange fluctuation reserve RM'000
			Share premium RM'000	Compound financial instrument (equity component) RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000						
At 1 April 2007	2,130,565	-	791,588	-	1,107,757	36,362	10,297	711,232	4,787,801	1,201,516	5,989,317	
Net unrealised gain on revaluation of securities available-for-sale	-	-	-	-	-	12,235	-	-	12,235	-	12,235	
Exchange fluctuation adjustments	-	-	-	-	-	-	5,639	-	5,639	-	5,639	
Net income recognised directly in equity	-	-	-	-	-	12,235	5,639	-	17,874	-	17,874	
Profit for the period	-	-	-	-	-	-	-	181,078	181,078	49,874	230,952	
Total recognised net income for the year	-	-	-	-	-	12,235	5,639	181,078	198,952	49,874	248,826	
Issue of converting preference shares ^	-	163,934	-	294,409	-	-	-	-	458,343	-	458,343	
Issue of shares pursuant to exercise of:												
- Warrants 1997/2007	-*	-	-*	-	-	-	-	-	-	-	-	
- Warrants 2003/2008	19	-	23	-	-	-	-	-	42	-	42	
At 30 June 2007	2,130,584	163,934	791,611	294,409	1,107,757	48,597	15,936	892,310	5,445,138	1,251,390	6,696,528	

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

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

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2008**

The Group	Attributable to Equity Holders of the Company								
	Non- Distributable				Distributable				
	Ordinary share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for- sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
At 1 April 2008	2,722,970	1,986,857	1,245,433	42,900	8,166	1,163,267	7,169,593	84,352	7,253,945
Net unrealised loss on revaluation of securities available-for-sale	-	-	-	(235,976)	-	-	(235,976)	-	(235,976)
Expenses relating to rights issue	-	(16)	-	-	-	-	(16)	-	(16)
Exchange fluctuation adjustments	-	-	-	-	3,412	-	3,412	-	3,412
Net (expense)/income recognised directly in equity	-	(16)	-	(235,976)	3,412	-	(232,580)	-	(232,580)
Profit for the period	-	-	-	-	-	202,914	202,914	1,232	204,146
Total recognised net (expense)/income for the year	-	(16)	-	(235,976)	3,412	202,914	(29,666)	1,232	(28,434)
Arising from acquisition of AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	-	100	100
At 30 June 2008	2,722,970	1,986,841	1,245,433	(193,076)	11,578	1,366,181	7,139,927	85,684	7,225,611

The Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2008.

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2008

The Group	30.6.08 RM'000	30.6.07 RM'000
Profit before taxation	273,633	334,871
Add adjustments for non-operating and non-cash items	141,917	185,195
Operating profit before working capital	415,550	520,066
Increase in operating assets	4,979,865	283,416
Increase in operating liabilities	(575,819)	(2,542,604)
Cash used in operations	4,819,596	(1,739,122)
Taxation paid	(13,394)	(29,051)
Net cash used in operating activities	4,806,202	(1,768,173)
Net cash used in investing activities	(3,934,651)	(376,170)
Net cash generated from financing activities	400,100	1,075,042
Net increase in cash and cash equivalents	1,271,651	(1,069,301)
Cash and cash equivalents at beginning of period	10,659,464	10,490,422
Cash and cash equivalents at end of period	11,931,115	9,421,121

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

The Group	30.6.08 RM'000	30.6.07 RM'000
Cash and short-term funds	12,120,880	9,517,694
Bank overdrafts	-	(9,498)
	12,120,880	9,508,196
Less: Cash and bank balances and deposits held in trust	(190,107)	(87,099)
	11,930,773	9,421,097
Effect of exchange rates changes	342	24
Cash and cash equivalents	11,931,115	9,421,121

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2008.

EXPLANATORY NOTES :

A1. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 134, Interim Financial Reporting, issued by Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2008.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements.

The specific and general allowances for loans, advances and financing of the Group are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. However, the Group has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

Consistent with previous year, the Group adopted a more stringent basis for specific allowances on non-performing loans and are as follows:

- (i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:
 - (a) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
 - (b) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.
- (ii) Specific allowance of 20.0% is provided on non-performing loans which are three (3) to less than six (6) months-in-arrears. Previously, specific allowance was only made when a non-performing loan was in arrears of six (6) months and above.

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

A2. AUDIT QUALIFICATION

There were no audit qualification in the annual financial statements for the year ended 31 March 2008.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A4. UNUSUAL ITEMS

There were no unusual items during the current financial quarter.

A5. USE OF ESTIMATES

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial quarter ended 30 June 2008.

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

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

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

A7. DIVIDENDS PAID

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

A8. SECURITIES HELD-FOR-TRADING

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
At Fair Value		
Money Market Securities:		
Treasury bills	12,660	26,566
Islamic Treasury bills	-	78,224
Malaysian Government Securities	143,208	160,705
Malaysian Government Investment Certificates	51,633	323,014
Cagamas bonds	28,609	25,058
Khazanah bonds	7,697	59,359
Cagamas Mudharabah bearer bonds	-	37,167
Bank Negara Malaysia Monetary Notes	44,412	274,645
Negotiable Islamic Debt Certificates	47,090	39,674
Negotiable instruments of deposits	14,757	15,368
Islamic Bank Negara Monetary Notes	-	134,107
	350,066	1,173,887
Securities Quoted:		
In Malaysia:		
Shares	222,302	39,735
Trust units	170,383	252,202
Outside Malaysia:		
Shares	58,511	70,026
Trust units	1,723	1,728
	452,919	363,691
Unquoted Securities Of Companies Incorporated:		
In Malaysia:		
Shares	2,200	18,493
Outside Malaysia:		
Shares	-	17,848
	2,200	36,341
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	-	207,743
Islamic corporate bonds	-	86,590
Islamic corporate notes	-	30,725
	-	325,058

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Unquoted Private Debt Securities Of Companies		
Incorporated:		
In Malaysia:		
Corporate bonds	40,596	1,219,481
Corporate notes	162,846	456,554
Islamic corporate bonds	110,637	2,036,736
Islamic corporate notes	727,219	944,493
Outside Malaysia:		
Corporate bonds	126,596	142,769
	<u>1,167,894</u>	<u>4,800,033</u>
Total	<u>1,973,079</u>	<u>6,699,010</u>

A9. SECURITIES AVAILABLE-FOR-SALE

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
At Fair Value		
Money Market Securities:		
Malaysian Government Securities	11,893	12,081
Cagamas bonds	-	4,996
Khazanah bonds	9,919	9,841
Negotiable instruments of deposits	648,267	135,987
Islamic khazanah bonds	43,037	-
	<u>713,116</u>	<u>162,905</u>
Securities Quoted:		
In Malaysia:		
Trust units	75,384	74,714
Outside Malaysia:		
Shares	19,143	21,981
	<u>94,527</u>	<u>96,695</u>
Unquoted Securities:		
In Malaysia:		
Shares	20,671	4,378
Outside Malaysia:		
Shares	17,848	-
	<u>38,519</u>	<u>4,378</u>
Debt Equity Converted Securities Quoted:		
In Malaysia:		
Shares	31,043	26,139
Shares - with options	-	6,014
Loan stocks	9,096	9,145
Collateralised corporate bonds	4,411	4,411
Outside Malaysia:		
Shares	-	77
	<u>44,550</u>	<u>45,786</u>

The Group
30.6.08 **31.3.08**
RM'000 **RM'000**

Unquoted Private Debt Securities Of Companies Incorporated

In Malaysia:		
Corporate bonds	219,440	345,536
Islamic corporate bonds	1,008,082	927,167
Corporate notes	1,283,264	-
Islamic corporate notes	1,679,495	-
Outside Malaysia:		
Corporate bonds	78,501	78,635
	<u>4,268,782</u>	<u>1,351,338</u>

**Unquoted Guaranteed Private Debt Securities Of Companies
Incorporated In Malaysia:**

Corporate bonds	456,165	189,833
Total	<u>5,615,659</u>	<u>1,850,935</u>

A10. SECURITIES HELD-TO-MATURITY

At Amortised Cost

Securities Quoted In Malaysia:

