

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

Interim Financial Statements
For the Financial Period
1 April 2014 to
30 September 2014
(In Ringgit Malaysia)

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

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	Group		Bank	
		30 September 2014 RM'000	31 March 2014 (Restated) RM'000	30 September 2014 RM'000	31 March 2014 (Restated) RM'000
ASSETS					
Cash and short-term funds		5,786,409	7,129,900	5,573,735	6,675,659
Securities purchased under resale agreements		14,987	-	14,987	-
Deposits and placements with banks and other financial institutions		1,875,256	1,922,311	1,875,256	1,922,311
Derivative financial assets		602,709	528,830	602,709	528,830
Financial assets held-for-trading	A8	1,967,199	2,200,378	1,967,199	2,200,378
Financial investments available-for-sale	A9	5,986,814	6,473,868	6,093,266	6,595,768
Financial investments held-to-maturity	A10	2,171,884	2,487,409	2,171,884	2,487,409
Loans and advances	A11	60,033,620	61,588,639	59,870,365	61,410,763
Receivables: Investments not quoted in active markets		62,181	62,181	62,181	62,181
Statutory deposit with Bank Malaysia Negara		2,211,754	2,211,321	2,211,754	2,211,321
Deferred tax assets		65,378	90,488	45,588	51,825
Investment in subsidiaries and other investment		-	-	104,277	404,277
Investment in associates		1,644	3,063	122	122
Other assets	A12	1,855,321	1,790,786	1,847,695	1,784,839
Property and equipment		146,486	151,830	111,913	118,304
Intangible assets		317,768	334,857	314,352	330,672
TOTAL ASSETS		83,099,410	86,975,861	82,867,283	86,784,659
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	A13	2,493,228	2,667,973	2,519,418	2,673,947
Securities sold under repurchase agreements		10,205	-	10,205	-
Recourse obligation on loans sold to Cagamas Berhad		1,242,448	1,249,926	1,242,448	1,249,926
Derivative financial liabilities		528,157	541,259	528,157	541,259
Deposits from customers	A14	60,767,400	64,945,257	60,828,775	65,005,768
Term funding		4,846,830	4,188,566	4,846,830	4,188,566
Debt capital		3,631,320	3,640,204	3,631,320	3,640,204
Other liabilities	A15	1,849,076	2,356,814	1,845,353	2,356,552
TOTAL LIABILITIES		75,368,664	79,589,999	75,452,506	79,656,222
Share capital		820,364	820,364	820,364	820,364
Reserves		6,910,322	6,565,438	6,594,413	6,308,073
Equity attributable to equity holder of the Bank		7,730,686	7,385,802	7,414,777	7,128,437
Non-controlling interests		60	60	-	-
TOTAL EQUITY		7,730,746	7,385,862	7,414,777	7,128,437
TOTAL LIABILITIES AND EQUITY		83,099,410	86,975,861	82,867,283	86,784,659
COMMITMENTS AND CONTINGENCIES	A29	101,152,811	96,090,249	101,194,011	96,128,842
NET ASSETS PER SHARE (RM)		9.42	9.00	9.04	8.69

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 2014.

AmBank (M) Berhad
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**UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

Group	Note	Individual Quarter		Cumulative Quarter	
		30 September 2014 RM'000	30 September 2013 (Restated) RM'000	30 September 2014 RM'000	30 September 2013 (Restated) RM'000
Operating revenue		1,225,842	1,283,525	2,414,727	2,570,058
Interest income	A16	1,064,331	1,108,411	2,111,783	2,226,456
Interest expense	A17	(570,439)	(589,053)	(1,132,742)	(1,170,869)
Net interest income		493,892	519,358	979,041	1,055,587
Net income from Islamic banking business	A34	-	12	1	22
Other operating income	A18	161,511	175,102	302,943	343,580
Share in results of associates		291	284	581	409
Net income		655,694	694,756	1,282,566	1,399,598
Other operating expenses	A19	(295,675)	(306,751)	(607,048)	(605,446)
Operating profit		360,019	388,005	675,518	794,152
Writeback of allowance for impairment on loans and advances	A20	28,280	75,930	2,641	113,469
(Provision for)/Writeback of provision for commitments and contingencies		(2,831)	8,278	23,746	480
Impairment (loss)/writeback on:					
Doubtful sundry receivables, net		(786)	(749)	(2,973)	(888)
Financial investments	A21	(2,354)	1,925	(2,354)	2,816
Foreclosed properties		(76)	(6,116)	(5,634)	(6,475)
Other recoveries - net		518	653	954	1,110
Profit before taxation		382,770	467,926	691,898	904,664
Taxation		(89,907)	(33,256)	(166,889)	(135,592)
Profit for the period		292,863	434,670	525,009	769,072
Attributable to:					
Equity holder of the Bank		292,863	434,670	525,009	769,072
Non-controlling interests		-	-	-	-
Profit for the period		292,863	434,670	525,009	769,072
Earnings per share (sen)	A22				
Basic/Diluted		35.70	52.99	64.00	93.75

AmBank (M) Berhad
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**UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

	Individual Quarter		Cumulative Quarter	
	30 September 2014	30 September 2013 (Restated)	30 September 2014	30 September 2013 (Restated)
	RM'000	RM'000	RM'000	RM'000
Group				
Profit for the period	292,863	434,670	525,009	769,072
Other comprehensive income/(loss)				
Items that are or may be reclassified to the income statement				
Currency translation on:				
- foreign operations	4,718	3,464	1,434	6,332
- net investment hedge	2,416	3,448	509	5,793
Net gain/(loss) on financial investments available-for-sale	34,061	(56,135)	45,201	(60,164)
Net movement on cash flow hedge	(321)	2,048	4,982	6,360
Income tax relating to the components of other comprehensive income/(loss)	(8,089)	13,164	(12,957)	12,985
Other comprehensive income for the period, net of tax	32,785	(34,011)	39,169	(28,694)
Total comprehensive income for the period	325,648	400,659	564,178	740,378
Attributable to:				
Equity holder of the Bank	325,648	400,659	564,178	740,378
Non-controlling interests	-	-	-	-
	325,648	400,659	564,178	740,378

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 2014.

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UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014

	Note	Individual Quarter		Cumulative Quarter	
		30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Bank					
Operating revenue		1,218,041	1,276,278	2,398,915	2,559,968
Interest income	A16	1,058,994	1,106,282	2,101,275	2,222,048
Interest expense	A17	(571,043)	(589,535)	(1,133,811)	(1,171,704)
Net interest income		487,951	516,747	967,464	1,050,344
Other operating income	A18	159,047	169,996	297,640	337,920
Net income		646,998	686,743	1,265,104	1,388,264
Other operating expenses	A19	(328,349)	(337,258)	(667,857)	(635,831)
Operating profit		318,649	349,485	597,247	752,433
Writeback of allowance for impairment on loans and advances	A20	28,099	67,971	2,440	103,704
Writeback of provision/(Provision) for commitments and contingencies		(2,831)	8,280	23,744	482
Impairment (loss)/writeback on:					
Doubtful sundry receivables, net		(786)	(743)	(2,973)	(882)
Financial investments	A21	(2,354)	1,884	(2,354)	2,598
Foreclosed properties		(76)	(6,116)	(5,634)	(6,475)
Other recoveries - net		518	653	954	1,110
Profit before taxation		341,219	421,414	613,424	852,970
Taxation		(81,357)	(91,456)	(147,637)	(193,234)
Profit for the period		259,862	329,958	465,787	659,736
Earnings per share (sen)	A22				
Basic/Diluted		31.68	40.22	56.78	80.42

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**UNAUDITED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

	Individual Quarter		Cumulative Quarter	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Bank				
Profit for the period	259,862	329,958	465,787	659,736
Other comprehensive income/(loss)				
Items that are or may be reclassified to the income statement				
Currency translation on:				
- foreign operations	3,965	2,289	1,263	4,300
- net investment hedge	2,416	3,448	509	5,793
Net gain/(loss) on financial investments available-for-sale	34,933	(57,727)	46,302	(60,977)
Net movement on cash flow hedge	(321)	2,048	4,982	6,360
Income tax relating to the components of other comprehensive income/(loss)	(8,307)	13,562	(13,231)	13,189
Other comprehensive income for the period, net of tax	32,686	(36,380)	39,825	(31,335)
Total comprehensive income for the period	292,548	293,578	505,612	628,401

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 2014.

