

Company No. 8515-D

AmBank (M) Berhad

(Company No. 8515-D)

(Incorporated in Malaysia)

And Its Subsidiaries

Interim Financial Statements

For the Financial Period

1 April 2012 to

31 December 2012

(In Ringgit Malaysia)

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

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

		The Group			The Bank		
	31 December 2012	31 March 2012	1 April 2011	31 December 2012	31 March 2012	1 April 2011	
Note	RM'000	(Restated) RM'000	(Restated) RM'000	RM'000	(Restated) RM'000	(Restated) RM'000	
ASSETS							
Cash and short-term funds	7,469,643	5,453,638	8,740,986	7,432,250	5,133,039	8,375,879	
Securities purchased under resale agreements	-	384,570	289,731	-	384,570	289,731	
Deposits and placements with banks and other financial institutions	2,035,084	1,122,194	3,792,922	2,035,084	1,091,549	3,702,163	
Derivative financial assets	365,216	380,035	396,673	365,216	380,035	396,673	
Financial assets held-for-trading	A8 6,324,322	8,910,943	4,167,002	6,324,322	8,910,943	4,167,002	
Financial investments available-for-sale	A9 2,967,967	4,440,721	6,331,969	3,134,099	4,631,972	6,557,696	
Financial investments held-to-maturity	A10 1,574,288	116,155	165,331	1,573,897	113,501	159,589	
Loans and advances	A11 58,596,204	56,491,272	55,514,989	58,389,547	56,252,935	55,234,910	
Statutory deposit with Bank Negara Malaysia	2,108,435	2,011,288	143,811	2,108,435	2,011,288	143,811	
Deferred tax assets	122,782	159,570	416,439	122,569	158,391	417,364	
Investment in subsidiaries	-	-	-	65,800	65,800	65,800	
Investment in associates	1,878	1,611	1,243	127	127	142	
Other assets	A12 1,386,282	1,078,760	812,194	1,381,128	1,073,126	807,582	
Property and equipment	138,428	141,678	155,322	115,017	117,888	131,078	
Intangible assets	205,261	170,213	137,454	205,249	170,198	137,436	
TOTAL ASSETS	83,295,790	80,862,648	81,066,066	83,252,740	80,495,362	80,586,856	

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONTD.)

		31 December 2012	The Group 31 March 2012 (Restated)	1 April 2011 (Restated)	31 December 2012	The Bank 31 March 2012 (Restated)	1 April 2011 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND EQUITY							
Deposits and placements of banks and other financial institutions	A13	3,566,841	3,904,262	4,467,908	3,592,451	4,464,213	4,792,644
Securities sold under repurchase agreements		-	41,195	30,465	-	41,195	30,465
Recourse obligation on loans sold to Cagamas Berhad		1,267,275	1,176,054	1,018,043	1,267,275	1,176,054	1,018,043
Derivative financial liabilities		442,151	441,704	432,932	442,151	441,704	432,932
Deposits from customers	A14	61,565,591	59,423,851	59,664,604	61,547,967	58,560,290	59,036,112
Term funding		3,968,736	4,159,813	3,988,475	3,968,736	4,159,813	3,988,475
Bills and acceptances payable		819,892	353,526	988,389	819,892	353,526	988,389
Debt capital		3,634,081	3,241,592	3,367,860	3,634,081	3,241,592	3,367,860
Other liabilities	A15	1,984,237	2,149,210	2,082,720	1,973,322	2,138,688	2,072,071
Total Liabilities		77,248,804	74,891,207	76,041,396	77,245,875	74,577,075	75,726,991
Share capital		820,364	820,364	670,364	820,364	820,364	670,364
Reserves		5,226,556	5,151,031	4,354,260	5,186,501	5,097,923	4,189,501
Equity attributable to equity holder of the Bank		6,046,920	5,971,395	5,024,624	6,006,865	5,918,287	4,859,865
Non-controlling interests		66	46	46	-	-	-
Total Equity		6,046,986	5,971,441	5,024,670	6,006,865	5,918,287	4,859,865
TOTAL LIABILITIES AND EQUITY		83,295,790	80,862,648	81,066,066	83,252,740	80,495,362	80,586,856
COMMITMENTS AND CONTINGENCIES	A30	86,858,358	93,217,715	92,223,251	86,868,403	93,233,992	92,220,904
NET ASSETS PER SHARE (RM)		7.37	7.28	7.50	7.32	7.21	7.25

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 2012.

AmBank (M) Berhad
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UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012

	Note	Individual Quarter		Cumulative Quarter	
		31 December 2012 RM'000	31 December 2011 (Restated) RM'000	31 December 2012 RM'000	31 December 2011 (Restated) RM'000
The Group					
Operating revenue		1,258,288	1,206,598	3,723,048	3,783,667
Interest income	A16	1,081,134	1,064,445	3,227,716	3,188,448
Interest expense	A17	(581,397)	(554,908)	(1,715,701)	(1,684,907)
Net interest income		499,737	509,537	1,512,015	1,503,541
Net income/(loss) from Islamic banking business	A18	(7)	64	2	196
Other operating income	A19	177,157	142,081	495,310	594,999
Share in results of associates		65	69	267	236
Net income		676,952	651,751	2,007,594	2,098,972
Other operating expenses	A20	(236,775)	(257,003)	(759,403)	(777,558)
Operating profit		440,177	394,748	1,248,191	1,321,414
(Allowance)/Writeback of allowance for impairment on loans and advances	A21	(34,674)	(51,658)	5,737	(130,536)
(Provision)/Writeback of provision for commitments and contingencies		25,676	(19,465)	60,480	(48,615)
Impairment (loss)/writeback on:					
Doubtful sundry receivables, net		-	338	2,843	4,074
Financial investments	A22	3,350	1,039	3,173	9,738
Foreclosed properties		(56)	(19)	(10,124)	(28,293)
Property and equipment		-	-	1,350	-
Profit before taxation		434,473	324,983	1,311,650	1,127,782
Taxation		(90,803)	(76,853)	(319,589)	(273,450)
Profit for the period		343,670	248,130	992,061	854,332
Attributable to:					
Equity holder of the Bank		343,669	248,130	992,041	854,331
Non-controlling interests		1	-	20	1
Profit for the period		343,670	248,130	992,061	854,332
Earnings per share (sen)					
Basic/ Diluted	A23	41.89	30.25	120.93	104.14

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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
The Group				
Profit for the period	343,670	248,130	992,061	854,332
Other comprehensive income/(loss)				
Exchange differences on translation of foreign operations	41	(397)	(4,778)	5,985
Gain/(loss) on financial investments available-for-sale	(41,536)	(13,288)	(36,635)	9,825
Net movement on cash flow hedge	4,058	(15,721)	(4,967)	(81,726)
Income tax relating to the components of other comprehensive income	9,399	7,270	10,555	17,369
Other comprehensive loss for the period, net of tax	(28,038)	(22,136)	(35,825)	(48,547)
Total comprehensive income for the period	315,632	225,994	956,236	805,785
Attributable to:				
Equity holder of the Bank	315,631	225,994	956,216	805,784
Non-controlling interests	1	-	20	1
	315,632	225,994	956,236	805,785

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 2012.

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UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012

	Note	Individual Quarter		Cumulative Quarter	
		31 December 2012 RM'000	31 December 2011 (Restated) RM'000	31 December 2012 RM'000	31 December 2011 (Restated) RM'000
The Bank					
Operating revenue		1,271,632	1,204,177	3,733,867	3,903,932
Interest income	A16	1,079,218	1,062,253	3,221,767	3,182,443
Interest expense	A17	(581,581)	(554,868)	(1,716,124)	(1,685,813)
Net interest income		497,637	507,385	1,505,643	1,496,630
Other operating income	A19	192,414	141,924	512,100	721,489
Net income		690,051	649,309	2,017,743	2,218,119
Other operating expenses	A20	(236,785)	(257,027)	(759,006)	(777,051)
Operating profit		453,266	392,282	1,258,737	1,441,068
(Allowance)/Writeback of allowance for impairment on loans and advances	A21	(34,710)	(54,575)	4,792	(136,953)
(Provision)/Writeback of provision for commitments and contingencies		25,646	(19,465)	60,470	(48,614)
Impairment (loss)/writeback on:					
Associates		-	-	-	(15)
Doubtful sundry receivables, net		-	338	2,843	4,074
Financial investments	A22	3,350	770	2,589	9,424
Foreclosed properties		(56)	(19)	(10,124)	(28,293)
Property and equipment		-	-	1,350	-
Profit before taxation		447,496	319,331	1,320,657	1,240,691
Taxation		(88,776)	(76,301)	(317,336)	(276,742)
Profit for the period		358,720	243,030	1,003,321	963,949
Earnings per share (sen)					
Basic/ Diluted	A23	43.73	29.62	122.30	117.50