In Malaysia:		
Shares	99	99
Islamic Corporate bonds	26,128	25,552
Trust units	2,013	2,010
Outside Malaysia:		
Islamic Corporate bonds	6,532	6,388
	<u>34,772</u>	<u>34,049</u>

Unquoted Securities Of Companies Incorporated:

In Malaysia:		
Shares	102,336	102,336
Corporate bonds	959	959
Outside Malaysia:		
Shares	5,419	6,441
	<u>108,714</u>	<u>109,736</u>

Quoted Debt Equity Converted Securities:

In Malaysia:		
Shares	5,233	5,314
Loan stocks - collateralised	128,335	85,824
Loan stocks - with options	1,881	80,595
Corporate bonds - collateralised	52,754	52,754
Outside Malaysia:		
Warrants	-	15
	<u>188,203</u>	<u>224,502</u>

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Unquoted Debt Equity Converted Securities Of Companies		
Incorporated In Malaysia:		
Shares	3,027	44,971
Loan stocks	58,104	74,857
Loan stocks - collateralised	659,539	524,876
Corporate bonds - collateralised	226,875	106,568
Corporate bonds	75,878	316,378
	<u>1,023,423</u>	<u>1,067,650</u>
Unquoted Private Debt Securities Of Companies Incorporated:		
In Malaysia:		
Corporate notes	222,642	33,720
Islamic corporate bonds	-	190,331
	<u>222,642</u>	<u>224,051</u>
	1,577,754	1,659,988
Accumulated impairment losses	(467,912)	(480,110)
Total	<u>1,109,842</u>	<u>1,179,878</u>

A11. LOANS, ADVANCES AND FINANCING

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Loans and financing:		
Term loans and revolving credit	15,892,413	15,562,586
Housing loans	11,382,971	11,314,355
Staff loans	177,658	179,052
Hire-purchase receivables	28,348,982	28,072,157
Credit card receivables	1,760,597	1,806,526
Lease receivables	13,151	13,178
Overdrafts	1,579,296	1,632,538
Claims on customers under acceptance credits	2,423,427	2,301,379
Trust receipts	371,485	325,968
Block discount receivables	58,614	59,572
Factoring receivables	53,145	60,094
Bills receivable	44,248	33,524
	<u>62,105,987</u>	<u>61,360,929</u>
Less: Unearned interest and income	6,566,211	6,482,856
Total	<u>55,539,776</u>	<u>54,878,073</u>
Less:		
Allowance for bad and doubtful debts and financing:		
General	853,842	845,225
Specific	1,654,936	1,579,255
	<u>2,508,778</u>	<u>2,424,480</u>
Net loans, advances and financing	<u>53,030,998</u>	<u>52,453,593</u>

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

	The Group				Annualised Loans Growth (%)
	30.6.08 RM'000	%	31.3.08 RM'000	%	
Purchase of transport vehicles	24,225,332	42.4	24,036,314	42.4	
Purchase of landed properties:					
- Residential	11,075,032	19.3	10,998,983	19.4	
- Non-residential	2,544,653	4.4	2,312,866	4.1	
Working capital	9,144,509	15.9	9,326,716	16.4	
Personal use	2,031,273	3.5	2,080,383	3.7	
Fixed assets	1,869,306	3.3	1,798,568	3.2	
Purchase of securities	1,798,281	3.1	1,545,274	2.7	
Credit cards	1,731,805	3.0	1,777,686	3.1	
Construction	989,389	1.7	919,301	1.6	
Merger and acquisition	314,350	0.5	278,877	0.5	
Consumer durables	3,756	0.0	3,892	0.0	
Other purpose	1,635,693	2.9	1,663,070	2.9	
Gross loans, advances and financing	57,363,379	100.0	56,741,930	100.0	
Less: Islamic financing sold to					
Cagamas Berhad	(1,823,603)		(1,863,857)		
	55,539,776		54,878,073		4.8

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

	The Group	
	30.6.08 RM'000	31.3.08 RM'000
Domestic :		
Other non-bank financial institutions	855,769	834,365
Business enterprises:		
Small medium enterprises	5,910,681	5,452,391
Others	11,385,531	11,579,642
Government and statutory bodies	86,873	115,410
Individuals	36,964,461	36,612,489
Other domestic entities	42,837	44,537
Foreign entities	293,624	239,239
	55,539,776	54,878,073

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

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Variable rate		
BLR-plus	14,867,630	14,704,097
Cost-plus	6,439,912	5,865,602
Other variable rates	592,967	544,617
	<u>21,900,509</u>	<u>21,114,316</u>
Fixed rate		
Housing loans	2,272,456	2,361,505
Hire purchase receivables	23,420,771	23,152,454
Other fixed rates	7,946,040	8,249,798
	<u>33,639,267</u>	<u>33,763,757</u>
	<u>55,539,776</u>	<u>54,878,073</u>

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

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Gross		
Balance at beginning of period/year	3,602,479	5,534,341
Non-performing during the period/year	489,169	1,319,500
Reclassification to performing loans and financing	(418,596)	(758,019)
Recoveries	(98,698)	(535,600)
Amount written-off	(105,671)	(1,298,557)
Sale of non-performing loan	-	(547,859)
Debt equity conversion	-	(106,274)
Exchange fluctuation adjustments	-	(5,711)
Reclassification from trading to margin	-	658
Balance at end of period/year	<u>3,468,683</u>	<u>3,602,479</u>
Less: Specific allowance	<u>(1,654,936)</u>	<u>(1,579,255)</u>
Non-performing loans, advances and financing - net	<u>1,813,747</u>	<u>2,023,224</u>
Ratios of non-performing loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) - net	<u>3.3%</u>	<u>3.7%</u>
Loan loss coverage excluding collateral values	<u>72.3%</u>	<u>67.3%</u>

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

	The Group			
	30.6.08		31.3.08	
	RM'000	%	RM'000	%
Purchase of landed properties:				
Residential	995,141	28.7	962,785	26.7
Non-residential	328,387	9.5	334,169	9.3
Working capital	938,576	27.1	1,014,761	28.2
Purchase of transport vehicles	422,543	12.2	428,615	11.9
Construction	267,499	7.7	281,961	7.8
Purchase of securities	180,463	5.2	198,320	5.5
Credit cards	62,881	1.8	66,011	1.8
Fixed assets	39,618	1.1	44,119	1.2
Personal use	26,921	0.8	35,246	1.0
Purchase of consumer durables	586	0.0	485	0.0
Other purpose	206,068	5.9	236,007	6.6
	<u>3,468,683</u>	<u>100.0</u>	<u>3,602,479</u>	<u>100.0</u>

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

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
General allowance		
Balance at beginning of period/year	845,225	778,396
Allowance during the period/year	8,512	67,107
Exchange fluctuation adjustments	105	(278)
Balance at end of period/year	<u>853,842</u>	<u>845,225</u>
% of total loans, advances and financing (including Islamic financing sold to Cagamas) less specific allowances	<u>1.53%</u>	<u>1.53%</u>
Specific allowance		
Balance at beginning of period/year	1,579,255	2,353,047
Allowance during the period/year	297,371	1,192,451
Amount written back in respect of recoveries and reversals	(101,682)	(427,341)
Net charge to income statements	195,689	765,110
Reclassification from sundry receivables	78	(8,103)
Adjustment to deferred asset account	(284)	(102)
Amount written off	(119,802)	(1,291,798)
Sale of non-performing loan	-	(219,832)
Debt equity conversion	-	(17,190)
Exchange fluctuation adjustments	-	(1,877)
Balance at end of period/year	<u>1,654,936</u>	<u>1,579,255</u>

A12. OTHER ASSETS

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Trade receivables, net of allowance for doubtful debts	545,902	756,706
Other receivables, deposits and prepayments, net of allowance for doubtful debts	1,070,394	910,914
Interest receivables on treasury assets, net of allowance for doubtful debts	99,891	112,194
Fee receivables, net of allowance for doubtful debts	42,010	44,056
Amount due from Originators	-	35,140
Amount due from agents, brokers and reinsurer, net of allowance	36,867	161,405
Amount recoverable under asset-backed securitisation transactions, net of impairment loss	67,066	67,066
Foreclosed properties, net of allowance for impairment in value	111,006	102,396
Tax recoverable	-	2,180
Deferred assets	39,896	39,701
	<u>2,013,032</u>	<u>2,231,758</u>