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014

Group	Attributable to equity holder of the Bank							Distributable		Non-controlling interests RM'000	Total equity RM'000
	Non-distributable							Retained earnings RM'000	Total RM'000		
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserves RM'000				
At 1 April 2013	820,364	942,844	980,969	570,473	(9,174)	(12,644)	(14,760)	3,543,813	6,821,885	59	6,821,944
Effect arising from the pooling of interests	-	-	-	(466,324)	-	-	-	(25,074)	(491,398)	-	(491,398)
Profit for the period	-	-	-	-	-	-	-	769,072	769,072	-	769,072
Other comprehensive income	-	-	-	-	(45,589)	4,770	12,125	-	(28,694)	-	(28,694)
Total comprehensive income/(loss)	-	-	-	(466,324)	(45,589)	4,770	12,125	743,998	248,980	-	248,980
Transfer of AMMB Holdings Berhad ("AMMB") Executives' Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(2,297)	(2,297)	-	(2,297)
Dividend on ordinary shares: - final, financial year ended 31 March 2013	-	-	-	-	-	-	-	(400,338)	(400,338)	-	(400,338)
Transaction with owner and other equity movements	-	-	-	-	-	-	-	(402,635)	(402,635)	-	(402,635)
At 30 September 2013	820,364	942,844	980,969	104,149	(54,763)	(7,874)	(2,635)	3,885,176	6,668,230	59	6,668,289
At 1 April 2014	820,364	942,844	980,969	104,149	(71,094)	3,029	(1,990)	4,607,531	7,385,802	60	7,385,862
Profit for the period	-	-	-	-	-	-	-	525,009	525,009	-	525,009
Other comprehensive income	-	-	-	-	33,400	3,826	1,943	-	39,169	-	39,169
Total comprehensive income	-	-	-	-	33,400	3,826	1,943	525,009	564,178	-	564,178
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(2,718)	(2,718)	-	(2,718)
Dividend on ordinary shares: - final, financial year ended 31 March 2014	-	-	-	-	-	-	-	(216,576)	(216,576)	-	(216,576)
Transaction with owner and other equity movements	-	-	-	-	-	-	-	(219,294)	(219,294)	-	(219,294)
At 30 September 2014	820,364	942,844	980,969	104,149	(37,694)	6,855	(47)	4,913,246	7,730,686	60	7,730,746

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 2014.

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

Bank	Attributable to equity holder of the Bank							Retained earnings RM'000	Total equity RM'000
	Non-distributable					Distributable			
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserves RM'000		
At 1 April 2013	820,364	942,844	980,969	458,501	(8,398)	(12,644)	(7,696)	3,541,122	6,715,062
Effect arising from the pooling of interests	-	-	-	(458,501)	-	-	-	(24,420)	(482,921)
Profit for the period	-	-	-	-	-	-	-	659,736	659,736
Other comprehensive income	-	-	-	-	(46,198)	4,770	10,093	-	(31,335)
Total comprehensive income/(loss)	-	-	-	(458,501)	(46,198)	4,770	10,093	635,316	145,480
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(2,285)	(2,285)
Dividend on ordinary shares: - final, financial year ended 31 March 2013	-	-	-	-	-	-	-	(400,338)	(400,338)
Transaction with owner and other equity movements	-	-	-	-	-	-	-	(402,623)	(402,623)
At 30 September 2013	820,364	942,844	980,969	-	(54,596)	(7,874)	2,397	3,773,815	6,457,919
At 1 April 2014	820,364	942,844	980,969	-	(72,233)	3,029	2,785	4,450,679	7,128,437
Profit for the period	-	-	-	-	-	-	-	465,787	465,787
Other comprehensive income	-	-	-	-	34,227	3,826	1,772	-	39,825
Total comprehensive income	-	-	-	-	34,227	3,826	1,772	465,787	505,612
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	(2,696)	(2,696)
Dividend on ordinary shares: - final, financial year ended 31 March 2014	-	-	-	-	-	-	-	(216,576)	(216,576)
Transaction with owner and other equity movements	-	-	-	-	-	-	-	(219,272)	(219,272)
At 30 September 2014	820,364	942,844	980,969	-	(38,006)	6,855	4,557	4,697,194	7,414,777

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 2014.

AmBank (M) Berhad
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

	Group		Bank	
	30 September 2014	30 September 2013 (Restated)	30 September 2014	30 September 2013 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	691,898	904,664	613,424	852,970
Adjustments for non-operating and non-cash items	61,892	364,331	58,106	365,599
Operating profit before working capital changes	<u>753,790</u>	<u>1,268,995</u>	<u>671,530</u>	<u>1,218,569</u>
Changes in working capital:				
Net change in operating assets	1,578,035	1,015,442	1,565,116	957,086
Net change in operating liabilities	(4,126,577)	1,188,976	(4,113,983)	1,269,450
Tax paid	<u>(178,059)</u>	<u>(182,572)</u>	<u>(176,802)</u>	<u>(181,661)</u>
Net cash (used in)/generated from operating activities	<u>(1,972,811)</u>	<u>3,290,841</u>	<u>(2,054,139)</u>	<u>3,263,444</u>
Net cash generated from investing activities	845,869	51,299	1,168,783	85,299
Net cash used in financing activities	<u>(216,576)</u>	<u>(400,338)</u>	<u>(216,576)</u>	<u>(400,338)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(1,343,518)</u>	<u>2,941,802</u>	<u>(1,101,932)</u>	<u>2,948,405</u>
Cash and cash equivalents at beginning of financial year	7,129,900	7,336,774	6,675,659	7,255,748
Effect of exchange rate changes	<u>27</u>	<u>5,120</u>	<u>8</u>	<u>94</u>
Cash and cash equivalents at end of financial period	<u>5,786,409</u>	<u>10,283,696</u>	<u>5,573,735</u>	<u>10,204,247</u>

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

EXPLANATORY NOTES

A1. BASIS OF PREPARATION

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") and complies with the International Accounting Standard ("IAS") 34, Interim Financial Reporting. The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Group and the Bank for the financial year ended 31 March 2014.

The significant accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2014 except for the adoption of the following financial reporting standards, which did not have significant impact on the accounting policies, financial position or performance of the Group and the Bank.

1.1 Standards effective for financial year ending 31 March 2015:

- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136: Recoverable Amount Disclosure for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

The nature of the new standards is described below:

1.1.1 Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10, Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

1.1.2 Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

1.1.3 Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the unintended consequences of MFRS 13, Fair Value Measurement on the disclosures required under MFRS 136, Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the period.

1.1.4 Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group and the Bank have not novated their derivatives during the current period. However, these amendments would be considered for future novation.

1.2 Standards issued but not yet effective

The following are MFRS issued by MASB that will be effective for the Group and the Bank in future years. The Group and the Bank intend to adopt the relevant standards when they become effective.

EXPLANATORY NOTES (CONTD.)

A1. BASIS OF PREPARATION (CONTD.)

1.2 Standards issued but not yet effective (contd.)

1.2.1 Standards effective for financial periods beginning on or after 1 July 2014:

- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010-2012 Cycle"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011-2013 Cycle"
- MFRS 15 Revenue from Contracts with Customers

1.2.2 Standards effective for dates to be announced by MASB:

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)
- MFRS 9, Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139

1.2.3 Effect of adoption of standards issued but not yet effective

The nature of the MFRSs that have been issued but not yet effective is described below. The Group and the Bank are assessing the financial effects of their adoption.

(a) Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to MFRS 116 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits.

The amendments to MFRS 138 introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as in MFRS 116. However, the International Accounting Standards Board ("IASB") states that there are limited circumstances when the presumption can be overcome:

- The intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and
- it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

(b) Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010-2012 Cycle"

The Annual Improvements to MFRSs 2010-2012 Cycle consist of the following amendments:

(i) MFRS 2 Share-based Payment

The amendment clarifies the definition of "vesting conditions" by separately defining "performance condition" and "service condition" to ensure consistent classification of conditions attached to a share-based payment.

EXPLANATORY NOTES (CONTD.)