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**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012**

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
The Bank				
Profit for the period	358,720	243,030	1,003,321	963,949
Other comprehensive income/(loss)				
Exchange differences on translation of foreign operations	47	(182)	(4,607)	1,992
Gain/(loss) on financial investments available-for-sale	(40,694)	(12,412)	(34,565)	16,379
Net movement on cash flow hedge	4,058	(15,721)	(4,967)	(81,726)
Income tax relating to the components of other comprehensive income	9,192	7,046	10,043	15,741
Other comprehensive loss for the period, net of tax	(27,397)	(21,269)	(34,096)	(47,614)
Total comprehensive income for the period	331,323	221,761	969,225	916,335

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 2012.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012

	Attributable to equity holder of the Bank				Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000		
The Group						
At 1 April 2011						
As previously stated	670,364	942,844	773,803	2,729,847	46	5,116,904
Effect of change in accounting policy (Note A33)	-	-	-	(92,234)	-	(92,234)
As restated	670,364	942,844	773,803	2,637,613	46	5,024,670
Profit for the period	-	-	-	854,331	1	854,332
Other comprehensive loss	-	-	(48,547)	-	-	(48,547)
Total comprehensive income	-	-	(48,547)	854,331	1	805,785
Conversion of Irredeemable Non-Cumulative Convertible Preference Shares ("INCPS")	150,000	-	-	-	-	150,000
Transfer of Executive Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested	-	-	-	(3,177)	-	(3,177)
Dividend on ordinary shares: - final, financial year ended 31 March 2011	-	-	-	(248,034)	-	(248,034)
At 31 December 2011	820,364	942,844	725,256	3,240,733	47	5,729,244

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012 (CONTD.)

	Attributable to equity holder of the Bank				Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000		
At 1 April 2012						
As previously stated	820,364	942,844	1,034,619	3,273,377	46	6,071,250
Effect of change in accounting policy (Note A33)	-	-	10	(99,819)	-	(99,809)
As restated	820,364	942,844	1,034,629	3,173,558	46	5,971,441
Profit for the period	-	-	-	992,041	20	992,061
Other comprehensive loss	-	-	(35,825)	-	-	(35,825)
Total comprehensive income	-	-	(35,825)	992,041	20	956,236
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	(9,874)	-	(9,874)
Dividend on ordinary shares:						
- final, financial year ended 31 March 2012	-	-	-	(657,522)	-	(657,522)
- interim, financial year ending 31 March 2013	-	-	-	(213,295)	-	(213,295)
At 31 December 2012	820,364	942,844	998,804	3,284,908	66	6,046,986

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 2012.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012

	Attributable to equity holder of the Bank				Retained earnings RM'000	Total equity RM'000
	Non-distributable		Distributable			
The Bank	Share capital RM'000	Share premium RM'000	Other reserves RM'000			
At 1 April 2011						
As previously stated	670,364	942,844	728,045	2,615,588		4,956,841
Effect of change in accounting policy (Note A33)	-	-	-	(96,976)		(96,976)
As restated	670,364	942,844	728,045	2,518,612		4,859,865
Profit for the period	-	-	-	963,949		963,949
Other comprehensive loss	-	-	(47,614)	-		(47,614)
Total comprehensive income	-	-	(47,614)	963,949		916,335
Conversion of INCPS	150,000	-	-	-		150,000
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	(3,156)		(3,156)
Dividend on ordinary shares: - final, financial year ended 31 March 2011	-	-	-	(248,034)		(248,034)
At 31 December 2011	820,364	942,844	680,431	3,231,371		5,675,010

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012 (CONTD.)

	Attributable to equity holder of the Bank				Retained earnings RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Distributable		
The Bank						
At 1 April 2012						
As previously stated	820,364	942,844	992,471	3,265,739	6,021,418	
Effect of change in accounting policy (Note A33)	-	-	-	(103,131)	(103,131)	
As restated	820,364	942,844	992,471	3,162,608	5,918,287	
Profit for the period	-	-	-	1,003,321	1,003,321	
Other comprehensive loss	-	-	(34,096)	-	(34,096)	
Total comprehensive income	-	-	(34,096)	1,003,321	969,225	
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	(9,830)	(9,830)	
Dividend on ordinary shares:						
- final, financial year ended 31 March 2012	-	-	-	(657,522)	(657,522)	
- interim, financial year ending 31 March 2013	-	-	-	(213,295)	(213,295)	
At 31 December 2012	820,364	942,844	958,375	3,285,282	6,006,865	

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 2012.

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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012**

	The Group		The Bank	
	31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	1,311,650	1,127,782	1,320,657	1,240,691
Adjustments for non-operating and non-cash items	242,774	465,121	225,821	335,661
Operating profit before working capital changes	1,554,424	1,592,903	1,546,478	1,576,352
Changes in working capital:				
Net change in operating assets	(780,568)	(3,347,430)	(842,421)	(3,469,256)
Net change in operating liabilities	1,961,928	(3,550,717)	2,273,110	(3,292,299)
Tax paid	(278,160)	(305,629)	(276,816)	(303,900)
Net cash generated from/(used in) operating activities	2,457,624	(5,610,873)	2,700,351	(5,489,103)
Net cash generated from investing activities	19,198	2,825,096	59,677	2,978,911
Net cash used in financing activities	(460,817)	(248,034)	(460,817)	(248,034)
Net increase/(decrease) in cash and cash equivalents	2,016,005	(3,033,811)	2,299,211	(2,758,226)
Cash and cash equivalents at beginning of financial year	5,453,638	8,740,986	5,133,039	8,375,879
Cash and cash equivalents at end of financial period	7,469,643	5,707,175	7,432,250	5,617,653

For purposes of Statements of Cash Flows, Cash and cash equivalents comprise cash and bank balances 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 2012.

EXPLANATORY NOTES

A1. BASIS OF PREPARATION

Changes in accounting policies and disclosures

(a) Transition to Malaysian Financial Reporting Standards (“MFRS”) Framework

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”). These condensed consolidated interim financial statements also comply with IAS 34, Interim Financial Statements issued by the International Accounting Standards Board (“IASB”).

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 April 2012. For all periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”) issued by the MASB as modified by Bank Negara Malaysia’s (“BNM”) Guidelines.

The MFRS Framework has converged with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) except that, in the former; (a) FRS 201₂₀₀₄ Property Development Activities will continue to be the extant standard for accounting for property development activities and not IC 15 Agreements for the Construction of Real Estate; and (b) there is no equivalent standard to MFRS 141 Agriculture.

The Group has applied MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards in its transition to the MFRS Framework.

In preparing its opening MFRS statements of financial position as at 1 April 2011, the Group has adjusted the amounts previously reported in the financial statements prepared in accordance with FRS to reflect the financial effects from the adoption of MFRS.

The adoption of the MFRS framework also resulted in a change in the accounting for collective assessment.

Up until the financial year ended 31 March 2012, the Group’s collective assessment allowance for loans and advances was determined based on the transitional provision prescribed in Bank Negara Malaysia’s (“BNM”) Guidelines on Classification and Impairment Provisions for Loans/ Financing (“the Guidelines”), modified to reflect the Group’s historical loss experience.

This transitional provision has since been removed so as to align to the requirements of MFRS 139, Financial Instruments: Recognition and Measurement.

Under MFRS 139, loans and advances which are not individually significant are collectively assessed using the incurred loss approach. If it is determined that no objective evidence of impairment exists for an individually assessed loan or advance, the loan or advance is also included in the group of loans and advances with similar credit risk characteristics for collective impairment assessment. The future cash flows of each group of loans and advances with similar credit risk characteristics are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans and advances.

This change in accounting policy has been applied retrospectively in accordance with MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors.

The financial effects on the Group’s financial position and financial performance on adoption of the MFRS Framework are set out in Note A33. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

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A1. BASIS OF PREPARATION (CONTD.)

Changes in accounting policies and disclosures (Contd.)

(b) FRSIC Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad

Previously, monies held in trust accounts (“trust monies”) by certain related companies are accounted for as assets with corresponding liabilities in the consolidated financial statements of the holding company. A related company, a licensed investment bank, had placed some trust monies with the Bank which was classified under deposits and placements of banks and other financial institutions.