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

A13. DEPOSITS FROM CUSTOMERS

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Term/Investment deposits	35,689,528	37,304,081
Savings deposits	3,355,751	3,340,718
Current deposits	2,983,409	2,913,137
Negotiable instruments of deposits	16,577	16,652
Other deposits	5,039,711	4,192,863
	<u>47,084,976</u>	<u>47,767,451</u>

The deposits are sourced from the following types of customers:

Business enterprises	16,034,722	15,575,034
Individuals	24,057,922	23,634,465
Government	6,199,004	6,508,023
Others	793,328	2,049,929
	<u>47,084,976</u>	<u>47,767,451</u>

A14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Deposits from:		
Licensed banks	3,113,054	2,527,071
Licensed merchant banks	1,602,899	791,584
Bank Negara Malaysia	2,542,926	1,386,398
Other financial institutions	8,834,588	10,413,636
	<u>16,093,467</u>	<u>15,118,689</u>

A15. OTHER LIABILITIES

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Trade payables	610,139	969,301
Other payables and accruals	1,599,855	1,558,005
Interest payable on deposits and borrowings	425,222	393,882
Lease deposits and advance rentals	56,598	55,696
General insurance funds	231,166	227,430
Provision for commitments and contingencies	15,374	1,941
Bank overdrafts	-	541
Profit equalization reserve	31,548	37,607
Deferred tax liabilities	10,678	5,925
Tax payable	1,571	-
	2,982,151	3,250,328

A16. INTEREST INCOME

The Group	Individual Quarter		Cumulative Quarter	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits with financial institutions	71,701	83,859	71,701	83,859
Securities held-for-trading	31,792	49,909	31,792	49,909
Securities available for sale	58,949	23,540	58,949	23,540
Securities held-to-maturity	16,083	7,332	16,083	7,332
Loans and advances				
- Interest income other than recoveries from NPLs	731,869	684,500	731,869	684,500
- Recoveries from NPLs	65,537	72,029	65,537	72,029
ICULS Investment	-	1,200	-	1,200
Others	556	638	556	638
Gross interest income	976,487	923,007	976,487	923,007
Amortisation of premiums less accretion of discounts	4,425	2,585	4,425	2,585
Interest suspended	(24,700)	(23,526)	(24,700)	(23,526)
Total after net interest suspension	956,212	902,066	956,212	902,066

A17. INTEREST EXPENSE

The Group	Individual Quarter		Cumulative Quarter	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	335,583	345,856	335,583	345,856
Deposit of banks and other financial institutions	98,602	95,174	98,602	95,174
Securities sold under repurchase agreements	-	16,957	-	16,957
Amount due to Cagamas Berhad	1,659	6,000	1,659	6,000
Bank borrowings:				
Term loans	12,032	4,352	12,032	4,352
Overdrafts	37	90	37	90
Subordinated deposits and term loans	3,098	1,773	3,098	1,773
Interest on Bonds	22,630	24,657	22,630	24,657
Medium term notes	19,789	-	19,789	-
Interest rate swap	8,694	19,066	8,694	19,066
Hybrid securities	10,877	11,595	10,877	11,595
Others	8,739	5,903	8,739	5,903
	<u>521,740</u>	<u>531,423</u>	<u>521,740</u>	<u>531,423</u>

A18. OTHER OPERATING INCOME

The Group	Individual Quarter		Cumulative Quarter	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Fees on loans and advances	36,932	27,384	36,932	27,384
Corporate advisory	8,867	11,239	8,867	11,239
Guarantee fees	6,625	4,250	6,625	4,250
Underwriting commissions	4,460	797	4,460	797
Portfolio management fees	4,627	4,558	4,627	4,558
Unit trust management fees	16,386	13,319	16,386	13,319
Brokerage rebates	32	274	32	274
Property trust management fees	1,122	693	1,122	693
Brokerage fees and commissions	25,798	46,919	25,798	46,919
Banc assurance commission	7,936	6,412	7,936	6,412
Income from asset securitisation	245	(63)	245	(63)
Other fee income	11,998	19,167	11,998	19,167
	<u>125,028</u>	<u>134,949</u>	<u>125,028</u>	<u>134,949</u>
Investment and trading income:				
Net (loss)/gain from sale of securities held-for-trading	(52,275)	95,196	(52,275)	95,196
Net gain from sale of securities available-for-sale	10,757	22,449	10,757	22,449
Net gain on redemption of securities held-to-maturity	14,910	6,018	14,910	6,018
Loss on revaluation and valuation adjustments for securities held for trading	(41,455)	(42,253)	(41,455)	(42,253)
Gain on revaluation of derivatives	41,573	4,960	41,573	4,960
Gross dividend income from:				
Securities held-for-trading	8,659	8,813	8,659	8,813
Securities available-for-sale	-	40	-	40
Securities held-to-maturity	1,822	2,934	1,822	2,934
	<u>(16,009)</u>	<u>98,157</u>	<u>(16,009)</u>	<u>98,157</u>
Premium income from general insurance business	122,284	105,425	122,284	105,425
Insurance commission	(12,939)	(11,977)	(12,939)	(11,977)
	<u>109,345</u>	<u>93,448</u>	<u>109,345</u>	<u>93,448</u>
Surplus transfer from life insurance business	4,000	-	4,000	-
	<u>113,345</u>	<u>93,448</u>	<u>113,345</u>	<u>93,448</u>
Other income:				
Foreign exchange (loss)/gain	(5,146)	3,150	(5,146)	3,150
Gain on disposal of property and equipment - net	826	8	826	8
Rental income	996	1,019	996	1,019
Other non-operating income	927	294	927	294
	<u>(2,397)</u>	<u>4,471</u>	<u>(2,397)</u>	<u>4,471</u>
	<u>219,967</u>	<u>331,025</u>	<u>219,967</u>	<u>331,025</u>

A19. OTHER OPERATING EXPENSES

The Group	Individual Quarter		Cumulative Quarter	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Personnel/Staff costs				
- Salaries, allowances and bonuses	158,327	138,302	158,327	138,302
- Others	24,958	21,907	24,958	21,907
	<u>183,285</u>	<u>160,209</u>	<u>183,285</u>	<u>160,209</u>
Establishment costs				
- Depreciation	12,275	12,320	12,275	12,320
- Amortisation of computer software	6,338	5,312	6,338	5,312
- Computerisation costs	19,611	11,523	19,611	11,523
- Rental	15,928	14,577	15,928	14,577
- Cleaning and maintenance	4,532	4,462	4,532	4,462
- Others	5,970	5,597	5,970	5,597
	<u>64,654</u>	<u>53,791</u>	<u>64,654</u>	<u>53,791</u>
Marketing and communication expenses				
- Sales commission	3,743	3,129	3,743	3,129
- Advertising, promotional and other marketing activities	19,168	16,262	19,168	16,262
- Telephone charges	4,793	4,695	4,793	4,695
- Postage	3,671	3,336	3,671	3,336
- Travel and entertainment	4,347	4,317	4,347	4,317
- Others	4,803	6,852	4,803	6,852
	<u>40,525</u>	<u>38,591</u>	<u>40,525</u>	<u>38,591</u>
Administration and general				
- Professional services	23,691	20,277	23,691	20,277
- Donations	43	139	43	139
- Administration and management expenses	422	1,091	422	1,091
- Others	9,175	8,948	9,175	8,948
	<u>33,331</u>	<u>30,455</u>	<u>33,331</u>	<u>30,455</u>
Overheads	321,795	283,046	321,795	283,046
General insurance claims	95,793	67,812	95,793	67,812
	<u>417,588</u>	<u>350,858</u>	<u>417,588</u>	<u>350,858</u>