A1. BASIS OF PREPARATION (CONTD.)

1.2 Standards issued but not yet effective (contd.)

1.2.3 Effect of adoption of standards issued but not yet effective (contd.)

(b) Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010-2012 Cycle" (contd.)

(ii) MFRS 3, Business Combinations

The amendment clarifies when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132, Financial Instruments: Presentation. In addition, contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the statement of profit or loss.

(iii) MFRS 8, Operating Segments

The amendment requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segment and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. In addition, a reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.

(iv) MFRS 13, Fair Value Measurement

The amendment relates to the IASB's Basis for Conclusions which clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(v) MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets

The amendment clarifies the accounting for accumulated depreciation or amortisation when an asset is revalued.

(vi) MFRS 124, Related Party Disclosures

The amendment extends the definition of "related party" to include an entity, or any member of a group of which it is a party, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(c) Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011-2013 Cycle"

The Annual Improvements to MFRSs 2011-2013 Cycle consist of the following amendments:

(i) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendment relates to the IASB's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

EXPLANATORY NOTES (CONTD.)

A1. BASIS OF PREPARATION (CONTD.)

1.2 Standards issued but not yet effective (contd.)

1.2.3 Effect of adoption of standards issued but not yet effective (contd.)

(c) Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011-2013 Cycle" (contd.)

(ii) MFRS 3, Business Combinations

The amendment clarifies that MFRS 3 excludes from its scope the accounting for the information of all types of joint arrangements (as defined in MFRS 11, Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangements for their interests in the joint arrangement.

(iii) MFRS 13, Fair Value Measurement

The amendments clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139, Financial Instruments: Recognition and Measurement or MFRS 9, Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132, Financial Instruments: Presentation.

(iv) MFRS 140 Investment Property

The amendment clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

(d) MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To apply the core revenue principle, the entity needs to follow five main steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also requires certain disclosures with the objective to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(d) MFRS 9, Financial Instruments

MFRS 9, Financial Instruments – MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's and the Bank's financial assets, but will not have an impact on the classification and measurement of the Group's and the Bank's financial liabilities. The Group and the Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

EXPLANATORY NOTES (CONTD.)

A2. AUDIT QUALIFICATION

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2014 was not qualified.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The operations of the Group and the Bank 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 and period ended 30 September 2014.

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

(a) Senior Notes Programme

During the financial period, the Bank repaid Senior Notes totalling RM775.0 million upon maturity on 28 April 2014. On 21 May 2014, the Bank had issued Tranche 5 of Senior Notes amounting to RM400.0 million under the Senior Notes Programme of up to RM7.0 billion in nominal value. The notes bear a coupon of 4.40% per annum and is payable semi annually and is for a tenor of 4 years.

(b) Euro Medium Term Notes

On 3 July 2014, the Bank issued USD400 million Senior Notes under its USD 2 billion Euro Medium Term Note Programme in nominal value (or its equivalent in other currencies) ("the Programme"). The Programme was approved by the Securities Commission under its deemed approval process.

The net proceeds from the Programme will be utilised by the Bank for its working capital, general funding requirements and other corporate purposes. The notes with a tenor of five (5) years, will mature on 3 July 2019 are rated Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services. The notes bear a coupon of 3.125% per annum and is payable semi annually.

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 quarter, the final single-tier cash dividend of 26.40 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM216,576,033 in respect of the financial year ended 31 March 2014 was paid on 26 August 2014.

In respect of the current financial year, the Board of Directors declare an interim single-tier cash dividend of approximately 45.00 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM369,163,693.

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A8. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	30 September 2014 RM'000	31 March 2014 RM'000
At fair value		
Money Market Instruments:		
Bank Negara Monetary Notes	399,723	-
Government Investment Issues	226,689	132,086
Malaysian Government Securities	259,129	532,163
Malaysian Treasury Bills	-	9,980
	<u>885,541</u>	<u>674,229</u>
Quoted Securities:		
<i>In Malaysia:</i>		
Shares	147,328	172,164
Unit trusts	16,587	16,315
Warrants	-	6,067
Private debt securities	39,229	23,799
	<u>203,144</u>	<u>218,345</u>
<i>Outside Malaysia:</i>		
Shares	103,268	-
	<u>103,268</u>	<u>-</u>
Unquoted Securities:		
<i>In Malaysia:</i>		
Private debt securities	648,937	1,198,925
	<u>648,937</u>	<u>1,198,925</u>
<i>Outside Malaysia:</i>		
Private debt securities	126,309	108,879
	<u>126,309</u>	<u>108,879</u>
	<u>1,967,199</u>	<u>2,200,378</u>

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A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
At fair value				
Money Market Instruments:				
Bank Negara Monetary Notes	805,845	1,623,934	805,845	1,623,934
Government Investment Issues	504,523	506,613	504,523	506,613
Islamic negotiable instruments of deposit	-	249,675	-	249,675
Malaysian Government Securities	383,200	390,806	383,200	390,806
Malaysian Treasury Bills	-	6,575	-	6,575
Negotiable instruments of deposit	800,390	500,000	800,390	500,000
	<u>2,493,958</u>	<u>3,277,603</u>	<u>2,493,958</u>	<u>3,277,603</u>
Quoted Securities:				
<i>In Malaysia:</i>				
Shares	9,540	9,332	9,539	9,332
Unit trusts	177,984	178,902	177,984	178,902
	<u>187,524</u>	<u>188,234</u>	<u>187,523</u>	<u>188,234</u>
<i>Outside Malaysia:</i>				
Shares	43	54	10	17
	<u>43</u>	<u>54</u>	<u>10</u>	<u>17</u>
Unquoted securities:				
<i>In Malaysia:</i>				
Private debt securities	2,954,859	2,658,203	3,062,312	2,781,103
	<u>2,954,859</u>	<u>2,658,203</u>	<u>3,062,312</u>	<u>2,781,103</u>
<i>Outside Malaysia:</i>				
Private debt securities	261,970	261,304	261,970	261,304
	<u>261,970</u>	<u>261,304</u>	<u>261,970</u>	<u>261,304</u>
At cost				
Unquoted securities:				
<i>In Malaysia:</i>				
Shares	87,375	87,375	87,330	87,330
	<u>87,375</u>	<u>87,375</u>	<u>87,330</u>	<u>87,330</u>
<i>Outside Malaysia:</i>				
Shares	1,085	1,095	163	177
	<u>1,085</u>	<u>1,095</u>	<u>163</u>	<u>177</u>
	<u>5,986,814</u>	<u>6,473,868</u>	<u>6,093,266</u>	<u>6,595,768</u>

In the previous financial year, the Bank reclassified securities out of the available-for-sale category to the loans and receivables category as the Bank has the intention to hold the securities until maturity.

As at 30 September 2014, the fair value gain that would have been recognised in other comprehensive income for the current period if the securities had not been reclassified amounted to RM1,906,000 (31 March 2014: RM2,133,000).

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A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
At amortised cost				
Money Market Instruments:				
Foreign Treasury Bills	196,798	522,405	196,798	522,405
Unquoted:				
<i>In Malaysia:</i>				
Private debt securities	1,981,084	1,968,648	1,981,084	1,968,648
Less: Accumulated impairment losses	(5,998)	(3,644)	(5,998)	(3,644)
	<u>2,171,884</u>	<u>2,487,409</u>	<u>2,171,884</u>	<u>2,487,409</u>

A11. LOANS AND ADVANCES

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
At amortised cost:				
Overdraft	2,290,932	2,368,259	2,290,932	2,368,259
Term loans	18,649,582	19,554,168	18,649,582	19,554,168
Housing loan receivables	13,637,342	13,336,160	13,426,905	13,108,191
Hire purchase receivables	14,357,096	16,070,755	14,357,096	16,070,755
Bills receivables	651,286	751,522	651,286	751,522
Trust receipts	1,098,351	1,039,791	1,098,351	1,039,791
Claims on customers under acceptance credits	2,497,547	2,658,336	2,497,547	2,658,336
Staff loans	123,443	124,812	123,443	124,812
Card receivables	1,622,275	1,715,671	1,622,275	1,715,671
Revolving credits	6,190,659	5,280,502	6,237,398	5,329,950
Others	186,868	233,637	186,868	233,637
Gross loans and advances	<u>61,305,381</u>	<u>63,133,613</u>	<u>61,141,683</u>	<u>62,955,092</u>
Allowance for impairment on loans and advances:				
- Collective allowance	(1,122,265)	(1,411,219)	(1,121,822)	(1,410,574)
- Individual allowance	(149,496)	(133,755)	(149,496)	(133,755)
Net loans and advances	<u>60,033,620</u>	<u>61,588,639</u>	<u>59,870,365</u>	<u>61,410,763</u>

Notes:

During the financial year ended 31 March 2013, the Bank entered into a Restricted Profit Sharing Investment Account ("RPSIA") arrangement with Amlslamic Bank Berhad ("Amlslamic"). Under the RPSIA contract, the Bank records the amount it provides as financing under the arrangement as deposits and placements with banks and other financial institutions. The financing to external parties made by Amlslamic is recorded by Amlslamic as financing and advances. As losses from the business venture is borne solely by the Bank, the related collective allowance is recorded by the Bank. The contract had expired on 2 May 2014.