In accordance with FRSIC Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad issued by the Malaysian Institute of Accountants which came into effect from 1 April 2012, such trust monies do not meet the definition of an asset as rights over the trust monies do not exist. Moreover, for the related company, there does not exist any contractual or statutory obligation (liability) to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the said related company.

As a result, monies held in trust together with the corresponding liabilities are derecognised from the assets and liabilities of the related company and holding company.

This change in accounting policy by the holding company has been applied retrospectively in accordance with MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors.

The financial impact of this change in accounting policy on the financial statements of the Group is disclosed in Note A33.

(c) New and amended standards and interpretations

1. Standards effective for financial year ending 31 March 2013

The accounting policies adopted are consistent with those of the previous financial year, except as disclosed above and the following new and amended MFRSs and Interpretation Committee (“IC”) Interpretations which became effective for the Group from 1 April 2012:

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- MFRS 124, Related Party Disclosures
- Amendments to MFRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to MFRS 7, Disclosures – Transfers of Financial Assets
- Amendments to MFRS 112, Deferred Tax: Recovery of Underlying Assets

The adoption of these new and amended MFRSs and IC Interpretations did not have any significant impact on the financial position or performance of the Group.

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A1. BASIS OF PREPARATION (CONTD.)

Changes in accounting policies and disclosures (Contd.)

(c) New and amended standards and interpretations (Contd.)

2. Standards issued but not yet effective

The following are MFRSs and IC Interpretations issued by MASB that will be effective for the Group in future years. The Group intends to adopt the relevant standards when they become effective.

(i) Standards effective for financial year ending 31 March 2014:

- MFRS 3, Business Combinations (IFRS 3, Business Combinations issued by IASB in March 2004)
- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (as amended in November 2011)
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27, Consolidated and Separate Financial Statements revised by IASB in December 2003)
- MFRS 127, Separate Financial Statements (as amended in November 2011)
- MFRS 128, Investments in Associates and Joint Ventures (as amended in November 2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine (not relevant to the Group)
- Amendments to MFRS 1, Government Loans
- Amendments to MFRS 7, Disclosures: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income
- Amendments to MFRSs contained in the document entitled "Annual Improvement 2009-2011 Cycle"

(ii) Standards effective for financial year ending 31 March 2015:

- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities

(iii) Standards effective for financial year ending 31 March 2016:

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)

A2. AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2012 was not qualified.

A3. SEASONALITY OR CYCLICALITY 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 DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

A5. CHANGES IN ESTIMATES

There was no material change in estimates of amounts reported in prior financial years that have a material effect on the financial quarter ended 31 December 2012 other than as disclosed in Note A33 Changes in accounting policies and restatement of comparatives.

A6. ISSUANCE, REPURCHASE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

Early redemption of RM300.00 million nominal value and issuance of Tranche 8 of RM710.0 million of the Medium Term Notes ("MTN").

On 8 October 2012, the Bank had early redeemed RM300.0 million nominal value of its MTN under Tranche 1, via open market buy-back mechanism. Subsequently, on 10 October 2012, the Bank had cancelled RM300.0 million nominal value of Tranche 1 of the MTN, with original issuance size of RM500.0 million. This tranche of MTN was initially due for redemption at the next step-up date in February 2013.

On 16 October 2012, the Bank issued a new tranche of MTN (Tranche 8), amounting to a total of RM710.0 million for a tenor of 10 years Non-Callable 5 years, bearing interest at 4.45% per annum. The step-up proviso does not apply to the interest rate on the MTN Tranche 8. RM300.0 million of the MTN under Tranche 8 was utilized as a one-to-one replacement for the MTN early redeemed under Tranche 1.

Save as disclosed above, there were no share buy-backs, share cancellations, shares held as treasury shares, resale of treasury shares and repayment of debt and equity securities by the Bank during the financial quarter and period.

A7. DIVIDENDS

During the financial period:

- i) the final single-tier cash dividend of approximately 80.15 sen per ordinary share on 820,363,762 ordinary shares amounting to RM657,521,556 in respect of the financial year ended 31 March 2012 was paid on 14 August 2012.
- ii) the interim single-tier cash dividend of 26.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM213,294,578 in respect of the current financial year was paid on 21 November 2012.

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A8. FINANCIAL ASSETS HELD-FOR-TRADING

	The Group and The Bank	
	31 December	31 March
	2012	2012
	RM'000	RM'000
At Fair Value		
Money Market Instruments:		
Treasury bills	9,964	54,784
Malaysian Government Securities	492,071	929,544
Malaysian Government Investment Issues	392,196	223,512
Bank Negara Monetary Notes	1,571,832	5,049,904
	<u>2,466,063</u>	<u>6,257,744</u>
Quoted Securities:		
<i>In Malaysia:</i>		
Shares	170,720	247,555
Unit Trusts	37,392	65,033
Warrants	3,593	2,864
	<u>211,705</u>	<u>315,452</u>
<i>Outside Malaysia</i>		
Shares	12,837	-
	<u>12,837</u>	<u>-</u>
Unquoted Securities:		
<i>In Malaysia:</i>		
Private debt securities	2,812,629	1,732,100
	<u>2,812,629</u>	<u>1,732,100</u>
<i>Outside Malaysia</i>		
Private debt securities	821,088	605,647
	<u>821,088</u>	<u>605,647</u>
Total financial assets held-for-trading	<u>6,324,322</u>	<u>8,910,943</u>

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A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
At Fair Value				
Money Market Instruments:				
Negotiable instruments of deposit	525,036	1,569,355	525,036	1,569,355
Malaysian Government Securities	-	20,782	-	20,782
Islamic negotiable instruments of deposit	337,695	823,480	337,695	823,480
Malaysian Government Investment Issues	15,194	45,425	15,194	45,425
	<u>877,925</u>	<u>2,459,042</u>	<u>877,925</u>	<u>2,459,042</u>
Quoted Securities:				
<i>In Malaysia:</i>				
Shares	7,631	11,990	7,518	11,858
Unit Trusts	208,664	60,160	208,664	60,160
Private debt securities	6,553	27,050	6,553	27,050
	<u>222,848</u>	<u>99,200</u>	<u>222,735</u>	<u>99,068</u>
<i>Outside Malaysia:</i>				
Shares	63	83	25	41
	<u>63</u>	<u>83</u>	<u>25</u>	<u>41</u>
Unquoted Securities:				
<i>In Malaysia:</i>				
Private debt securities	1,554,424	1,623,836	1,721,566	1,816,122
	<u>1,554,424</u>	<u>1,623,836</u>	<u>1,721,566</u>	<u>1,816,122</u>
<i>Outside Malaysia:</i>				
Private debt securities	224,359	170,289	224,359	170,289
	<u>224,359</u>	<u>170,289</u>	<u>224,359</u>	<u>170,289</u>
At Cost, Less Impairment Losses				
Unquoted securities:				
<i>In Malaysia:</i>				
Shares	87,330	87,330	87,330	87,330
	<u>87,330</u>	<u>87,330</u>	<u>87,330</u>	<u>87,330</u>
<i>Outside Malaysia:</i>				
Shares	1,018	941	159	80
	<u>1,018</u>	<u>941</u>	<u>159</u>	<u>80</u>
Total financial investments available-for-sale	<u>2,967,967</u>	<u>4,440,721</u>	<u>3,134,099</u>	<u>4,631,972</u>

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A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
At Amortised Cost				
Unquoted Securities:				
<i>In Malaysia:</i>				
Private debt securities	1,766,102	318,210	1,764,492	313,768
Less: Accumulated impairment losses	(191,814)	(202,055)	(190,595)	(200,267)
Total financial investments held-to-maturity	<u>1,574,288</u>	<u>116,155</u>	<u>1,573,897</u>	<u>113,501</u>

A11. LOANS AND ADVANCES

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 (Restated) RM'000	31 December 2012 RM'000	31 March 2012 (Restated) RM'000
At Amortised Cost:				
Overdraft	2,349,293	2,297,029	2,349,293	2,297,029
Term loans	19,214,978	17,558,672	19,214,978	17,557,035
Housing loan receivables	12,184,835	11,868,932	11,921,829	11,583,554
Hire-purchase receivables	16,410,383	16,851,911	16,410,383	16,851,911
Bills receivables	450,303	326,656	450,303	326,656
Trust receipts	893,378	792,784	893,378	792,784
Claims on customers under acceptance credits	2,570,360	2,442,453	2,570,360	2,442,453
Staff loans	140,109	147,894	139,764	147,446
Card receivables	1,436,985	1,446,318	1,436,985	1,446,318
Revolving credits	4,351,832	4,326,943	4,408,221	4,376,193
Others	162,532	130,844	162,532	130,844
Gross loans and advances	<u>60,164,988</u>	<u>58,190,436</u>	<u>59,958,026</u>	<u>57,952,223</u>
Allowance for impaired loans, advances and financing:				
– Collective allowance	(1,471,197)	(1,584,690)	(1,470,892)	(1,584,814)
– Individual allowance	(97,587)	(114,474)	(97,587)	(114,474)
Net loans and advances	<u>58,596,204</u>	<u>56,491,272</u>	<u>58,389,547</u>	<u>56,252,935</u>

On 28 December 2012, as part of an arrangement with Amlslamic Bank Berhad ("Amlslamic Bank") in relation to Restricted Profit Sharing Investment Accounts ("RPSIA"), the Bank records as deposits and placements with banks and other financial institutions, its exposure in the arrangement, whereas Amlslamic Bank records its exposure as financing and advances. The RPSIA is a contract based on Shariah concept of Mudharabah between the Bank and Amlslamic Bank to finance a specific business venture where the Bank solely provides capital and the business ventures are managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on a preagreed ratio. The RPSIA arrangement exposes the Bank to the risks and rewards on the financing and accordingly, the Bank accounts for all impairment allowances arising from the RPSIA financing.