A20. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

The Group	Individual Quarter		Cumulative Quarter	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance - net	195,689	252,908	195,689	252,908
Allowance during the period	297,371	348,603	297,371	348,603
Amount written back in respect of recoveries and reversal	(101,682)	(95,695)	(101,682)	(95,695)
General allowance	8,512	5,161	8,512	5,161
Recoveries of value impairment on amount recoverable from Danaharta	-	(609)	-	(609)
Bad debts and financing recovered - net	(151,387)	(98,078)	(151,387)	(98,078)
Written off	-	55	-	55
Recovered	(151,387)	(98,133)	(151,387)	(98,133)
	52,814	159,382	52,814	159,382

A21. SEGMENTAL INFORMATION

BY BUSINESS SEGMENT

	Individual Quarter		Cumulative Quarter	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Investment banking				
Revenue	112,560	332,872	112,560	332,872
Profit before taxation	17,004	130,301	17,004	130,301
Commercial and retail banking				
Revenue	1,192,664	1,101,531	1,192,664	1,101,531
Profit before taxation	255,920	190,576	255,920	190,576
Offshore banking				
Revenue	1,208	12,735	1,208	12,735
(Loss)/Profit before taxation	(2,896)	2,999	(2,896)	2,999
Insurance				
Revenue	230,776	221,731	230,776	221,731
Profit before taxation	3,939	20,949	3,939	20,949
Others				
Revenue	24,107	22,498	24,107	22,498
Loss before taxation	(1,356)	(132)	(1,356)	(132)
Total before consolidation adjustments				
Revenue	1,561,315	1,691,367	1,561,315	1,691,367
Profit before taxation	272,611	344,693	272,611	344,693
Consolidation adjustments				
Revenue	(158,508)	(227,254)	(158,508)	(227,254)
Profit before taxation	1,022	(9,822)	1,022	(9,822)
Total after consolidation adjustments				
Revenue	1,402,807	1,464,113	1,402,807	1,464,113
Profit before taxation	273,633	334,871	273,633	334,871

Included in the above is Islamic banking business profit before taxation of RM35.9 million for the quarter ended 30 June 2008 (RM68.0 million for the quarter ended 30 June 2007).

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

Effective from April 2008, the fund based activities of Investment Banking had been transferred to Commercial and Retail Banking under the Group Proposed Internal Restructuring.

A22. VALUATIONS OF PROPERTY AND EQUIPMENTS

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

A23. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any items, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the result of the operations of the Group for the current financial quarter other than as disclosed in Note B8.

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

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

A25. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmInvestment Bank Berhad ("AmInvestment Bank"), AmBank (M) Berhad ("AmBank"), AmIslamic Bank Berhad ("AmIslamic Bank") and AmInternational (L) Ltd ("AmInternational"), make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at 30 June 2008, the commitments and contingencies outstanding are as follows:

The Group	30.6.08			31.3.08		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Derivative Financial Instruments						
Interest rate related contracts:						
Interest rate futures	200,000	138,421	69,210	270,000	194,810	97,404
Interest rate swaps	24,772,465	907,777	185,129	26,770,307	601,940	126,949
Foreign exchange related contracts:						
Forward exchange contracts	5,747,457	114,016	54,464	5,747,856	102,651	34,932
Cross currency swaps	639,529	65,898	13,180	624,647	76,143	15,228
Equity related contracts:						
Options	140,833	-	-	151,596	-	-
Equity futures	-	-	-	363	-	-
	<u>31,500,284</u>	<u>1,226,112</u>	<u>321,983</u>	<u>33,564,769</u>	<u>975,544</u>	<u>274,513</u>
Commitments						
Irrevocable commitments to extend credit maturing :						
within one year	9,599,627	1,933,346	1,782,507	8,564,981	1,558,976	1,422,930
more than one year	2,011,048	958,589	845,603	2,742,901	1,371,450	1,257,912
Unutilised credit card line	4,105,588	821,118	613,643	4,006,449	801,290	598,888
Sell and buy back agreements	940,138	940,138	22,526	1,216,782	1,216,782	879,744
Forward purchase commitments	333,725	333,725	970	338,081	338,081	30,108
	<u>16,990,126</u>	<u>4,986,916</u>	<u>3,265,249</u>	<u>16,869,194</u>	<u>5,286,579</u>	<u>4,189,582</u>
Contingent Liabilities						
Guarantees given on behalf of customers	2,125,872	2,125,872	1,893,243	1,865,387	1,865,387	1,769,182
Certain transaction-related contingent items	1,187,349	593,674	486,727	1,048,285	524,143	511,156
Underwriting liabilities	1,870,216	886,500	1,038,500	1,720,000	860,000	776,800
Short term self liquidating trade-related contingencies	804,033	160,807	104,746	584,432	116,886	113,419
Islamic financing sold to Cagamas	1,700,663	1,700,663	1,281,360	1,863,857	1,863,857	1,404,403
Others	66,361	250	250	23,874	250	250
	<u>7,754,494</u>	<u>5,467,766</u>	<u>4,804,826</u>	<u>7,105,835</u>	<u>5,230,523</u>	<u>4,575,210</u>
	<u>56,244,904</u>	<u>11,680,794</u>	<u>8,392,058</u>	<u>57,539,798</u>	<u>11,492,646</u>	<u>9,039,305</u>

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

As at 30 June 2008, other contingencies and commitments of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantees totalling RM273,600,000 (RM273,600,000 as at 31 March 2008) to various financial institutions in respect of credit facilities extended to certain subsidiary companies.
- (b) AmInvestment Group Berhad has given unsecured guarantees totalling RM50,000,000 (RM50,000,000 as at 31 March 2008) to a financial institution in respect of credit facilities extended to a subsidiary company.
- (c) AMMB Holdings Berhad has given a continuing undertaking totaling S\$40,000,000 (S\$40,000,000 as at 31 March 2008) to Monetary Authority of Singapore on behalf of FIPL to meet its liabilities and financial obligation and requirements.
- (d) As required, AmBank (M) Berhad has given a continuing guarantee to Bank Negara Malaysia on behalf of AmInternational, to meet all its liabilities and financial obligations and requirements.
- (e) AmInvestment Bank has given guarantees in favour of Labuan International Financial Exchange ("LFX") in respect of USD 5 million each for AmInternational to act as a Listing Sponsor and as a Trading Agent on the LFX.
- (f) The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its subsidiary, AmAssurance Berhad ("AMAB"), for the performance and discharge by AMAB of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AMAB's investment-linked product called AmAsia Link-Capital Guaranteed Fund.
- (g) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee Berhad ("AmTrustee"), a subsidiary of the Company in respect of a claim amounting to RM27.6 million for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ("MAA") has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178.83, together with interest and costs. AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA. MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

AmTrustee had filed an application to dismiss Meridian's action on a point of law which was dismissed with costs on 17 January 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 15 February 2008.

AmTrustee has also filed a stay of proceedings application of the Meridian action due to Meridian's counter claim in the MAA action amounting to duplicity/abuse of process on 22 February 2008 which was dismissed with costs on 26 June 2008.

Parties have filed several interim applications in the Meridian suit which are pending hearing including as follows:-

- (i) an application by Meridian for Further and Better particulars in respect of the statement of defence filed by AmTrustee;
- (ii) an application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank as 2nd Defendant;
- (iii) an application by Meridian to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian;
- (iv) an application for leave for Meridian to serve Interrogatories on an officer of AmTrustee allegedly relating to matters in question between Meridian and AmTrustee and
- (v) an application by AmTrustee for Stay of Proceedings pending disposal of the application to dismiss Meridian's action on point of law.

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

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

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

A26. RELATED PARTY TRANSACTIONS

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

A27. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2008, derivative financial instruments outstanding are as follows:

The Group

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	>5 years RM'000	Margin requirement
Interest rate related contracts :								
Interest rate futures	200,000	-	30,000	10,000	10,000	150,000	-	4,888
Interest rate swaps	24,772,465	1,450,000	800,000	1,890,000	3,172,777	15,590,000	1,869,688	14,810
Foreign exchange related contracts :								
Forward exchange contracts	5,747,457	1,984,118	1,818,534	1,343,247	601,559	-	-	-
Cross currency swaps	639,529	-	51,215	-	97,980	490,334	-	1,054
Equity related contracts:								
Options	140,833	-	-	-	47,679	93,154	-	-
Total	31,500,284	3,434,118	2,699,749	3,243,247	3,929,995	16,323,488	1,869,688	20,752

RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

Purpose of engaging in financial derivatives

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

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

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit 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.