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A11. LOANS AND ADVANCES (CONTD.)

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Domestic banking institutions	4,755	84	4,755	84
Domestic non-bank financial institutions	356,223	146,817	435,764	228,966
Domestic business enterprises				
- Small medium enterprises	7,812,821	8,690,918	7,812,821	8,690,918
- Others	20,261,248	20,963,342	20,261,248	20,963,342
Government and statutory bodies	60,015	2,707	60,015	2,707
Individuals	31,623,780	32,157,217	31,413,343	31,929,250
Other domestic entities	7,048	7,467	7,048	7,467
Foreign individuals and entities	1,179,491	1,165,061	1,146,689	1,132,358
	<u>61,305,381</u>	<u>63,133,613</u>	<u>61,141,683</u>	<u>62,955,092</u>

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

	Group		Bank	
	30 September 2013 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
In Malaysia	60,240,789	61,914,997	60,109,893	61,769,178
Outside Malaysia	1,064,592	1,218,616	1,031,790	1,185,914
	<u>61,305,381</u>	<u>63,133,613</u>	<u>61,141,683</u>	<u>62,955,092</u>

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Fixed rate				
- Housing loans	276,445	295,573	66,008	67,605
- Hire purchase receivables	14,220,976	15,890,169	14,220,976	15,890,169
- Other fixed rate loans	6,409,496	6,352,059	6,409,496	6,352,059
Variable rate				
- Base lending rate plus	22,502,627	23,489,235	22,502,627	23,489,235
- Cost plus	16,779,854	16,103,945	16,826,593	16,153,392
- Other variable rates	1,115,983	1,002,632	1,115,983	1,002,632
	<u>61,305,381</u>	<u>63,133,613</u>	<u>61,141,683</u>	<u>62,955,092</u>

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A11. LOANS AND ADVANCES (CONTD.)

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Agriculture	3,022,257	2,853,726	3,022,257	2,853,726
Mining and quarrying	2,920,714	2,933,388	2,920,714	2,933,388
Manufacturing	5,788,813	6,017,488	5,788,813	6,017,488
Electricity, gas and water	950,561	1,149,400	950,561	1,149,400
Construction	2,529,396	2,674,103	2,529,396	2,674,103
Wholesale and retail trade and hotel and restaurants	4,807,963	4,976,769	4,807,963	4,976,769
Transport, storage and communication	1,397,703	2,032,881	1,397,703	2,032,881
Finance and insurance	499,422	478,498	546,162	527,945
Real estate	5,478,330	5,391,105	5,478,330	5,391,105
Business activities	1,007,766	1,090,865	1,007,766	1,090,865
Education and health	799,546	802,120	799,546	802,120
Household of which:	32,081,195	32,649,312	31,870,757	32,421,344
- purchase of residential properties	14,082,080	13,552,315	13,871,642	13,324,347
- purchase of transport vehicles	12,961,173	14,807,290	12,961,173	14,807,290
- others	5,037,942	4,289,707	5,037,942	4,289,707
Others	21,715	83,958	21,715	83,958
	<u>61,305,381</u>	<u>63,133,613</u>	<u>61,141,683</u>	<u>62,955,092</u>

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Maturing within one year	10,025,592	12,970,036	10,070,523	13,017,675
Over one year to three years	9,188,891	8,059,064	9,178,972	8,049,145
Over three years to five years	9,214,156	10,354,219	9,201,899	10,341,962
Over five years	32,876,742	31,750,294	32,690,289	31,546,310
	<u>61,305,381</u>	<u>63,133,613</u>	<u>61,141,683</u>	<u>62,955,092</u>

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Balance at beginning of financial year	1,298,511	1,408,172	1,296,626	1,407,195
Impaired during the year/period	826,190	1,250,544	825,442	1,248,860
Reclassified as non-impaired	(210,205)	(263,972)	(210,210)	(263,751)
Recoveries	(288,338)	(501,403)	(286,838)	(500,848)
Amount written off	(454,616)	(594,830)	(454,616)	(594,830)
Balance at end of financial year/period	<u>1,171,542</u>	<u>1,298,511</u>	<u>1,170,404</u>	<u>1,296,626</u>
Gross impaired loans and advances as % of gross loans and advances	<u>1.9%</u>	<u>2.1%</u>	<u>1.9%</u>	<u>2.1%</u>
Loan loss coverage (excluding collateral values)	<u>108.6%</u>	<u>119.0%</u>	<u>108.6%</u>	<u>119.1%</u>

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

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A11. LOANS AND ADVANCES (CONTD.)

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Agriculture	14,485	5,990	14,485	5,990
Mining and quarrying	8,415	4,005	8,415	4,005
Manufacturing	175,093	194,861	175,093	194,861
Electricity, gas and water	483	24,193	483	24,193
Construction	15,897	24,022	15,897	24,022
Wholesale and retail trade and hotel and restaurants	36,531	33,832	36,531	33,832
Transport, storage and communication	47,957	57,136	47,957	57,136
Finance and insurance	1,591	1,155	1,591	1,155
Real estate	77,370	4,680	77,370	4,680
Business activities	14,010	15,042	14,010	15,042
Education and health	8,035	9,082	8,035	9,082
Household of which:	770,160	922,846	769,022	920,961
- purchase of residential properties	385,152	458,010	384,014	456,125
- purchase of transport vehicles	341,278	383,696	341,278	383,696
- others	43,730	81,140	43,730	81,140
Others	1,515	1,667	1,515	1,667
	<u>1,171,542</u>	<u>1,298,511</u>	<u>1,170,404</u>	<u>1,296,626</u>

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Collective allowance				
Balance at beginning of financial year	1,411,219	1,492,899	1,410,574	1,492,584
Charge to income statement, net	150,219	360,079	150,420	359,753
Amount transferred to Amlslamic*	(2,463)	-	(2,463)	-
Amount written-off and others	(436,649)	(443,170)	(436,649)	(443,170)
Foreign exchange differences	(61)	1,411	(60)	1,407
Balance at end of financial year/period	<u>1,122,265</u>	<u>1,411,219</u>	<u>1,121,822</u>	<u>1,410,574</u>
Collective allowance as % of gross loans and advances less individual allowance	<u>1.8%</u>	<u>2.2%</u>	<u>1.8%</u>	<u>2.2%</u>
Individual allowance				
Balance at beginning of financial year	133,755	168,840	133,755	168,840
Charge to income statement, net	23,286	151,832	23,286	151,832
Amount written-off	(7,545)	(186,917)	(7,545)	(186,917)
Balance at end of financial year/period	<u>149,496</u>	<u>133,755</u>	<u>149,496</u>	<u>133,755</u>

* Upon expiry of the RPSIA contract on 2 May 2014, the Bank derecognised the collective allowance. Accordingly, Amlslamic now accounts for the collective allowance in its financial statements. The gross exposure and collective allowance relating to the RPSIA financing as at 31 March 2014 for the Group and the Bank was RM450.1 million and RM2.5 million respectively.

There was no individual allowance provided for the RPSIA financing up to the expiry of the RPSIA contract.