As at 31 December 2012, the gross exposure and collective allowance relating to RPSIA financing are RM502.3 million and RM1.9 million respectively.

There was no individual allowance provided for the RPSIA financing.

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A11. LOANS AND ADVANCES (CONTD.)

(a) Gross loans and advances analysed by type of customers are as follows:

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
Domestic non-bank financial institutions	2,047,305	2,384,610	2,127,791	2,464,527
Domestic business enterprises				
– Small medium enterprises	7,361,062	6,721,159	7,361,062	6,721,159
– Others	19,359,447	18,030,268	19,359,447	18,028,631
Government and statutory bodies	-	3,032	-	3,032
Individuals	30,923,152	30,514,820	30,659,801	30,228,993
Other domestic entities	13,638	12,715	13,638	12,715
Foreign entities	460,384	523,832	436,287	493,166
	<u>60,164,988</u>	<u>58,190,436</u>	<u>59,958,026</u>	<u>57,952,223</u>

(b) Gross loans and advances analysed by geographical distribution are as follows:

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
In Malaysia	59,315,187	57,426,097	59,132,322	57,218,550
Outside Malaysia	849,801	764,339	825,704	733,673
	<u>60,164,988</u>	<u>58,190,436</u>	<u>59,958,026</u>	<u>57,952,223</u>

(c) Gross loans and advances analysed by interest rate sensitivity are as follows:

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
Fixed rate				
– Housing loans	1,818,040	1,833,433	1,554,766	1,547,694
– Hire-purchase receivables	14,614,429	14,959,579	14,614,352	14,959,491
– Other fixed rate loans	4,722,347	5,388,739	4,722,347	5,388,739
Variable rate				
– Base lending rate plus	22,164,585	22,061,917	22,164,585	22,061,917
– Cost plus	13,614,525	11,730,762	13,670,914	11,780,014
– Other variable rates	3,231,062	2,216,006	3,231,062	2,214,368
	<u>60,164,988</u>	<u>58,190,436</u>	<u>59,958,026</u>	<u>57,952,223</u>

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A11. LOANS AND ADVANCES (CONTD.)

(d) Gross loans and advances analysed by sector are as follows:

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
Agriculture	2,491,870	2,100,167	2,491,870	2,100,167
Mining and quarrying	1,688,846	1,466,216	1,688,846	1,466,216
Manufacturing	5,372,516	5,363,907	5,372,516	5,362,270
Electricity, gas and water	810,495	1,413,859	810,495	1,413,859
Construction	2,146,174	2,015,392	2,146,174	2,015,392
Wholesale, retail trade, restaurant and hotel	4,808,875	3,795,913	4,808,875	3,795,913
Transport, storage and communication	2,120,646	1,939,008	2,120,646	1,939,008
Finance and insurance	2,071,402	2,415,276	2,127,791	2,464,527
Real estate	5,109,644	4,425,647	5,109,644	4,425,647
Business activities	1,263,023	1,251,729	1,263,023	1,251,729
Education and health	1,059,003	1,374,018	1,059,003	1,374,018
Household of which:	30,972,278	30,546,783	30,708,927	30,260,956
- Purchase of residential properties	12,314,792	11,987,637	12,051,518	11,701,898
- Purchase of transport vehicles	14,940,016	15,014,404	14,939,939	15,014,316
- Others	3,717,470	3,544,742	3,717,470	3,544,742
Others	250,216	82,521	250,216	82,521
	<u>60,164,988</u>	<u>58,190,436</u>	<u>59,958,026</u>	<u>57,952,223</u>

(e) Gross loans and advances analysed by residual contractual maturity are as follows:

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
Maturing within one year	12,836,418	10,869,709	12,892,807	10,915,860
Over one year to three years	6,997,870	8,937,606	6,984,443	8,924,201
Over three years to five years	10,003,274	8,115,921	9,985,989	8,096,586
Over five years	30,327,426	30,267,200	30,094,787	30,015,576
	<u>60,164,988</u>	<u>58,190,436</u>	<u>59,958,026</u>	<u>57,952,223</u>

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A11. LOANS AND ADVANCES (CONTD.)

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

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	1,663,897	2,123,247	1,663,202	2,122,976
Impaired during the year/period	809,340	1,430,503	808,885	1,429,951
Reclassification as non-impaired	(228,728)	(253,979)	(228,464)	(253,867)
Amount recovered	(329,032)	(557,407)	(329,008)	(557,391)
Amount written off	(510,010)	(1,078,467)	(510,010)	(1,078,467)
Repurchase of loans	2,888	-	2,888	-
Balance at end of financial year/period	<u>1,408,355</u>	<u>1,663,897</u>	<u>1,407,493</u>	<u>1,663,202</u>
Impaired loans and advances as % of total gross loans and advances	<u>2.3%</u>	<u>2.9%</u>	<u>2.3%</u>	<u>2.9%</u>
Loan loss coverage (excluding collateral values)	<u>111.4%</u>	<u>102.1%</u>	<u>111.4%</u>	<u>102.2%</u>

(g) All impaired loans and advances reside in Malaysia.

(h) Impaired loans and advances analysed by sector are as follows:

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
Agriculture	23,264	23,935	23,264	23,935
Mining and quarrying	18,171	154,677	18,171	154,677
Manufacturing	209,970	184,869	209,970	184,869
Electricity, gas and water	25,329	132,130	25,329	132,130
Construction	50,605	94,839	50,605	94,839
Wholesale, retail trade, restaurant and hotel	37,062	42,430	37,062	42,430
Transport, storage and communication	16,664	4,089	16,664	4,089
Finance and insurance	26,823	37,628	26,823	37,628
Real estate	13,110	26,200	13,110	26,200
Business activities	13,925	12,369	13,925	12,369
Education and health	46,012	44,805	46,012	44,805
Household of which:	916,729	895,513	915,867	894,818
- Purchase of residential properties	536,229	537,997	535,367	537,302
- Purchase of transport vehicles	297,890	277,835	297,890	277,835
- Others	82,610	79,681	82,610	79,681
Others	10,691	10,413	10,691	10,413
	<u>1,408,355</u>	<u>1,663,897</u>	<u>1,407,493</u>	<u>1,663,202</u>

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A11. LOANS AND ADVANCES (CONTD.)