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

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

Risk associated with financial derivatives

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

Market risk of derivatives used for trading purposes

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

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

As at 30 June 2008, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM9,109,889 (RM5,824,499 as at 31 March 2008).

The value at risk of the interest rate derivatives related contracts used for trading purposes of the Group was RM43,163,618 (RM26,191,724 as at 31 March 2008).

The value at risk of the options related contracts used for trading purposes was RM Nil (RM Nil as at 31 March 2008) for the Group.

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

Credit risk of derivatives

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

As at 30 June 2008, the amount of counter party credit risk, measured in terms of the cost to replace the positive value contracts of the Group, was RM106,158,183 (RM8,018,674 as at 31 March 2008). This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

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

Derivative Financial Instruments And Hedge Accounting

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

A28. INTEREST/PROFIT RATE RISK

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

The Group	<-----Non Trading Book----->							Non- interest sensitive	Trading Book	Total	Effective interest rate %
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	RM'000				
30.6.08	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS											
Cash and short-term funds	9,427,658	-	-	-	-	-	-	2,693,222	-	12,120,880	3.38
Securities purchased under resale agreements	70,314	-	-	-	-	-	-	-	-	70,314	3.36
Deposits and placements with banks and other financial institutions	36,087	66,405	8,098	189	274	-	-	100,000	-	211,053	3.85
Securities held-for-trading	-	-	-	-	-	-	-	-	1,973,079	1,973,079	4.53
Securities available-for-sale	517,616	39,561	112,963	352,049	1,214,684	3,340,755	-	38,031	-	5,615,659	4.26
Securities held-to-maturity	42,285	-	2,499	106,744	408,321	336,311	-	213,682	-	1,109,842	4.29
Derivative financial assets	-	-	-	-	-	-	-	550,658	-	550,658	-
Loans, advances and financing:											
- performing	20,304,656	1,275,076	582,640	410,053	6,686,534	14,313,317	-	8,498,817	-	52,071,093	7.01
- non-performing *	-	-	-	-	-	-	-	959,905	-	959,905	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	8,384,399	-	8,384,399	-
TOTAL ASSETS	30,398,616	1,381,042	706,200	869,035	8,309,813	17,990,383	21,438,714	21,438,714	1,973,079	83,066,882	
LIABILITIES AND EQUITY											
Deposits from customers	16,571,913	6,420,663	5,060,906	7,640,748	2,491,644	-	-	8,899,102	-	47,084,976	3.25
Deposits and placements of banks and other financial institutions	7,035,748	2,055,460	956,074	1,034,871	1,328,188	1,077,042	-	2,606,084	-	16,093,467	3.32
Bills and acceptances payable	449,936	756,416	187,761	-	-	-	-	673,463	-	2,067,576	3.67
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	141,801	-	-	-	-	141,801	3.63

A28. INTEREST/PROFIT RATE RISK

The Group 30.6.08	<-----Non Trading Book----->							Non- interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000					
Derivative financial liabilities	-	-	-	-	-	-	554,133	-	554,133	-	
Term loans	217	706,000	-	277,610	-	-	-	-	983,827	4.02	
Subordinated term loan	-	460,000	-	-	-	-	-	-	460,000	6.88	
Unsecured bonds	-	-	-	-	575,000	595,000	380,000	-	1,550,000	5.44	
Medium Term Notes	-	-	-	-	-	1,460,000	-	-	1,460,000	5.66	
Hybrid capital	-	-	-	-	-	-	654,855	-	654,855	6.73	
Other non-interest sensitive balances	-	-	-	-	-	-	4,790,636	-	4,790,636	-	
Total Liabilities	24,057,814	10,398,539	6,204,741	8,953,229	4,536,633	3,132,042	18,558,273	-	75,841,271		
Share capital	-	-	-	-	-	-	2,722,970	-	2,722,970		
Reserves	-	-	-	-	-	-	4,416,957	-	4,416,957		
Equity attributable to equity holders of the Company	-	-	-	-	-	-	7,139,927	-	7,139,927		
Minority interests	-	-	-	-	-	-	85,684	-	85,684		
Total equity	-	-	-	-	-	-	7,225,611	-	7,225,611		
TOTAL LIABILITIES AND EQUITY	24,057,814	10,398,539	6,204,741	8,953,229	4,536,633	3,132,042	25,783,884	-	83,066,882		
On-balance sheet interest rate gap sensitivity	6,340,802	(9,017,497)	(5,498,541)	(8,084,194)	3,773,180	14,858,341	(4,345,170)	1,973,079	-		
Off-balance sheet interest rate gap sensitivity	494,022	3,767,013	(1,543,500)	(1,507,222)	(1,880,000)	789,687	-	-	120,000		
Total interest rate gap sensitivity	6,834,824	(5,250,484)	(7,042,041)	(9,591,416)	1,893,180	15,648,028	(4,345,170)	1,973,079	120,000		
Cumulative interest rate gap sensitivity	6,834,824	1,584,340	(5,457,701)	(15,049,117)	(13,155,937)	2,492,091	(1,853,079)	120,000			

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

A28. INTEREST/PROFIT RATE RISK

The Group	-----Non Trading Book-----							Non-interest sensitive	Trading Book	Total	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	RM'000				
31.3.08	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS											
Cash and short-term funds	8,708,883	-	-	-	-	-	-	2,249,481	-	10,958,364	3.38
Securities purchased under resale agreements	52,468	-	-	-	-	-	-	-	-	52,468	3.33
Deposits and placements with banks and other financial institutions	1,281	1,273,519	65,100	278	-	47,632	-	-	-	1,387,810	4.64
Securities held-for-trading	-	-	-	-	-	-	-	-	6,699,010	6,699,010	3.57
Securities available-for-sale	-	-	19,961	135,866	897,502	676,145	121,461	-	-	1,850,935	5.82
Securities held-to-maturity	49,774	6,388	68,753	8,544	523,249	357,727	165,443	-	-	1,179,878	3.96
Derivative financial assets	-	-	-	-	-	-	-	370,681	-	370,681	-
Loans, advances and financing:											
- performing	18,515,362	2,488,978	567,545	482,484	6,973,778	14,414,503	7,832,944	-	-	51,275,594	7.08
- non-performing *	-	-	-	-	-	-	-	1,177,999	-	1,177,999	-
Amount due from Originators	-	6,430	26,042	-	2,668	-	-	-	-	35,140	3.65
Other non-interest sensitive balances	-	-	-	-	-	-	-	8,203,828	-	8,203,828	-
TOTAL ASSETS	27,327,768	3,775,315	747,401	627,172	8,397,197	15,496,007	20,121,837	6,699,010	83,191,707		
LIABILITIES AND EQUITY											
Deposits from customers	17,458,191	6,294,579	5,784,561	7,264,641	2,699,721	-	-	8,265,758	-	47,767,451	3.27
Deposits and placements of banks and other financial institutions	6,472,394	2,068,654	1,180,675	1,024,523	991,330	1,228,000	2,153,113	-	-	15,118,689	3.43
Bills and acceptances payable	415,618	676,830	269,448	-	-	-	547,347	-	-	1,909,243	3.59
Recourse obligation on loans sold to Cagamas Berhad	-	70,070	26,042	-	147,867	-	-	-	-	243,979	3.65