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A12. OTHER ASSETS

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 (Restated) RM'000	30 September 2014 RM'000	31 March 2014 (Restated) RM'000
Other receivables, deposits and prepayments, net of allowance for impairment	1,262,701	1,163,013	1,255,222	1,156,670
Interest receivable, net of allowance for impairment	198,547	199,946	198,550	200,492
Amount due from originators	236,778	243,396	236,778	243,396
Foreclosed properties, net of allowance for impairment	61,666	66,805	61,516	66,655
Deferred charges	95,629	117,626	95,629	117,626
	<u>1,855,321</u>	<u>1,790,786</u>	<u>1,847,695</u>	<u>1,784,839</u>

A13. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Licensed banks	343,406	1,730,070	346,001	1,730,349
Licensed investment banks	953,135	248,233	953,135	248,233
Other financial Institutions	628,034	627,182	651,629	632,877
Bank Negara Malaysia	568,653	62,488	568,653	62,488
	<u>2,493,228</u>	<u>2,667,973</u>	<u>2,519,418</u>	<u>2,673,947</u>

A14. DEPOSIT FROM CUSTOMERS

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Demand deposits	8,991,404	10,079,582	8,992,976	10,080,927
Savings deposits	3,382,575	3,442,455	3,382,575	3,442,455
Term/Investment deposits	48,366,694	51,389,354	48,426,497	51,448,520
Negotiable instruments of deposits	26,727	33,866	26,727	33,866
	<u>60,767,400</u>	<u>64,945,257</u>	<u>60,828,775</u>	<u>65,005,768</u>

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Government and other statutory bodies	4,321,207	4,087,314	4,321,207	4,087,314
Business enterprises	25,494,419	29,047,271	25,555,794	29,107,782
Individuals	29,063,533	30,135,536	29,063,533	30,135,536
Others	1,888,241	1,675,136	1,888,241	1,675,136
	<u>60,767,400</u>	<u>64,945,257</u>	<u>60,828,775</u>	<u>65,005,768</u>

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A14. DEPOSIT FROM CUSTOMERS (CONTD.)

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Due within six months	36,807,624	35,864,748	36,867,427	35,923,914
Over six months to one year	7,649,402	12,071,672	7,649,402	12,071,672
Over one year to three years	3,303,542	2,799,883	3,303,542	2,799,883
Over three years to five years	632,853	686,917	632,853	686,917
	<u>48,393,421</u>	<u>51,423,220</u>	<u>48,453,224</u>	<u>51,482,386</u>

A15. OTHER LIABILITIES

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Other payables and accruals	1,146,069	1,634,280	1,142,359	1,635,104
Interest payable	591,124	565,955	591,150	565,994
Advance rentals	9,987	13,524	9,987	13,519
Provision for commitments and contingencies	101,798	125,550	101,827	125,577
Provision for taxation	98	17,505	30	16,358
	<u>1,849,076</u>	<u>2,356,814</u>	<u>1,845,353</u>	<u>2,356,552</u>

A16. INTEREST INCOME

	Individual Quarter		Cumulative Quarter	
	30 September 2014 RM'000	30 September 2013 (Restated) RM'000	30 September 2014 RM'000	30 September 2013 (Restated) RM'000
Group				
Short-term funds and deposits with financial institutions	45,495	64,347	92,965	120,871
Financial assets held-for-trading	19,877	28,586	36,928	71,026
Financial investments available-for-sale	58,966	39,542	117,679	78,159
Financial investments held-to-maturity	19,913	29,593	39,465	61,786
Loans and advances	914,317	942,845	1,812,931	1,887,838
Impaired loans and advances	2,037	1,092	3,890	1,597
Others	3,726	2,406	7,925	5,179
	<u>1,064,331</u>	<u>1,108,411</u>	<u>2,111,783</u>	<u>2,226,456</u>
Bank				
Short-term funds and deposits with financial institutions	41,757	63,995	85,737	120,031
Financial assets held-for-trading	19,877	28,586	36,928	71,026
Financial investments available-for-sale	60,416	41,427	120,677	82,016
Financial investments held-to-maturity	19,913	29,588	39,465	61,764
Loans and advances	911,268	939,188	1,806,653	1,880,435
Impaired loans and advances	2,037	1,092	3,890	1,597
Others	3,726	2,406	7,925	5,179
	<u>1,058,994</u>	<u>1,106,282</u>	<u>2,101,275</u>	<u>2,222,048</u>

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A17. INTEREST EXPENSE

	Individual Quarter		Cumulative Quarter	
	30 September 2014 RM'000	30 September 2013 (Restated) RM'000	30 September 2014 RM'000	30 September 2013 (Restated) RM'000
Group				
Deposits from customers	443,905	469,798	892,878	928,802
Deposits and placements of banks and other financial institutions	14,384	12,975	24,529	28,971
Recourse obligation of loans sold to Cagamas Berhad	10,251	10,266	20,402	20,432
Term funding	44,594	40,216	79,509	82,253
Debt capital	52,477	47,398	104,547	94,101
Others	4,828	8,400	10,877	16,310
	<u>570,439</u>	<u>589,053</u>	<u>1,132,742</u>	<u>1,170,869</u>
Bank				
Deposits from customers	444,504	470,212	893,937	929,574
Deposits and placements of banks and other financial institutions	14,389	13,046	24,536	29,044
Recourse obligation of loans sold to Cagamas Berhad	10,251	10,266	20,402	20,432
Term funding	44,594	40,216	79,509	82,253
Debt capital	52,477	47,405	104,550	94,101
Others	4,828	8,390	10,877	16,300
	<u>571,043</u>	<u>589,535</u>	<u>1,133,811</u>	<u>1,171,704</u>

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A18. OTHER OPERATING INCOME

	Individual Quarter		Cumulative Quarter	
	30 September 2014	30 September 2013 (Restated)	30 September 2014	30 September 2013 (Restated)
Group	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Bancassurance commission	7,898	8,379	14,791	17,678
Brokerage fees, commission and rebates	589	448	1,072	878
Fees on loans, advances and securities	57,942	69,480	114,295	133,004
Guarantee fees	13,773	12,516	27,833	24,586
Underwriting fees	-	-	397	-
Remittances	5,578	5,400	10,822	10,592
Service charges and fees	3,436	4,105	7,339	8,909
Other fee and commission	12,256	9,968	22,343	19,904
	<u>101,472</u>	<u>110,296</u>	<u>198,892</u>	<u>215,551</u>
Investment and trading income:				
Foreign exchange *	11,416	23,925	32,208	52,780
Gross dividend income from:				
Financial assets held-for-trading	2,681	2,153	3,043	3,857
Financial investments available-for-sale	194	243	8,981	10,348
Net (loss)/gain on sale/redemption of:				
Financial assets held-for-trading	(5,747)	(32,000)	(6,508)	(26,419)
Financial investments available-for-sale	2,377	9,027	3,963	23,855
Financial investments held-to-maturity	-	5,379	-	6,005
Net gain/(loss) on revaluation of financial assets held-for-trading	12,382	14,201	13,398	(21,675)
Net gain on derivatives	18,854	27,767	22,760	57,236
Others	83	1,769	1,164	30
	<u>42,240</u>	<u>52,464</u>	<u>79,009</u>	<u>106,017</u>
Other income:				
Net gain on disposal of property and equipment	2	114	114	108
Net non trading foreign exchange gain	6,353	119	4,077	245
Profit from sale of goods and services	8,794	6,765	16,982	14,797
Rental income	917	1,194	1,903	2,430
Others	1,733	4,150	1,966	4,432
	<u>17,799</u>	<u>12,342</u>	<u>25,042</u>	<u>22,012</u>
	<u>161,511</u>	<u>175,102</u>	<u>302,943</u>	<u>343,580</u>

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

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A18. OTHER OPERATING INCOME (CONTD.)