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

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
Collective allowance				
Balance at beginning of financial year				
- as previously stated	1,538,765	1,647,390	1,534,602	1,641,832
- effect of change in accounting policy	45,925	45,925	50,212	101,363
As restated	<u>1,584,690</u>	<u>1,693,315</u>	<u>1,584,814</u>	<u>1,743,195</u>
Charge to income statement, net	172,573	413,104	172,141	363,352
Amount transferred from AmIslamic Bank	1,871	-	1,871	-
Amount written-off	(287,831)	(521,758)	(287,831)	(521,758)
Exchange differences	(106)	29	(103)	25
Balance at end of financial year/period	<u>1,471,197</u>	<u>1,584,690</u>	<u>1,470,892</u>	<u>1,584,814</u>
As % of gross loans and advances less individual allowance	<u>2.4%</u>	<u>2.7%</u>	<u>2.5%</u>	<u>2.7%</u>
Individual allowance				
Balance at beginning of financial year	114,474	341,071	114,474	341,071
Charge to income statement, net	200,175	318,945	200,175	318,945
Amount written-off	(217,062)	(545,542)	(217,062)	(545,542)
Balance at end of financial year/period	<u>97,587</u>	<u>114,474</u>	<u>97,587</u>	<u>114,474</u>

A12. OTHER ASSETS

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 (Restated) RM'000	31 December 2012 RM'000	31 March 2012 (Restated) RM'000
Other receivables, deposits and prepayments, net	770,350	540,239	765,178	534,562
Interest receivable, net	144,981	141,534	144,999	141,577
Amount due from originators	258,662	166,238	258,662	166,238
Foreclosed properties, net	71,975	82,607	71,975	82,607
Deferred charges	140,314	148,142	140,314	148,142
	<u>1,386,282</u>	<u>1,078,760</u>	<u>1,381,128</u>	<u>1,073,126</u>

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A13. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	31 December 2012	31 March 2012 (Restated)	31 December 2012	31 March 2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
Deposits from:				
Licensed banks	1,228,014	2,274,787	1,248,224	2,842,893
Licensed investment banks	1,006,743	780,827	1,006,743	780,827
Other financial Institutions	499,647	670,444	505,047	662,289
Bank Negara Malaysia ("BNM")	832,437	178,204	832,437	178,204
	<u>3,566,841</u>	<u>3,904,262</u>	<u>3,592,451</u>	<u>4,464,213</u>

A14. DEPOSIT FROM CUSTOMERS

	The Group		The Bank	
	31 December 2012	31 March 2012 (Restated)	31 December 2012	31 March 2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
Demand deposits	6,967,248	5,719,715	6,968,598	5,720,953
Savings deposits	3,211,449	3,209,941	3,211,449	3,209,941
Term/Investment deposits	51,219,798	49,976,755	51,200,824	49,111,956
Negotiable instruments of deposits	167,096	517,440	167,096	517,440
	<u>61,565,591</u>	<u>59,423,851</u>	<u>61,547,967</u>	<u>58,560,290</u>

(i) The deposits are sourced from the following types of customers:

	The Group		The Bank	
	31 December 2012	31 March 2012	31 December 2012	31 March 2012
	RM'000	RM'000	RM'000	RM'000
Government and other statutory bodies	4,769,552	5,314,300	4,769,552	5,314,300
Business enterprises	28,475,668	26,111,195	28,458,736	25,247,634
Individuals	27,345,256	26,873,141	27,344,574	26,873,141
Others	975,115	1,125,215	975,105	1,125,215
	<u>61,565,591</u>	<u>59,423,851</u>	<u>61,547,967</u>	<u>58,560,290</u>

(ii) The maturity structure of term/investment deposits and negotiable instruments of deposits is as follows:

	The Group		The Bank	
	31 December 2012	31 March 2012	31 December 2012	31 March 2012
	RM'000	RM'000	RM'000	RM'000
Due within six months	38,981,778	38,338,038	38,962,804	37,473,239
Over six months to one year	9,474,563	8,795,115	9,474,563	8,795,115
Over one year to three years	2,273,206	2,322,715	2,273,206	2,322,715
Over three years to five years	657,347	1,038,327	657,347	1,038,327
	<u>51,386,894</u>	<u>50,494,195</u>	<u>51,367,920</u>	<u>49,629,396</u>

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A15. OTHER LIABILITIES

	The Group		The Bank	
	31 December 2012	31 March 2012 (Restated)	31 December 2012	31 March 2012 (Restated)
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals	1,246,027	1,384,452	1,236,770	1,375,836
Interest payable	534,586	513,655	534,581	513,594
Lease deposits and advance rentals	22,011	31,506	22,011	31,506
Provision for commitments and contingencies	156,273	216,837	156,281	216,835
Provision for taxation	25,340	2,760	23,679	917
	<u>1,984,237</u>	<u>2,149,210</u>	<u>1,973,322</u>	<u>2,138,688</u>

A16. INTEREST INCOME

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
The Group				
Short-term funds and deposits with financial institutions	52,026	54,455	162,654	214,997
Financial assets held-for-trading	60,977	45,789	176,650	138,570
Financial investments available-for-sale	40,462	60,469	136,548	156,506
Financial investments held-to-maturity	15,689	547	35,684	3,894
Loans and advances (excluding impaired)	908,307	896,471	2,701,986	2,657,894
Impaired loans and advances	537	2,007	3,992	7,706
Others	3,136	4,707	10,202	8,881
	<u>1,081,134</u>	<u>1,064,445</u>	<u>3,227,716</u>	<u>3,188,448</u>
The Bank				
Short-term funds and deposits with financial institutions	51,990	54,368	162,418	214,294
Financial assets held-for-trading	60,977	45,789	176,650	138,570
Financial investments available-for-sale	42,662	63,170	143,468	164,983
Financial investments held-to-maturity	15,664	444	35,617	3,591
Loans and advances (excluding impaired)	904,252	891,768	2,689,420	2,644,418
Impaired loans and advances	537	2,007	3,992	7,706
Others	3,136	4,707	10,202	8,881
	<u>1,079,218</u>	<u>1,062,253</u>	<u>3,221,767</u>	<u>3,182,443</u>

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A17. INTEREST EXPENSE

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
The Group				
Deposits from customers	448,693	427,995	1,332,130	1,285,929
Deposits and placements of banks and other financial institutions	20,149	18,095	53,333	70,937
Recourse obligation of loans sold to Cagamas Berhad	10,324	10,472	30,773	31,734
Term funding	42,522	44,413	127,936	127,550
Debt capital	53,472	54,346	150,628	161,682
Others	6,237	(413)	20,901	7,075
	<u>581,397</u>	<u>554,908</u>	<u>1,715,701</u>	<u>1,684,907</u>
The Bank				
Deposits from customers	448,855	427,500	1,331,574	1,284,261
Deposits and placements of banks and other financial institutions	20,170	18,548	54,314	73,490
Recourse obligation of loans sold to Cagamas Berhad	10,324	10,472	30,773	31,734
Term funding	42,522	44,413	127,936	127,550
Debt capital	53,472	54,347	150,623	161,672
Others	6,238	(412)	20,904	7,106
	<u>581,581</u>	<u>554,868</u>	<u>1,716,124</u>	<u>1,685,813</u>

A18. NET (LOSS)/INCOME FROM ISLAMIC BANKING BUSINESS

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
The Group				
Income derived from investment of depositors' funds and others	4	9	25	31
Income derived from investment of shareholder's funds	(7)	63	(3)	189
Income attributable to the depositors	(4)	(8)	(20)	(24)
	<u>(7)</u>	<u>64</u>	<u>2</u>	<u>196</u>

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A19. OTHER OPERATING INCOME

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
The Group				
Fee and commission income:				
Bancassurance commission	8,697	7,462	26,020	21,648
Brokerage fees, commission and rebates	464	412	1,355	1,197
Corporate advisory	-	9	-	33
Fees on loans, advances and securities	59,040	45,737	167,009	143,840
Guarantee fees	11,844	6,429	29,918	29,485
Underwriting fees	5,500	-	5,500	37
Other fee income	12,548	10,846	39,186	44,046
	<u>98,093</u>	<u>70,895</u>	<u>268,988</u>	<u>240,286</u>
Investment and trading income:				
Foreign exchange ¹	27,138	29,006	75,614	78,206
Gross dividend income from:				
Associates	-	-	1,160	-
Financial assets held-for-trading	2,304	1,447	6,982	8,995
Financial investments available-for-sale	1,185	7,287	5,119	12,290
Gain on sale/redemption of:				
Financial assets held-for-trading	5,123	18,861	23,067	96,996
Financial investments available-for-sale	13,899	7,956	38,154	84,885
Financial investments held-to-maturity	5,355	126	40,648	9,098
Gain/(loss) on derivatives:				
- fair value hedge ²	-	(163)	-	460
- others	(2,736)	(11,369)	39,575	73,561
Gain/(loss) on revaluation of financial assets held-for-trading	23,832	19,539	(10,036)	(1,079)
Others	(1,247)	(5,321)	(3,538)	(23,259)
	<u>74,853</u>	<u>67,369</u>	<u>216,745</u>	<u>340,153</u>
Other income:				
Gain/(loss) on disposal of property and equipment	5	398	(1,619)	611
Non trading foreign exchange	847	392	721	4,070
Rental income	1,024	759	3,130	2,508
Others	2,335	2,268	7,345	7,371
	<u>4,211</u>	<u>3,817</u>	<u>9,577</u>	<u>14,560</u>
	<u>177,157</u>	<u>142,081</u>	<u>495,310</u>	<u>594,999</u>

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

² Arising from changes in fair value of interest rate swaps (hedging instrument) and subordinated term loan and loans sold to Cagamas Berhad (hedged items) relating to the hedged risk. The fair value hedge for the above hedged items was terminated as at 31 March 2012.