A28. INTEREST/PROFIT RATE RISK

The Group	-----Non Trading Book----->							Non-interest sensitive	Trading Book	Total	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	RM'000				
31.3.08	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Derivative financial liabilities	-	-	-	-	-	-	410,929	-	410,929	-	-
Term loans	-	1,506,000	-	183,413	-	-	101,431	-	1,790,844	-	5.08
Subordinated term loan	-	-	460,000	-	-	-	-	-	460,000	-	6.87
Unsecured bonds	200,000	-	-	-	-	-	1,170,000	380,000	1,750,000	-	5.73
Medium Term Notes	-	-	-	-	-	-	860,000	-	860,000	-	5.27
Hybrid capital	-	-	-	-	-	-	673,830	-	673,830	-	6.79
Other non-interest sensitive balances	-	-	-	-	-	-	4,952,797	-	4,952,797	-	-
Total Liabilities	24,546,203	10,616,133	7,720,726	8,472,577	3,838,918	3,931,830	16,811,375	-	75,937,762	-	
Share capital	-	-	-	-	-	-	2,722,970	-	2,722,970	-	
Reserves	-	-	-	-	-	-	4,446,623	-	4,446,623	-	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	7,169,593	-	7,169,593	-	
Minority interests	-	-	-	-	-	-	84,352	-	84,352	-	
Total equity	-	-	-	-	-	-	7,253,945	-	7,253,945	-	
TOTAL LIABILITIES AND EQUITY	24,546,203	10,616,133	7,720,726	8,472,577	3,838,918	3,931,830	24,065,320	-	83,191,707	-	
On-balance sheet interest rate gap sensitivity	2,781,565	(6,840,818)	(6,973,325)	(7,845,405)	4,558,279	11,564,177	(3,943,483)	6,699,010	-	-	
Off-balance sheet interest rate gap sensitivity	2,576,862	7,718,038	(3,531,661)	(3,581,237)	(4,006,040)	803,608	-	-	(20,430)	-	
Total interest rate gap sensitivity	5,358,427	877,220	(10,504,986)	(11,426,642)	552,239	12,367,785	(3,943,483)	6,699,010	(20,430)	-	
Cumulative interest rate gap sensitivity	5,358,427	6,235,647	(4,269,339)	(15,695,981)	(15,143,742)	(2,775,957)	(6,719,440)	(20,430)	-	-	

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

A29. CAPITAL ADEQUACY

BNM guideline on capital adequacy requires AmInvestment Bank, AmBank and AmIslamic Bank, to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

With effect from 1 January 2008, the capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

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

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	2,722,970	2,722,970
Share premium	1,986,841	1,986,857
Statutory reserve	1,245,433	1,245,433
Hybrid capital	654,855	673,830
Exchange fluctuation reserve	11,578	8,166
Unappropriated profit at end of period/year	1,366,181	1,163,267
Minority interests	85,684	84,352
Total	<u>8,073,542</u>	<u>7,884,875</u>
Less : Goodwill	1,732,872	1,732,872
Deferred tax assets - net	537,222	602,658
Total tier 1 capital	<u>5,803,448</u>	<u>5,549,345</u>
Tier 2 capital		
Subordinated term loan	403,725	403,243
Medium Term Notes	1,460,000	860,000
Unsecured bonds	1,550,000	1,750,000
General allowance for bad and doubtful debts	853,842	845,225
Total tier 2 capital	<u>4,267,567</u>	<u>3,858,468</u>
Capital base	10,071,015	9,407,813
Less: Restriction on borrowing	512,001	238,571
Capital base	<u>9,559,014</u>	<u>9,169,243</u>
Risk-weighted assets	<u>67,038,267</u>	<u>67,898,253</u>
Capital Ratios:		
Core capital ratio	8.66%	8.17%
Risk-weighted capital ratio	14.26%	13.50%
Core capital ratio (net of proposed dividend)	8.47%	7.99%
Risk-weighted capital ratio (net of proposed dividend)	<u>14.08%</u>	<u>13.32%</u>

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

	30.6.08		31.3.08	
	Principal Amount RM'000	Risk- Weighted Amount RM'000	Principal Amount RM'000	Risk- Weighted Amount RM'000
0%	12,827,550	-	11,911,523	-
20%	6,115,657	1,223,131	2,982,733	596,547
35%	3,016,090	1,055,632	2,967,500	1,038,625
50%	5,167,042	2,583,521	5,750,598	2,875,299
75%	33,841,109	25,380,832	33,910,030	25,432,523
100%	25,620,984	25,620,984	24,796,708	24,796,708
150%	2,033,917	3,050,876	2,373,580	3,560,370
	<u>88,622,349</u>	<u>58,914,975</u>	<u>84,692,672</u>	<u>58,300,071</u>
Add: total risk weighted assets equivalent for market risks		3,846,825		5,198,595
Add: total risk weighted assets equivalent for operational risks		4,262,567		4,384,664
Add: Large Exposure Risk requirements for equity holdings		13,900		14,923
		<u>67,038,267</u>		<u>67,898,253</u>

A30. ISLAMIC BANKING BUSINESS

The state of affairs as at 30 June 2008 and the results for the period ended 30 June 2008 of the Islamic banking business of the Group and included in the financial statements after elimination of intercompany transactions and balances are summarised as follows:

UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
ASSETS		
Cash and short-term funds	2,254,733	1,921,662
Deposit and placements with banks and other financial institutions	100,000	-
Securities held-for-trading	335,755	559,411
Securities held-to-maturity	32,704	32,373
Financing, advances and other loans	8,515,442	8,019,646
Statutory deposits with Bank Negara Malaysia	243,900	271,700
Other receivables, deposits and prepayments	210,706	127,469
Property and equipment	518	536
Deferred tax assets	149,794	157,781
Intangible assets	578	611
TOTAL ASSETS	11,844,130	11,091,189
LIABILITIES AND ISLAMIC BANKING FUNDS		
Deposits from customers	6,504,232	5,872,599
Deposits and placements of banks and other financial institutions	2,925,873	2,681,413
Converted fund	1,366	2,160
Acceptances payable	673,464	547,347
Other liabilities	160,199	154,200
Subordinated Sukuk Musyarakah	400,000	400,000
Total Liabilities	10,665,134	9,657,719
ISLAMIC BANKING FUNDS		
Share capital/Capital funds	435,877	505,877
Reserves	743,119	927,593
Islamic Banking Funds	1,178,996	1,433,470
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	11,844,130	11,091,189
COMMITMENTS AND CONTINGENCIES	5,824,620	6,111,742

**UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2008**

The Group	Individual Quarter		Cumulative Quarter	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	181,582	177,810	181,582	177,810
Allowance for losses on financing	(25,876)	(38,334)	(25,876)	(38,334)
Provision for commitment and contingencies	(13,102)	-	(13,102)	-
Impairment loss for sundry debt	(18)	-	(18)	-
Transfer from profit equalization reserve	6,065	25,851	6,065	25,851
Total attributable income	148,651	165,327	148,651	165,327
Income attributable to the depositors	(92,341)	(94,316)	(92,341)	(94,316)
Profit attributable to the Group	56,310	71,011	56,310	71,011
Income derived from Islamic Banking Funds	40,277	52,800	40,277	52,800
Total net income	96,587	123,811	96,587	123,811
Operating expenditure	(55,882)	(49,657)	(55,882)	(49,657)
Finance cost	(4,787)	(6,112)	(4,787)	(6,112)
Profit before taxation	35,918	68,042	35,918	68,042
Taxation	(9,377)	(22,032)	(9,377)	(22,032)
Profit for the period	26,541	46,010	26,541	46,010

A30a. Financing, Advances and Other Loans

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Term financing/Revolving credit facilities	2,614,712	2,309,469
Islamic hire purchase, net of unearned income	4,439,099	4,327,138
Credit card receivables	265,461	267,965
Trust receipts	47,961	44,996
Claims on customer under acceptance credits	787,771	686,376
Other financing	677,044	692,092
Gross financing, advances and other loans	8,832,048	8,328,036
Allowance for bad and doubtful debts and financing		
-general	(160,641)	(154,954)
-specific	(155,965)	(153,436)
	(316,606)	(308,390)
Net financing, advances and other loans	8,515,442	8,019,646

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

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Gross		
Balance at beginning of period/year	305,321	503,084
Non-performing during the period/year	81,706	206,068
Reclassification to performing financing	(49,576)	(103,518)
Recoveries	(12,200)	(70,877)
Amount written off	(25,087)	(229,436)
Balance at end of period/year	300,164	305,321
Specific allowance	(155,965)	(153,436)
Non-performing financing - net	144,199	151,885
Net NPL as % of gross financing, advances and other loans (including Islamic financing sold to Cagamas Berhad) less specific allowance	1.37%	1.51%