	Individual Quarter		Cumulative Quarter	
	30 September 2014 RM'000	30 September 2013 (Restated) RM'000	30 September 2014 RM'000	30 September 2013 (Restated) RM'000
Bank				
Fee and commission income:				
Bancassurance commission	7,892	8,371	14,776	17,657
Brokerage fees, commission and rebates	589	448	1,072	878
Fees on loans, advances and securities	52,498	63,717	103,294	126,694
Guarantee fees	13,773	12,530	27,833	24,541
Underwriting fees	-	-	397	-
Remittances	5,578	5,400	10,822	10,592
Service charges and fees	3,627	4,363	7,737	9,427
Other fee and commission	12,249	9,940	22,336	19,853
	<u>96,206</u>	<u>104,769</u>	<u>188,267</u>	<u>209,642</u>
Investment and trading income:				
Foreign exchange *	11,416	23,925	32,208	52,780
Gross dividend income from:				
Associate	-	-	1,000	-
Financial assets held-for-trading	2,681	2,153	3,043	3,857
Financial investments available-for-sale	194	243	8,981	10,348
Subsidiaries	-	667	-	667
Net (loss)/gain on sale/redemption of:				
Financial assets held-for-trading	(5,747)	(32,000)	(6,508)	(26,419)
Financial investments available-for-sale	2,377	9,027	3,963	23,855
Financial investments held-to-maturity	-	5,379	-	6,005
Net gain/(loss) on revaluation of financial assets held-for-trading	12,382	14,201	13,398	(21,675)
Net gain on derivatives	18,854	27,767	22,760	57,236
Others	2,924	1,978	5,940	468
	<u>45,081</u>	<u>53,340</u>	<u>84,785</u>	<u>107,122</u>
Other income:				
Net loss on disposal of property and equipment	-	116	(7)	110
Net non trading foreign exchange gain	6,364	87	4,092	195
Profit from sale of goods and services	8,794	6,765	16,982	14,797
Rental income	744	873	1,567	1,841
Others	1,858	4,046	1,954	4,213
	<u>17,760</u>	<u>11,887</u>	<u>24,588</u>	<u>21,156</u>
	<u>159,047</u>	<u>169,996</u>	<u>297,640</u>	<u>337,920</u>

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

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A19. OTHER OPERATING EXPENSES

	Individual Quarter		Cumulative Quarter	
	30 September 2014	30 September 2013 (Restated)	30 September 2014	30 September 2013 (Restated)
Group	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
Pension costs - defined contribution plan	28,515	26,214	58,424	53,883
Salaries, allowances and bonuses	164,651	174,592	356,607	360,815
Shares and options granted under ESS	9,266	10,495	9,872	14,016
Social security costs	1,285	1,331	2,563	2,650
Others	10,908	22,671	25,721	41,846
	<u>214,625</u>	<u>235,303</u>	<u>453,187</u>	<u>473,210</u>
Establishment costs:				
Amortisation of intangible assets	16,911	12,688	33,813	24,225
Cleaning, maintenance and security	4,897	5,926	10,445	11,425
Computerisation cost	42,706	41,681	84,965	83,066
Depreciation of property and equipment	11,187	11,328	22,255	22,386
Rental of premises	20,728	19,557	40,513	38,856
Others	9,105	8,749	18,944	18,443
	<u>105,534</u>	<u>99,929</u>	<u>210,935</u>	<u>198,401</u>
Marketing and communication expenses:				
Advertising and marketing	5,596	8,153	12,045	16,479
Commission	2,470	1,825	4,620	3,931
Communication	11,188	11,631	21,711	24,877
Others	1,909	2,569	4,034	5,321
	<u>21,163</u>	<u>24,178</u>	<u>42,410</u>	<u>50,608</u>
Administration and general expenses:				
Professional services	18,422	24,428	37,064	43,005
Others	8,736	10,190	16,669	21,169
	<u>27,158</u>	<u>34,618</u>	<u>53,733</u>	<u>64,174</u>
Service transfer pricing recovery - net	(82,031)	(81,730)	(167,075)	(167,989)
Expenses capitalised	(2,433)	(10,271)	(6,896)	(18,442)
Acquisition and business efficiency costs	11,659	4,724	20,754	5,484
	<u>295,675</u>	<u>306,751</u>	<u>607,048</u>	<u>605,446</u>

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A19. OTHER OPERATING EXPENSES (CONTD.)

	Individual Quarter		Cumulative Quarter	
	30 September 2014 RM'000	30 September 2013 (Restated) RM'000	30 September 2014 RM'000	30 September 2013 (Restated) RM'000
Bank				
Personnel costs:				
Pension costs - defined contribution plan	26,871	24,930	55,111	52,542
Salaries, allowances and bonuses	154,998	165,714	336,950	351,581
Shares and options granted under ESS	9,078	10,492	9,599	14,009
Social security costs	1,191	1,230	2,376	2,546
Others	10,219	22,068	24,677	41,216
	<u>202,357</u>	<u>224,434</u>	<u>428,713</u>	<u>461,894</u>
Establishment costs:				
Amortisation of intangible assets	16,512	12,204	33,011	23,740
Cleaning, maintenance and security	4,478	5,624	9,714	10,991
Computerisation cost	42,683	41,679	84,743	83,060
Depreciation of property and equipment	9,872	10,159	19,669	21,090
Rental of premises	19,598	18,183	38,475	37,853
Others	8,781	8,437	18,306	17,924
	<u>101,924</u>	<u>96,286</u>	<u>203,918</u>	<u>194,658</u>
Marketing and communication expenses:				
Advertising and marketing	5,609	8,153	12,033	16,479
Commission	2,470	1,816	4,618	3,914
Communication	10,742	11,048	20,373	24,278
Others	1,499	2,251	3,305	5,001
	<u>20,320</u>	<u>23,268</u>	<u>40,329</u>	<u>49,672</u>
Administration and general expenses:				
Card operation charges	57,226	53,470	109,887	53,470
Professional services	18,317	24,353	36,845	42,858
Others	8,406	9,787	15,889	20,680
	<u>83,949</u>	<u>87,610</u>	<u>162,621</u>	<u>117,008</u>
Service transfer pricing recovery - net	(89,427)	(88,793)	(181,582)	(174,443)
Expenses capitalised	(2,433)	(10,271)	(6,896)	(18,442)
Acquisition and business efficiency costs	11,659	4,724	20,754	5,484
	<u>328,349</u>	<u>337,258</u>	<u>667,857</u>	<u>635,831</u>

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A20. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON LOANS AND ADVANCES

	Individual Quarter		Cumulative Quarter	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for impaired loans and advances:				
Individual allowance	(19,985)	57,403	23,286	118,596
Collective allowance	84,682	18,411	150,219	161,468
Impaired loans and advances recovered, net	(92,977)	(151,744)	(176,146)	(393,533)
	<u>(28,280)</u>	<u>(75,930)</u>	<u>(2,641)</u>	<u>(113,469)</u>
Bank				
Allowance for impaired loans and advances:				
Individual allowance	(19,985)	57,403	23,286	118,596
Collective allowance	84,863	18,382	150,420	161,398
Impaired loans and advances recovered, net	(92,977)	(143,756)	(176,146)	(383,698)
	<u>(28,099)</u>	<u>(67,971)</u>	<u>(2,440)</u>	<u>(103,704)</u>

A21. IMPAIRMENT LOSS/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Individual Quarter		Cumulative Quarter	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Group				
Financial investments available-for-sale	-	(1,884)	-	(1,710)
Financial investments held-to-maturity	2,354	(41)	2,354	(1,106)
	<u>2,354</u>	<u>(1,925)</u>	<u>2,354</u>	<u>(2,816)</u>
Bank				
Financial investments available-for-sale	-	(1,884)	-	(1,710)
Financial investments held-to-maturity	2,354	-	2,354	(888)
	<u>2,354</u>	<u>(1,884)</u>	<u>2,354</u>	<u>(2,598)</u>

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A22. EARNINGS PER SHARE ("EPS")

(a) Basic/Diluted

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

Diluted earnings per share is calculated by dividing the net profit attributable to the equity holder of the Bank by the adjusted weighted average number of ordinary shares in issue and issuable during the financial period. The Bank does not have any dilutive potential ordinary shares.