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A19. OTHER OPERATING INCOME (CONTD.)

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
The Bank				
Fee and commission income:				
Bancassurance commission	8,697	7,462	26,020	21,648
Brokerage fees, commission and rebates	464	412	1,355	1,197
Fees on loans, advances and securities	59,035	45,732	166,976	143,828
Guarantee fees	11,735	6,295	29,564	28,994
Underwriting fees	5,500	-	5,500	37
Other fee income	12,803	11,155	40,006	44,966
	<u>98,234</u>	<u>71,056</u>	<u>269,421</u>	<u>240,670</u>
Investment and trading income:				
Foreign exchange ¹	27,138	29,006	75,614	78,206
Gross dividend income from:				
Associates	-	-	1,160	-
Financial assets held-for-trading	2,304	1,447	6,982	8,995
Financial investments available-for-sale	1,185	7,287	5,119	12,290
Subsidiaries	15,323	-	17,393	130,407
Gain on sale/redemption of:				
Financial assets held-for-trading	5,123	18,861	23,067	96,996
Financial investments available-for-sale	13,899	7,956	38,154	84,885
Financial investments held-to-maturity	5,355	126	40,648	9,098
Gain/(loss) on derivatives:				
- fair value hedge ²	-	(163)	-	460
- others	(2,736)	(11,369)	39,575	73,561
Gain/(Loss) on revaluation of				
financial assets held-for-trading	23,832	19,539	(10,036)	(1,079)
Others	(1,247)	(5,321)	(3,538)	(23,259)
	<u>90,176</u>	<u>67,369</u>	<u>234,138</u>	<u>470,560</u>
Other income:				
Gain/(loss) on disposal of				
property and equipment	5	398	(1,619)	541
Non trading foreign exchange	801	392	667	694
Rental income	801	633	2,492	1,995
Others	2,397	2,076	7,001	7,029
	<u>4,004</u>	<u>3,499</u>	<u>8,541</u>	<u>10,259</u>
	<u>192,414</u>	<u>141,924</u>	<u>512,100</u>	<u>721,489</u>

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

² Arising from changes in fair value of interest rate swaps (hedging instrument) and subordinated term loan and loans sold to Cagamas Berhad (hedged items) relating to the hedged risk. The fair value hedge for the above hedged items was terminated as at 31 March 2012.

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A20. OTHER OPERATING EXPENSES

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
The Group				
Personnel costs:				
Salaries, allowances and bonuses	149,992	139,040	470,365	455,778
Shares and options granted under ESS	8,377	7,241	23,881	19,969
Others	33,845	40,343	122,112	126,577
	<u>192,214</u>	<u>186,624</u>	<u>616,358</u>	<u>602,324</u>
Establishment costs:				
Amortisation of intangible assets	11,813	9,830	33,730	27,885
Cleaning, maintenance and security	4,966	6,105	16,825	18,091
Computerisation cost	41,926	33,022	119,527	91,083
Depreciation of property and equipment	10,610	10,569	31,456	32,922
Rental	17,730	16,815	52,885	50,058
Others	7,041	7,270	20,724	19,279
	<u>94,086</u>	<u>83,611</u>	<u>275,147</u>	<u>239,318</u>
Marketing and communication expenses:				
Advertising and marketing	9,350	13,034	21,824	26,321
Commission	487	542	1,009	1,383
Communication	10,547	10,228	31,346	30,948
Others	2,775	2,030	7,824	6,993
	<u>23,159</u>	<u>25,834</u>	<u>62,003</u>	<u>65,645</u>
Administration and general expenses:				
Professional services	12,685	16,655	45,668	46,807
Others	10,413	7,515	28,288	19,827
	<u>23,098</u>	<u>24,170</u>	<u>73,956</u>	<u>66,634</u>
Service transfer pricing recovery - net	(90,102)	(63,236)	(253,586)	(196,363)
Expenses capitalised	(5,680)	-	(14,475)	-
	<u>236,775</u>	<u>257,003</u>	<u>759,403</u>	<u>777,558</u>

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A20. OTHER OPERATING EXPENSES (CONTD.)

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
The Bank				
Personnel costs:				
Salaries, allowances and bonuses	149,656	138,697	469,309	454,656
Shares and options granted under ESS	8,358	7,212	23,829	19,894
Others	33,777	40,271	121,869	126,312
	<u>191,791</u>	<u>186,180</u>	<u>615,007</u>	<u>600,862</u>
Establishment costs:				
Amortisation of intangible assets	11,812	9,828	33,727	27,882
Cleaning, maintenance and security	4,855	6,028	16,326	17,665
Computerisation cost	41,932	33,020	119,528	91,116
Depreciation of property and equipment	10,483	10,441	31,073	32,537
Rental	18,166	17,313	54,243	51,406
Others	6,865	7,079	20,143	18,714
	<u>94,113</u>	<u>83,709</u>	<u>275,040</u>	<u>239,320</u>
Marketing and communication expenses:				
Advertising and marketing	9,350	13,034	21,824	26,321
Commission	487	542	1,009	1,383
Communication	10,537	10,218	31,311	30,913
Others	2,768	2,029	7,811	6,986
	<u>23,142</u>	<u>25,823</u>	<u>61,955</u>	<u>65,603</u>
Administration and general expenses:				
Professional services	12,671	16,641	45,614	46,755
Others	10,313	7,417	27,980	19,507
	<u>22,984</u>	<u>24,058</u>	<u>73,594</u>	<u>66,262</u>
Service transfer pricing recovery - net	(89,565)	(62,743)	(252,115)	(194,996)
Expenses capitalised	(5,680)	-	(14,475)	-
	<u>236,785</u>	<u>257,027</u>	<u>759,006</u>	<u>777,051</u>

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A21. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON LOANS AND ADVANCES

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
The Group				
Allowance for impaired loans and advances:				
Individual allowance	137,676	30,514	200,175	183,849
Collective allowance	9,611	142,911	172,573	324,803
Impaired loans and advances recovered, net	(108,733)	(118,036)	(374,605)	(374,385)
Recovery on loans sold to Danaharta	(3,880)	(3,731)	(3,880)	(3,731)
	<u>34,674</u>	<u>51,658</u>	<u>(5,737)</u>	<u>130,536</u>
The Bank				
Allowance for impaired loans and advances:				
Individual allowance	137,676	30,514	200,175	183,849
Collective allowance	9,646	142,711	172,141	325,275
Impaired loans and advances recovered, net	(108,732)	(114,919)	(373,228)	(368,440)
Recovery on loans sold to Danaharta	(3,880)	(3,731)	(3,880)	(3,731)
	<u>34,710</u>	<u>54,575</u>	<u>(4,792)</u>	<u>136,953</u>

A22. IMPAIRMENT LOSS/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
The Group				
Financial investments available-for-sale	-	(849)	(6,704)	(5,074)
Financial investments held-to-maturity	(3,350)	(190)	3,531	(4,664)
	<u>(3,350)</u>	<u>(1,039)</u>	<u>(3,173)</u>	<u>(9,738)</u>
The Bank				
Financial investments available-for-sale	-	(849)	(6,704)	(5,004)
Financial investments held-to-maturity	(3,350)	79	4,115	(4,420)
	<u>(3,350)</u>	<u>(770)</u>	<u>(2,589)</u>	<u>(9,424)</u>

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A23. EARNINGS PER SHARE ("EPS")

Basic/ Diluted

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

Diluted earnings per share amounts are calculated by dividing adjusted net profit for the period attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding and issuable during the financial period.