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

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
General Allowance		
Balance at beginning of period/year	154,954	139,511
Allowance made during the period/year	5,687	15,443
Balance at end of period/year	<u>160,641</u>	<u>154,954</u>
% of total financing, advances and other loans (including Islamic financing sold to Cagamas Berhad) less specific allowance	<u>1.53%</u>	<u>1.54%</u>
Specific Allowance		
Balance at beginning of period/year	<u>153,436</u>	<u>253,699</u>
Allowance made during the period/year	40,909	217,276
Amount written back in respect of recoveries	<u>(13,007)</u>	<u>(78,514)</u>
Net charge to income statement	27,902	138,762
Amount written off/Adjustment to Asset Deficiency Account	<u>(25,373)</u>	<u>(239,025)</u>
Balance at end of period/year	<u>155,965</u>	<u>153,436</u>

A30b. DEPOSITS FROM CUSTOMERS

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Mudarabah Fund		
Special Investment deposits	-	424,785
General Investment deposits	<u>5,119,991</u>	<u>4,119,669</u>
	<u>5,119,991</u>	<u>4,544,454</u>
Non-Mudarabah Fund		
Demand deposits	554,627	520,564
Saving deposits	823,231	801,032
Negotiable Islamic debt certificates	<u>6,383</u>	<u>6,549</u>
	<u>1,384,241</u>	<u>1,328,145</u>
	<u>6,504,232</u>	<u>5,872,599</u>

A30c. OTHER LIABILITIES

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
Other payables and accruals	115,453	105,075
Taxation and zakat payable	8,069	6,581
Amount owing to head office	-	68
Lease deposits and advance rentals	5,129	4,869
Profit equalisation reserve	31,548	37,607
	<u>160,199</u>	<u>154,200</u>

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

The Group recorded a net profit of RM202.9 million for the first quarter ended 30 June 2008, an increase of 12.1% as compared to RM181.1 million recorded in the corresponding quarter ended 30 June 2007. However, the Group's pre-tax profit declined by 18.3% to RM273.6 million for the first quarter ended 30 June 2008, as compared with RM334.9 million in the corresponding quarter.

The performance for the quarter was impacted by the rise in yield by some 100 bps on the 10-year benchmark MGS arising from the recent cut in fuel subsidy leading to significant sell-offs in the bond market. Accordingly, the Group had incurred a net loss from securities held-for-trading of RM93.7 million and impairment loss on securities of RM26.4 million. Other operating expenses increased by RM66.7 million due to higher personnel expenses of RM23.1 million as a result of back dated union salary increases and the growing scale in business operations and higher general insurance claims of RM27.9 million. The impact was mitigated by higher net interest income of RM63.8 million driven by growth in retail lending and securities and substantial reduction in allowance for losses on loans and financing of RM106.6 million.

The Group's overall financial position remains strong and healthy. Retail and commercial banking operations were the largest contributors to the Group pre-tax profits, reporting a pre-tax profit of RM255.9 million for the quarter, followed by the investment banking operations of RM17.0 million for the quarter. Insurance operations contributed RM3.9 million for the quarter.

Gross loans and advances outstanding registered an annualised growth of 4.8% to RM55.5 billion. The Group continued to be focused on the financing of residential properties and passenger vehicles, as well as the small and medium sized industries. The major driver for the loans growth was retail lending, with loans for purchase of transport vehicles growing by RM189.0 million for the three months period to account for 42.4% of total loans. This was followed by loans for purchase of residential properties, which rose by RM76.0 million to account for 19.3% of the total loans portfolio.

The Group continued to see further improvement in asset quality, with net non-performing loans ("NPL") ratio on a 3-month classification basis, decreasing to 3.3%, from 6.2% as at 31 March 2007, due to the intensified loan recovery efforts as well as completion of the sale of a portfolio of non performing loans.

As at 30 June 2008, the Group's total assets stood at RM83.1 billion. Meanwhile, the Group's risk-weighted capital ratio ("RWCR") stood at 14.26% as at 30 June 2008, compared with 13.50% as at 31 March 2008.

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

B2. REVIEW OF MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group reported a pre-tax profit of RM273.6 million for the first quarter ended 30 June 2008 as compared to RM308.6 million for the fourth quarter ended 31 March 2008 mainly due to net loss from securities held-for-trading. This is however, partly offset by lower operating expenses.

B3. PROSPECTS FOR 31 MARCH 2009

Recent key economic development particularly the petrol price hike has led to consumers and businesses taking more cautious stance in spending and expansion. Rising inflation reduces disposable income and spirals costs. In addition, economic downturn in the US has generated domino impact across world economies.

In light of uncertain market sentiments and tougher trading conditions, the Group is well positioned today to weather global, regional and domestic volatilities. Over the past year, the Group has taken steps to strengthen its position, including sealing the strategic partnership collaboration with ANZ, privatizing the AmInvestment Group Berhad (“AIGB”) and internal restructuring of business activities to facilitate business growth. As we forge ahead, the Group will continue to build on its brand recognition to grow customer base and assets portfolio. Added emphasis will be given to harnessing low-cost deposits and improving the cost of funding framework. Despite a slower start to the first quarter FY09 due to trading losses, we are comfortable with the market consensus profit estimates for FY2009.

B4. VARIANCE FROM PROFIT FORECAST AND SHORTFALL FROM PROFIT GUARANTEE

This is not applicable to the Group.

B5. TAXATION

The Group	Individual Quarter		Cumulative Quarter	
	30.6.08 RM'000	30.6.07 RM'000	30.6.08 RM'000	30.6.07 RM'000
Estimated current tax payable	4,813	71,047	4,813	71,047
Transfer from deferred tax	64,886	32,880	64,886	32,880
	<u>69,699</u>	<u>103,927</u>	<u>69,699</u>	<u>103,927</u>
Overprovision of current taxation in respect of prior years	(114)	(8)	(114)	(8)
Taxation	<u>69,585</u>	<u>103,919</u>	<u>69,585</u>	<u>103,919</u>
Zakat	(98)	-	(98)	-
Taxation and zakat	<u>69,487</u>	<u>103,919</u>	<u>69,487</u>	<u>103,919</u>

The total tax charge of the Group for the financial quarter ended 30 June 2008 and 2007 reflect an effective tax rate which is higher than the statutory tax rate due mainly to disallowances of certain expenses.

B6. SALE OF INVESTMENTS AND/OR FORECLOSED PROPERTIES

The Group	Individual Quarter		Cumulative Quarter	
	30.6.08 RM'000	30.6.07 RM'000	30.6.08 RM'000	30.6.07 RM'000
Net (loss)/gain from sale of securities held-for-trading	(52,275)	95,196	(52,275)	95,196
Net gain from sale of securities available-for-sale	10,757	22,449	10,757	22,449
Net gain from redemption of securities held-to-maturity	14,910	6,018	14,910	6,018
Impairment loss on securities	<u>(26,442)</u>	<u>(6,614)</u>	<u>(26,442)</u>	<u>(6,614)</u>

B7. QUOTED SECURITIES

This note is not applicable to financial institutions.

B8. CORPORATE PROPOSALS

1. The Company has sought the approval of Bank Negara Malaysia (“BNM”) for the commencement of discussions by AmAssurance Berhad (“AmAssurance”) with MAA Holdings Berhad (“MAAH”), pursuant to section 67 of the Insurance Act, 1996, for the proposed acquisition of the general insurance business in Malaysian Assurance Alliance Berhad, a composite insurer, and a minority equity stake in MAA Takaful Berhad, the Takaful insurance subsidiary of MAAH.
2. The Company has obtained the approval of BNM for the shareholders of AmAssurance to commence preliminary negotiations with Friends Provident plc, pursuant to the Insurance Act 1996 (“Insurance Act”), for the proposed sale of a minority stake in the life insurance business of AmAssurance. A separate application has also been submitted to BNM to obtain the regulatory approvals under the Insurance Act to enable the Company to split the existing composite insurance licence of AmAssurance, to enable the Company to undertake the life and general insurance business through two separate companies.
3. On 29 November 2007, AmInvestment Bank had entered into a memorandum of understanding with Woori Investment and Securities Co. Ltd, a member of the Woori Financial Group of Korea for the purpose of promoting the cooperation in the investment banking business between the two parties, enabling both the financial groups to leverage on each other’s established business franchise and network in both the domestic and regional capital markets.
4. Upon obtaining the necessary approvals from the relevant authorities, on 11 March 2008, AmBank proposed an issuance of up to Singapore Dollar (“SGD”) 425 million Non-Innovative Tier 1 Capital (“NIT1”), comprising of Non-Cumulative Perpetual Capital Securities (“NCPCS”) issued by AmBank, which are stapled to Subordinated Notes (“SubNotes”) issued by AmCapital (L) Inc (“AmCapital”), a wholly-owned subsidiary of AmBank (“together constitute the Stapled Securities”).