	Individual Quarter		Cumulative Quarter	
	30 September 2014	30 September 2013 (Restated)	30 September 2014	30 September 2013 (Restated)
Group				
Net profit attributable to shareholder of the Bank (RM'000)	292,863	434,670	525,009	769,072
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>35.70</u>	<u>52.99</u>	<u>64.00</u>	<u>93.75</u>
	30 September 2014	30 September 2013 (Restated)	30 September 2014	30 September 2013 (Restated)
Bank				
Net profit attributable to shareholder of the Bank (RM'000)	259,862	329,958	465,787	659,736
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>31.68</u>	<u>40.22</u>	<u>56.78</u>	<u>80.42</u>

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A23. BUSINESS SEGMENT ANALYSIS

Group	Wholesale banking	Retail banking	Operating Segments	Total
For the financial period ended 30 September 2014	RM'000	RM'000	RM'000	RM'000
External revenue	987,065	1,081,268	346,394	2,414,727
Revenue from other segments	(9,628)	56,574	(46,946)	-
Total operating revenue	977,437	1,137,842	299,448	2,414,727
Net interest Income	363,135	535,324	80,583	979,042
Other operating income	160,589	138,202	4,152	302,943
Share in results of associates	-	-	581	581
Other operating expenses	(151,103)	(325,842)	(130,103)	(607,048)
<i>of which:</i>				
<i>Depreciation of Property and Equipment</i>	(1,815)	(12,439)	(8,022)	(22,276)
<i>Amortisation of Intangible Assets</i>	(4,018)	(3,851)	(26,028)	(33,897)
Profit before provisions	372,621	347,684	(44,787)	675,518
Provisions - net	38,308	(54,209)	32,281	16,380
Profit/(Loss) before taxation	410,929	293,475	(12,506)	691,898
Taxation	(93,711)	(73,459)	281	(166,889)
Profit/(Loss) for the period	317,218	220,016	(12,225)	525,009
Other information				
Total segment assets	34,950,246	33,231,908	14,917,256	83,099,410
Total segment liabilities	35,106,328	32,836,513	7,425,823	75,368,664
Cost to income ratio	41.6%	60.9%	161.5%	62.0%
Gross loans and advances	28,487,237	32,841,548	(23,404)	61,305,381
Net loans and advances	28,125,819	32,281,009	(373,208)	60,033,620
Impaired loans and advances	298,484	873,058	-	1,171,542
Deposits	29,447,277	32,256,150	1,557,201	63,260,628
Additions to:				
Property and equipment	239	12,124	5,135	17,498
Intangible assets	5,218	1,268	18,593	25,079

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A23. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group For the financial period ended 30 September 2013 (Restated)	Wholesale banking	Retail banking	Operating Segments	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	1,020,578	1,212,492	336,988	2,570,058
Revenue from other segments	64,949	(35,299)	(29,650)	-
Total operating revenue	1,085,527	1,177,193	307,338	2,570,058
Net interest Income	400,393	594,030	61,186	1,055,609
Other operating income	177,716	141,214	24,650	343,580
Share in results of associates	-	-	409	409
Other operating expenses	(147,983)	(342,089)	(115,374)	(605,446)
<i>of which:</i>				
<i>Depreciation of Property and Equipment</i>	(2,100)	(13,426)	(6,869)	(22,395)
<i>Amortisation of Intangible Assets</i>	(4,932)	(3,982)	(15,312)	(24,226)
Profit before provisions	430,126	393,155	(29,129)	794,152
Provisions - net	119,801	(5,330)	(3,959)	110,512
Profit/(Loss) before taxation	549,927	387,825	(33,088)	904,664
Taxation	(125,945)	(97,306)	87,659	(135,592)
Profit for the period	423,982	290,519	54,571	769,072

Other information

Total segment assets	33,722,513	34,448,294	17,839,914	86,010,721
Total segment liabilities	40,266,371	33,007,273	6,068,789	79,342,433
Cost to income ratio	37.0%	57.6%	188.6%	57.4%
Gross loans and advances	27,482,249	34,300,746	(90,991)	61,692,004
Net loans and advances	27,037,293	33,576,156	(541,601)	60,071,848
Impaired loans and advances	324,257	1,001,046	-	1,325,303
Deposits	34,283,713	32,214,566	1,429,411	67,927,690
Additions to:				
Property and equipment	1,525	12,645	5,073	19,243
Intangible assets	1,221	1,390	65,835	68,446

Note:

- The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.
- During the current financial period, the Group had restructured non-retail business divisions to Wholesale Banking to improve client centricity, efficiency and productivity. Wholesale Banking Division for the current financial period is a consolidation of five (5) divisions; main divisions presented separately previously for the Group were Business Banking, Corporate and Institutional Banking and Markets Divisions. As a result of this internal organisation, there is a change in business segment reporting for the comparative period.
- The comparative figures for Total segment assets and liabilities and Deposits were restated arising from the adoption of MFRS 10, Consolidated Financial Statements as disclosed in the financial statements for the year ended 31 March 2014.

A24. PERFORMANCE REVIEW FOR THE PERIOD ENDED 30 SEPTEMBER 2014

The Group registered a profit before taxation ("pre-tax profit") of RM691.9 million representing a 23.5% decrease compared to the pre-tax profit for the corresponding period last year.

For current financial period, the decrease in pre-tax profit was attributable to lower writeback of allowance for impairment on loans and advances of RM110.8 million mainly due to lower impaired loan recoveries despite lower impairment charges, with its impaired loans ratio which had decreased from 2.1% to 1.9%. Net interest income was lower by RM76.5 million or 7.3% mainly from loan and advances. Other operating income was lower by RM40.6 million or 11.8% due to lower fee income from loan and advances, lower net gains on trading activities from securities and from derivatives mitigated by gain on revaluation of securities.

The decrease was mitigated by higher writeback on provision for commitments and contingencies by RM23.3 million.

The Group and the Bank remained well capitalised with Risk Weighted capital adequacy ratios of 16.9% and 16.5% 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.

A25. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2015

The Malaysian economy registered a strong growth of 6.3% year-on-year in first half 2014 (4.4% year-on-year growth in first half 2013), mainly supported by trade. For full year 2014, the AmBank Group expects Malaysia's gross domestic product to grow circa 5.9%.

Moving into 2H2014, trade will continue to support the Malaysian economic growth, benefiting from our major trading partners demand and potential new markets. Growth will further be supported by the domestic activities.

In the banking sector, lending growth continues to be driven from a broader base of both consumer and corporate. Going forward, rising cost from the ongoing rationalisation of subsidy, goods & service tax impact and further upwards pressure on the borrowing costs will continue to weigh on households spending. There will be some pressure on the asset quality.

At AmBank Group, our FY2015 – 2017 strategic agenda are (1) Deliver on focused organic growth; (2) Leverage strategic partnerships and deliver on acquisitions; (3) Continue to optimise efficiency; and (4) Build sustainability. Nevertheless, the business and economic environment has been increasingly challenging, while compliance requirements continue to rise. We will remain dynamic and responsive with key measures to drive growth, supported by ongoing investment to improve capabilities and customer experience.

A26. 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.

A27. EVENTS SUBSEQUENT TO REPORTING DATE

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

A28. CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group for the financial period ended 30 September 2014 other than as follows:

- (i) The following wholly owned subsidiaries of the Bank had been dissolved by way of member's voluntary winding-up ("MVWU") pursuant to Section 254(1)(b) of the Companies Act, 1965 on 27 September 2014:
 - 1) AmCredit & Leasing Sdn Bhd
 - 2) AmCapital (L) Inc (Incorporated under the Labuan Acts 1990)
 - 3) AMMB Factors Sdn Bhd

- (ii) Economical Enterprises Sendirian Berhad, a wholly owned subsidiary of the Bank had commenced MVWU on 25 September 2014.

The winding up of the above subsidiary did not have any material effect on the Group's performance for the current financial year.