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
The Group				
Net profit attributable to shareholder of the Bank (RM'000)	343,669	248,130	992,041	854,331
Number of ordinary shares at beginning of financial year and end of period representing weighted average number of ordinary shares in issue ('000)	820,364	820,364	820,364	820,364
Basic/diluted earnings per share (sen)	<u>41.89</u>	<u>30.25</u>	<u>120.93</u>	<u>104.14</u>
The Bank				
Net profit attributable to shareholder of the Bank (RM'000)	358,720	243,030	1,003,321	963,949
Number of ordinary shares at beginning of financial year and end of period representing weighted average number of ordinary shares in issue ('000)	820,364	820,364	820,364	820,364
Basic/diluted earnings per share (sen)	<u>43.73</u>	<u>29.62</u>	<u>122.30</u>	<u>117.50</u>

A24. BUSINESS SEGMENT ANALYSIS

Group Financial quarter ended 31 December 2012	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	1,596,047	456,337	940,572	223,261	506,831	3,723,048
Income	986,920	355,859	312,554	204,497	147,764	2,007,594
Other operating expenses	(413,789)	(57,247)	(41,699)	(51,790)	(194,878)	(759,403)
Profit/(loss) before provisions	573,131	298,612	270,855	152,707	(47,114)	1,248,191
(Provisions)/Writeback of provisions	(85,316)	(49,265)	70,446	9,188	118,406	63,459
Profit before taxation	487,815	249,347	341,301	161,895	71,292	1,311,650
Taxation	(121,954)	(61,406)	(79,106)	(40,305)	(16,818)	(319,589)
Profit for the period	365,861	187,941	262,195	121,590	54,474	992,061

Other information

Cost to income ratio	41.9%	16.1%	13.3%	25.3%	131.9%	37.8%
Gross loans and advances	33,952,970	12,477,523	13,488,238	-	246,257	60,164,988
Net loans and advances	33,188,457	12,294,886	13,393,938	-	(281,077)	58,596,204
Impaired loans and advances	1,027,476	143,670	-	-	237,209	1,408,355
Deposits	29,414,423	6,384,541	26,037,590	85,102	3,210,776	65,132,432

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A24. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group Financial quarter ended 31 December 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 (Restated) RM'000
Total operating revenue	1,623,074	429,674	826,751	333,772	570,396	3,783,667
Income	1,008,562	331,657	235,984	311,366	211,403	2,098,972
Other operating expenses	(420,908)	(63,209)	(38,227)	(50,201)	(205,013)	(777,558)
Profit before provisions	587,654	268,448	197,757	261,165	6,390	1,321,414
(Provisions)/Writeback of provisions	(157,409)	(94,232)	(9,983)	8,790	59,202	(193,632)
Profit before taxation	430,245	174,216	187,774	269,955	65,592	1,127,782
Taxation	(107,616)	(42,507)	(38,973)	(67,292)	(17,062)	(273,450)
Profit for the period	322,629	131,709	148,801	202,663	48,530	854,332

Other information

Cost to income ratio	41.7%	19.1%	16.2%	16.1%	97.0%	37.0%
Gross loans and advances	34,167,729	11,643,565	12,191,809	-	513,178	58,516,281
Net loans and advances	33,406,205	11,356,199	12,064,346	-	(46,031)	56,780,719
Impaired loans and advances	1,018,450	354,939	-	-	407,749	1,781,138
Deposits	28,871,608	5,668,038	24,457,439	173,648	1,890,703	61,061,436

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 restated due to changes in accounting policies as mentioned in Note A33 and to conform with current period's presentation.

A25. PERFORMANCE REVIEW FOR THE PERIOD ENDED 31 DECEMBER 2012

The Group registered a profit before taxation (“pre-tax profit”) of RM1,311.7 million representing a 16.3% increase compared to the pre-tax profit for the corresponding period last year.

For the current period, lower collective allowance for impairment on loans and advances by RM152.2 million or 46.9%, lower operating expenses and impairment loss for foreclosed properties had contributed to the increase in pre-tax profit. The write-back of provision for commitment and contingencies compared to a charge in the previous corresponding period had also contributed to the increase in pre-tax profit. These were offset by lower other operating income by RM99.7 million or 16.8% mainly due to lower gain on sale/redemption of securities, lower gain on derivatives and higher loss on revaluation of securities.

The Group and the Bank remained well capitalised with Risk Weighted capital adequacy ratios of 15.4% and 15.5% 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.

A26. PROSPECTS FOR 31 MARCH 2013

The Malaysian economy expanded by 5.2% in the third quarter of 2012 driven by continued expansion in domestic demand offsetting softer external demand. Private consumption continued to grow at a steady pace supported by favourable labour market and sustained income growth. Moving into 2013, business and government spending should provide support for economic activities, together with accommodative policy rates, on-going rollout of Entry Point Projects under the Economic Transformation Programme and incentives under Budget 2013 whilst the international environment will continue to present downside risk to growth prospects.

In the domestic banking front, recent loan indicators point to moderating consumer loans growth, reflecting the impact of responsible lending guidelines and regulatory reforms.

At AmBank Group, we have recently completed the acquisitions of Kurnia Insurans (Malaysia) Berhad to create Malaysia’s largest general insurer, and MBF Cards (M’sia) Sdn Bhd which puts us in the top three merchant acquiring business and strengthens our issuing business. Most recently, we have repurchased the remaining 30% shareholding each in AmLife Insurance Berhad and AmFamily Takaful Berhad to enable us to focus on opportunities unique to the Group’s business model.

Over the next three years, we are executing to our four strategic priorities to aggressively invest, optimise and leverage connectivity to deliver growth. This will support us towards achieving our Vision – **As Malaysia’s preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.**

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A27. 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.

A28. 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 other 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.

A29. CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group for the financial period ended 31 December 2012.

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A30. 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.

The Group	31 December 2012 RM'000	31 March 2012 RM'000
Contingent Liabilities		
Direct credit substitutes	1,362,015	1,608,754
Transaction-related contingent items	3,727,982	3,120,757
Short term self liquidating trade-related contingencies	700,624	615,243
Obligations under underwriting agreements	250,000	265,000
Others	100	100
	<u>6,040,721</u>	<u>5,609,854</u>
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	14,191,046	13,251,953
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,668,002	4,682,068
Unutilised credit card lines	2,748,697	2,953,565
Forward asset purchase	20,281	360,899
	<u>22,628,026</u>	<u>21,248,485</u>
Derivative Financial Instruments		
Foreign exchange related contracts		
- One year or less	18,154,230	20,064,852
- Over one year to five years	2,932,897	3,145,654
- Over five years	833,340	58,532
Interest rate related contracts		
- One year or less	5,715,256	14,448,655
- Over one year to five years	18,381,966	18,849,399
- Over five years	10,279,879	8,042,138
Credit related contracts		
- One year or less	266,029	61,290
- Over one year to five years	296,573	549,473
- Over five years	296,056	292,733
Equity related contracts		
- One year or less	486,270	484,281
- Over one year to five years	547,115	362,369
	<u>58,189,611</u>	<u>66,359,376</u>
Total	<u>86,858,358</u>	<u>93,217,715</u>

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A30. COMMITMENTS AND CONTINGENCIES (CONTD.)

The Bank	31 December 2012 RM'000	31 March 2012 RM'000
Contingent Liabilities		
Direct credit substitutes	1,362,015	1,608,754
Transaction-related contingent items	3,727,982	3,120,757
Short term self liquidating trade-related contingencies	699,323	613,825
Obligations under underwriting agreements	250,000	265,000
Others	150	150
	<u>6,039,470</u>	<u>5,608,486</u>
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	14,231,874	13,292,670
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,668,002	4,682,068
Unutilised credit card lines	2,748,697	2,953,565
Forward asset purchase	20,281	360,899
	<u>22,668,854</u>	<u>21,289,202</u>
Derivative Financial Instruments		
Foreign exchange related contracts		
- One year or less	18,154,230	20,064,852
- Over one year to five years	2,932,897	3,145,654
- Over five years	833,340	58,532
Interest rate related contracts		
- One year or less	5,715,256	14,448,655
- Over one year to five years	18,381,966	18,849,399
- Over five years	10,279,879	8,042,138
Credit related contracts		
- One year or less	266,029	61,290
- Over one year to five years	296,573	549,473
- Over five years	296,056	292,733
Equity related contracts		
- One year or less	486,270	484,281
- Over one year to five years	547,115	362,369
	<u>58,189,611</u>	<u>66,359,376</u>
Total	<u>86,897,935</u>	<u>93,257,064</u>

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

	31 December 2012 RM'000	31 March 2012 RM'000
Relating to AmBank (M) Berhad	86,868,403	93,233,992
Relating to AMIL with external parties*	29,532	23,072
	<u>86,897,935</u>	<u>93,257,064</u>

* The Bank has given a continuing guarantee to Labuan Financial Services Authority ("LFSA") to meet all the liabilities and financial obligations of its subsidiary, AmInternational (L) Ltd. ("AMIL").

A31. 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.

A31. 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 ("in the money"), the Group has credit exposure against the counterparty; if it is negative ("out of the money"), the value used in calculation is zero.
- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

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

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

Liquidity risk of derivatives

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

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

A31. RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES (CONTD.)

Liquidity risk of derivatives (Contd.)

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 is not 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 statement of comprehensive income. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

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

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

(i) Fair value hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the statement of comprehensive income. 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 statement of comprehensive income over the expected life of the hedged item.