The Stapled Securities will be issued and offered to certain non-United States of America resident persons as defined in Section 902(k) of Regulations S in offshore transactions under the United States Securities Act of 1933 (“US Securities Act”), as amended from time to time. In addition, the Stapled Securities may only be issued to or offered for sale or subscription by persons outside Malaysia. The NCPCS and SubNotes cannot be traded separately until the occurrence of certain Assignment Events.

The proposed issuance of NIT1 is being undertaken by AmBank to fund the growth of AmBank’s business operations and as part of the Company’s plans to reorganize internally the operations of the Company group of companies (“Internal Reorganisation”). The Internal Reorganisation was completed in April 2008 and involved the transfer by AmInvestment Bank of its fund-based banking business and wholly-owned offshore bank subsidiary, AmInternational to AmBank and AmIslamic Bank.

The Stapled Securities are rated BB by both Fitch Ratings Ltd. and Standard & Poor’s.

B8. CORPORATE PROPOSALS (CONTD.)

5. On 19 December 2007, the Company received BNM approval involving the re-alignment of the shareholding structure of certain operating subsidiaries to fully constitute the Capital Market Group and Asset Management Group (the "Proposed Internal Transfer").

The Proposed Internal Transfer, will involve the intra-group transfer of the following AmBank Group companies:-

- (a) AmInvestment Bank will acquire from AmSecurities Holding Sdn Bhd ("AMSH") the following companies:-
- (i) AmFutures Sdn Bhd, a licenced futures broker for a cash consideration based on book value;
 - (ii) AmResearch Sdn Bhd, a licenced investment adviser, for a cash consideration based on book value; and
 - (iii) PT. AmCapital Indonesia ("AMCI"), the Group's Indonesian Subsidiary which is licenced to undertake stockbroking, underwriting and investment management activities, for a cash consideration based on cost of investment.
- (b) AIGB will acquire from AmInvestment Bank the following companies:-
- (i) AmInvestment Management Sdn Bhd, an asset management company, for a cash consideration based on book value; and
 - (ii) AmInvestment Services Berhad, a unit trust management company for a cash consideration based on book value.

In addition to the approval of BNM, the Proposed Internal Transfer is subject to the approvals of Securities Commission (other than for the transfer of AMCI), Badan Pengawas Pasar Modal dan Lembaga Keuangan, the Indonesian securities regulatory authority, for the transfer of AMCI, and any other relevant authorities, if necessary.

6. The Company's wholly-owned private equity fund management subsidiary company, Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI"), has entered into a joint venture agreement with Konzen Capital Pte Ltd, a member of Konzen Group ("Konzen"), to establish a private equity fund management company in Singapore.

The joint venture will manage a proposed US\$320 million (RM1 billion) special purpose vehicle called AmKonzen Asia Water Fund.

B9. BORROWINGS

	The Group	
	30.6.08	31.3.08
	RM'000	RM'000
(i) Deposits from customers		
Due within six months	36,258,114	37,253,676
Six months to one year	8,182,256	7,680,899
One year to three years	1,915,241	2,025,505
Three to five years	729,365	807,371
	<u>47,084,976</u>	<u>47,767,451</u>
(ii) Deposits and placements of banks and other financial institutions		
Due within six months	11,024,283	9,985,559
Six months to one year	2,464,805	1,772,255
One year to three years	1,221,649	1,288,415
Three to five years	1,382,730	2,072,460
	<u>16,093,467</u>	<u>15,118,689</u>
<i>Recap:</i>		
<i>Interbank lendings</i>	9,400,979	11,832,476
<i>Interbank borrowings</i>	(865,911)	(37,001)
<i>Net interbank lendings</i>	<u>8,535,068</u>	<u>11,795,475</u>
(iii) Term loans		
Due within one year		
Secured	<u>983,827</u>	<u>1,790,844</u>
(vi) Subordinated term loan		
More than one year	<u>460,000</u>	<u>460,000</u>
(v) Unsecured bonds		
More than one year	<u>1,550,000</u>	<u>1,750,000</u>
(vi) Hybrid capital		
More than one year	<u>654,855</u>	<u>673,830</u>
(vii) Medium Term Notes		
More than one year	<u>1,460,000</u>	<u>860,000</u>

On 18 May 2007, AmBank issued RM575,000,000 nominal value ten (10) year unsecured exchangeable bonds to ANZ which are exchangeable into 188,524,590 new ordinary shares of RM1.00 each in the Company at an exchange price of RM3.05 per share. The purpose of the issuance of the exchangeable bonds is to facilitate the involvement of ANZ as an investor and strategic partner of the Group and increasing AmBank's capital funds.

The salient features of the exchangeable bonds are as follows:

- (i) The exchangeable bonds bear interest at 5.00% per annum for the first five (5) years and subsequently at 5.50% for the next five (5) years. The interest is payable on a quarterly basis.
- (ii) The exchangeable bonds is redeemable at the nominal amount ten (10) years from issue date.
- (iii) The exchangeable bonds is for a period of ten (10) years. ANZ has the right to exchange all or any of the exchangeable bonds for ordinary listed shares of the Company, at any time/times up to Year 10, at RM3.05 per share.

B10. DERIVATIVE FINANCIAL INSTRUMENTS

Please refer to note A27

B11. MATERIAL LITIGATION

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

B12. DIVIDENDS

There has been no dividends proposed for the current financial quarter.

B13. EARNINGS PER SHARE (SEN)

a. Basic earnings per share

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

	Individual Quarter		Cumulative Quarter	
	30.6.08 RM'000	30.6.07 RM'000	30.6.08 RM'000	30.6.07 RM'000
Net profit attributable to equity holders of the Company	202,914	181,078	202,914	181,078
Number of ordinary shares at beginning of period	2,722,970	2,130,565	2,722,970	2,130,565
Effect of ordinary shares issued pursuant to:				
- exercise of Warrants 2003/2008	-	5	-	5
- conversion of CPS	-	77,464	-	77,464
Weighted average number of ordinary shares in issue	2,722,970	2,208,034	2,722,970	2,208,034
Basic earnings per share (Sen)	7.45	8.20	7.45	8.20

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

b. Fully diluted earnings per share

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

The Company has two categories of dilutive potential ordinary shares:

- (i) Warrants 2003/2008 (expired on 20 March 2008)
- (ii) Unsecured exchangeable bonds

	Individual Quarter		Cumulative Quarter	
	30.6.08 RM'000	30.6.07 RM'000	30.6.08 RM'000	30.6.07 RM'000
Net profit attributable to equity holders of the Company	202,914	181,078	202,914	181,078
Weighted average number of ordinary shares in issue (as in (a) above)	2,722,970	2,208,034	2,722,970	2,208,034
Adjusted for:				
Exercise of Warrants 2003/2008	-	69,995	-	69,995
Conversion of unsecured exchangeable bonds	14,098	52,269	14,098	52,269
Adjusted weighted average number of ordinary shares in issue and issuable	2,737,068	2,330,298	2,737,068	2,330,298
Fully diluted earnings per share (Sen)	7.41	7.77	7.41	7.77

The Group's adjusted weighted average number of ordinary shares in issue and issuable for the financial period ended 30 June 2008 have been arrived at based on the assumption that dilutive bonds is exchanged whilst for the financial period ended 30 June 2007, the share warrants 2003/2008 is exercised and the bonds is exchanged at beginning of year.

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

Date : 12 August 2008