(ii) Cash flow hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income. Amounts accumulated in equity are released to the statement of comprehensive income in the periods when the hedged forecast transactions affect the statement of comprehensive income. 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.

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A31. RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES (CONTD.)

Derivative Financial Instruments and Hedge Accounting (Contd.)

(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 statement of comprehensive income. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the statement of comprehensive income.

A32. CAPITAL ADEQUACY

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

	The Group		The Bank	
	31 December 2012	31 March 2012	31 December 2012	31 March 2012
Before deducting proposed dividends				
Core capital ratio	11.0%	11.2%	11.0%	11.3%
Risk-weighted capital ratio	15.4%	15.4%	15.5%	15.6%
After deducting proposed dividends				
Core capital ratio	11.0%	10.1%	11.0%	10.1%
Risk-weighted capital ratio	15.4%	14.4%	15.5%	14.6%

The capital adequacy ratios on a consolidated basis of the banking institutions including the financial related services within the Group 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% (31 March 2012: 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, AMIL.

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

	AMIL	
	31 December 2012	31 March 2012
Core capital ratio	33.5%	19.2%
Risk-weighted capital ratio	33.6%	19.4%

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

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A32. 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	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
<u>Tier 1 capital</u>				
Paid-up share capital	820,364	820,364	820,364	820,364
Share premium	942,844	942,844	942,844	942,844
Statutory reserve	980,969	980,969	980,969	980,969
Merger reserve	48,516	48,516	48,516	48,516
Exchange fluctuation reserve	(11,932)	2,077	(11,932)	2,077
Innovative Tier 1 capital	1,136,164	1,129,210	1,130,793	1,124,271
Non-innovative Tier 1 capital	500,000	500,000	500,000	500,000
Retained earnings	3,274,870	3,264,831	3,243,007	3,235,856
Non-controlling interests	50	50	-	-
	<u>7,691,845</u>	<u>7,688,861</u>	<u>7,654,561</u>	<u>7,654,897</u>
Less: Deferred tax assets	(117,420)	(160,792)	(115,942)	(159,755)
Total Tier 1 capital	<u>7,574,425</u>	<u>7,528,069</u>	<u>7,538,619</u>	<u>7,495,142</u>
<u>Tier 2 capital</u>				
Medium term notes	1,967,800	1,557,800	1,967,800	1,557,800
Innovative Tier 1 capital	98,936	105,890	104,307	110,829
Collective allowance for loans and advances #	<u>1,042,852</u>	<u>1,202,562</u>	<u>1,042,777</u>	<u>1,198,932</u>
Total Tier 2 capital	<u>3,109,588</u>	<u>2,866,252</u>	<u>3,114,884</u>	<u>2,867,561</u>
Maximum allowable Tier 2 Capital	<u>3,109,588</u>	<u>2,866,252</u>	<u>3,114,884</u>	<u>2,867,561</u>
Total capital funds	10,684,013	10,394,321	10,653,503	10,362,703
Less:				
Investment in subsidiaries	(32,769)	(32,769)	(32,780)	(32,780)
Other deduction	(7,189)	(9,446)	(7,189)	(9,446)
Capital base	<u>10,644,055</u>	<u>10,352,106</u>	<u>10,613,534</u>	<u>10,320,477</u>

Excludes collective allowance on impaired loans and advances restricted from Tier 2 capital of the Group and the Bank as at 31 December 2012 of RM428,345,000 (31 March 2012: RM336,203,000) and RM428,179,000 (31 March 2012: RM336,161,000) respectively.

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

	The Group		The Bank	
	31 December 2012 RM'000	31 March 2012 RM'000	31 December 2012 RM'000	31 March 2012 RM'000
Credit risk	59,273,283	57,292,202	59,239,004	57,235,055
Market risk	4,367,848	4,494,813	4,367,848	4,494,813
Operational risk	5,296,883	5,401,295	4,776,898	4,570,067
Large exposure risk requirement for equity holdings	<u>1,436</u>	<u>3,298</u>	<u>1,436</u>	<u>3,298</u>
Total risk-weighted assets	<u>68,939,450</u>	<u>67,191,608</u>	<u>68,385,186</u>	<u>66,303,233</u>

A33. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES

a. Transition to MFRSs

The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below.

b. FRSIC Consensus 18

In accordance with FRSIC Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad, monies held in trust ("trust monies") on behalf of remisers and clients by a related company, a licensed investment bank together with corresponding liabilities were derecognised by the related company and holding company. Certain trust monies which were placed as deposits in the Bank by the related company were previously classified under deposits and placements by banks and other financial institutions have now been reclassified to deposits from customers. The reclassification also affected the interest expense on deposits from customers.

c. Other restatements

During the period, the Bank had reviewed and changed the presentation of:

- (i) interest receivable and payable for certain derivative product for the same counterparty for the year ended 31 March 2012. The interest receivable and payable which were presented on a gross basis is now set off and presented on a net basis in either other assets (net interest receivable) or other liabilities (net interest payable).
- (ii) work in progress ("WIP") for intangible assets for the year ended 31 March 2012. The WIP balance which was previously included under WIP Property and Equipment is now presented under Intangible Assets.

The above classifications are to conform with current period presentation which better reflects the nature of the items.

(i) **Reconciliations of equity**

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
The Group				
As at 1 April 2011				
Loans and advances	55,610,208	(95,219)	-	55,514,989
Other assets	1,034,503	-	(222,309)	812,194
Property and equipment	201,112	-	(45,790)	155,322
Intangible assets	91,664	-	45,790	137,454
Deposits and placements of banks and other financial institutions	4,625,853	-	(157,945)	4,467,908
Deposits from customers	59,506,659	-	157,945	59,664,604
Other liabilities	2,308,014	(2,985)	(222,309)	2,082,720
Reserves	4,446,494	(92,234)	-	4,354,260

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A33. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONTD.)**(i) Reconciliations of equity (Contd.)**

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
The Group				
As at 31 March 2012				
Loans and advances	56,537,197	(45,925)	-	56,491,272
Deferred tax asset	157,077	2,493	-	159,570
Other assets	1,333,754	-	(254,994)	1,078,760
Property and equipment	205,062	-	(63,384)	141,678
Intangible assets	106,829	-	63,384	170,213
Deposits and placements of banks and other financial institutions	4,133,216	-	(228,954)	3,904,262
Deposits from customers	59,194,897	-	228,954	59,423,851
Other liabilities	2,347,827	56,377	(254,994)	2,149,210
Reserves	5,250,840	(99,809)	-	5,151,031
The Bank				
As at 1 April 2011				
Loans and advances	55,336,273	(101,363)	-	55,234,910
Other assets	1,029,891	-	(222,309)	807,582
Property and equipment	176,868	-	(45,790)	131,078
Intangible assets	91,646	-	45,790	137,436
Deposits and placements of banks and other financial institutions	4,950,589	-	(157,945)	4,792,644
Deposits from customers	58,878,167	-	157,945	59,036,112
Other liabilities	2,298,767	(4,387)	(222,309)	2,072,071
Reserves	4,286,477	(96,976)	-	4,189,501
As at 31 March 2012				
Loans and advances	56,303,147	(50,212)	-	56,252,935
Deferred tax asset	156,339	2,052	-	158,391
Other assets	1,328,120	-	(254,994)	1,073,126
Property and equipment	181,272	-	(63,384)	117,888
Intangible assets	106,814	-	63,384	170,198
Deposits and placements of banks and other financial institutions	4,693,167	-	(228,954)	4,464,213
Deposits from customers	58,331,336	-	228,954	58,560,290
Other liabilities	2,338,711	54,971	(254,994)	2,138,688
Reserves	5,201,054	(103,131)	-	5,097,923

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A33. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONTD.)**(ii) Reconciliations of income statement and statement of comprehensive income**

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
Income statement for the quarter ended 31 December 2011				
The Group				
Interest expense on deposits from customers	1,285,589	-	340	1,285,929
Interest expense on deposits and placements of banks and other financial institutions	71,277	-	(340)	70,937
Allowance for impairment on loans and advances	(168,316)	37,780	-	(130,536)
Provision for commitments and contingencies	(4,109)	(44,506)	-	(48,615)
Taxation	(275,110)	1,660	-	(273,450)
The Bank				
Interest expense on deposits from customers	1,283,921	-	340	1,284,261
Interest expense on deposits and placements of banks and other financial institutions	73,830	-	(340)	73,490
Allowance for impairment on loans and advances	(175,613)	38,660	-	(136,953)
Provision for commitments and contingencies	(4,109)	(44,505)	-	(48,614)
Taxation	(278,201)	1,459	-	(276,742)