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A29. COMMITMENTS AND CONTINGENCIES

- (a) 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 notional amounts of the commitments and contingencies of the Group and the Bank are as follows:

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Contingent Liabilities				
Direct credit substitutes	1,070,735	1,092,935	1,070,735	1,092,935
Transaction related contingent items	4,451,565	4,663,740	4,451,565	4,663,740
Short term self liquidating trade related contingencies	639,340	616,860	639,340	616,831
Obligations under on-going underwriting agreements	250,000	250,000	250,000	250,000
	<u>6,411,640</u>	<u>6,623,535</u>	<u>6,411,640</u>	<u>6,623,506</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,546,034	13,898,239	13,587,284	13,936,911
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,342,199	5,145,833	4,342,199	5,145,833
Unutilised credit card lines	3,528,318	3,622,016	3,528,318	3,622,016
Forward asset purchase	222,002	105,872	222,002	105,872
Unpaid portion of partly paid-up ordinary shares	200	200	150	150
	<u>21,638,753</u>	<u>22,772,160</u>	<u>21,679,953</u>	<u>22,810,782</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
- One year or less	26,639,176	22,196,436	26,639,176	22,196,436
- Over one year to five years	3,115,346	3,018,618	3,115,346	3,018,618
- Over five years	1,227,308	895,569	1,227,308	895,569
Interest rate related contracts				
- One year or less	6,421,415	4,377,755	6,421,415	4,377,755
- Over one year to five years	28,261,239	28,591,959	28,261,239	28,591,959
- Over five years	6,153,439	6,250,838	6,153,439	6,250,838
Credit related contracts				
- Over one year to five years	307,216	306,519	307,216	306,519
- Over five years	306,662	305,967	306,662	305,967
Equity and commodity related contracts				
- One year or less	597,835	419,790	597,835	419,790
- Over one year to five years	72,782	331,103	72,782	331,103
	<u>73,102,418</u>	<u>66,694,554</u>	<u>73,102,418</u>	<u>66,694,554</u>
Total	<u>101,152,811</u>	<u>96,090,249</u>	<u>101,194,011</u>	<u>96,128,842</u>

Note:

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").

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A29. COMMITMENTS AND CONTINGENCIES (CONTD.)

- (b) As at the reporting date, the associate of the Group has the following contingent liability:

AmTrustee Berhad ("AmTrustee") was served with a Writ and Statement of Claim dated 12 December 2005 by solicitors acting for Meridian Asset Management Sdn Bhd ("Meridian") for alleged loss and damage amounting to approximately RM27.6 million together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian ("Meridian Suit").

AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for Malaysian Assurance Alliance Berhad ("MAA") for alleged loss and damages amounting to approximately RM19.6 million together with interest and costs ("MAA Suit").

AmTrustee was also served with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian. The Third Party Notice was taken against AmTrustee by Meridian to indemnify Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007. AmTrustee's application to strike out the Third Party Notice was allowed by the court. Meridian's appeal against this decision to the Court of Appeal was dismissed. Decision was handed down by the High Court against Meridian in KWAP's claim for a sum of approximately RM7.3 million with interest to the date of judgment and a further interest of 8% on the said sum from the date of judgment to the date of settlement of the judgment sum.

MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of the insurance funds were deposited by Meridian with AmTrustee. The claim by MAA in the MAA Suit is part of the portion of the claim as mentioned in the above Meridian Suit. Just before the trial proceeded, MAA added Meridian as a Co-Defendant in the MAA Suit.

In the MAA Suit, prior to the commencement of the trial, MAA amended its Statement of Claim to include Meridian as a second Defendant. Prior to this MAA's amendment, AmTrustee had already filed a Third Party Notice against Meridian on 6 November 2006 in the MAA Suit seeking indemnification/contribution from Meridian. Meridian in turn filed a counter claim against AmTrustee over AmTrustee's Third Party Notice which in essence introduced the same argument and claim as in their Meridian Suit.

Parties filed several interim applications in the Meridian Suit amongst which was an application by Meridian to add another related company of AMMB Group, namely AmInvestment Bank Berhad as Co-Defendant and to increase the alleged loss and damage from approximately RM27.6 million to RM37.0 million.

The High Court dismissed Meridian's application to add AmInvestment Bank Berhad as a party to the Meridian's Suit "Order" but allowed Meridian's application to increase its claim against AmTrustee to approximately RM37.0 million. No appeal was filed by Meridian against this "Order", hence no litigation is pending today against AmInvestment Bank Berhad by Meridian.

As facts of both the Meridian and MAA suit are similar in nature with the same parties involved, the court has ordered that these two suits are to be heard together.

A29. COMMITMENTS AND CONTINGENCIES (CONTD.)

(c) As at the reporting date, the associate of the Group has the following contingent liability (contd.):

On 11 April 2013, the court decided as follows ("Decision"):

In the MAA Suit:

- the court dismissed MAA's claim against AmTrustee with costs of RM100,000.00 and interest at 5% on the cost from the date of the decision to the date of settlement. Meridian was found to be fully liable to MAA and ordered to pay the sum of approximately RM19.6 million with interest from the date of filing of the writ to the date of realization and costs of RM100,000.00 with interest at 5% on the cost from the date of the decision to the date of settlement.

In the Meridian Suit:

- the court found that AmTrustee is liable to contribute and indemnify Meridian for 40% of the amount that Meridian has been found liable to MAA and KWAP.

This essentially means that Meridian has to pay MAA and KWAP for all the damages claimed by MAA and KWAP and AmTrustee has to pay 40% of that amount that Meridian has paid to MAA and KWAP. Court further awarded Meridian to pay AmTrustee cost of RM20,000.00.

Both Meridian and MAA have filed their appeals and AmTrustee has also filed its cross appeals against Meridian's and MAA's appeals.

AmTrustee obtained solicitors advice on MAA appeal and Meridian appeal. AmTrustee's solicitors advised AmTrustee to file its cross appeals against MAA's appeal and Meridian's appeal so as to reduce AmTrustee's 40% contribution of amount that Meridian has paid to MAA and KWAP. AmTrustee's solicitors are of the view that AmTrustee has a fair chance of succeeding in its cross-appeals.

The Court of Appeal had fixed the appeals for further case management on 5 September 2013 for parties to update Court of Appeal on the status of their appeals. On 5 September 2013 the Court of Appeal fixed 29 January 2014 for the parties to file Written Submissions. The Court of Appeal also had fixed the hearing on the appeals and cross appeals on 19 May 2014.

On 19 May 2014, the Court of Appeal heard the appeals by all parties and subsequently, gave its decisions as follows ("**Court of Appeal Decision**"):

In the MAA Suit:

- MAA's appeal against the High Court Decision was allowed;
- Meridian's appeal against the High Court Decision was dismissed;
- AmTrustee's cross-appeals against MAA's and Meridian's appeals were dismissed

In the Meridian Suit:

- Meridian's appeal against the High Court Decision was dismissed;
- AmTrustee's appeal against Meridian's appeal was dismissed

MAA and AmTrustee had agreed to the stay of execution of the Court of Appeal Decision pending the disposal of AmTrustee's application for leave to appeal to Federal Court ("Leave Application"). As at the end of the reporting period, AmTrustee had filed its notice of motion for the Leave Application at Federal Court. The Federal Court has yet to fix a date to hear AmTrustee's Leave Application.

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A30. FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group and the Bank measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognised on a recurring basis, the Group and the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting periods.

Financial assets and liabilities measured using valuation techniques based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group and the Bank. Therefore, unobservable inputs reflect the Group's and the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Bank's own data.

About 1.3% (31 March 2014 : 1.3%) of the Bank's total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

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A30. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(a) The following tables show the Group's and the Bank's financial instruments that are measured at fair value at the reporting date analysed by levels within the fair value hierarchy.

	Group				Bank			
	Valuation techniques			Total RM'000	Valuation techniques			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
30 September 2014								
Assets measured at fair value								
Derivative financial assets	222	602,487	-	602,709	222	602,487	-	602,709
Financial assets held-for-trading								
- Money market securities	-	885,541	-	885,541	-	885,541	-	885,541
- Equities	267,183	-	-	267,183	267,183	-	-	267,183
- Quoted private debt securities	39,229	-	-	39,229	39,229	-	-	39,229
- Unquoted private debt securities	-	775,246	-	775,246	-	775,246	-	775,246
Financial investments available-for-sale								
- Money market securities	-	2,493,958	-	2,493,958	-	2,493,958	-	2,493,958
- Equities	187,567	-	-	187,567	187,533	-	-	187,533
- Unquoted private debt securities	-	3,216,829	-	3,216,829	-	3,216,829	107,453	3,324,282
	<u>494,201</u>	<u>7,974,061</u>	<u>-</u>	<u>8,468,262</u>	<u>494,167</u>	<u>7,974,061</u>	<u>107,453</u>	<u>8,575,681</u>
Liabilities measured at fair value								
Derivative financial liabilities	7,829	520,328	-	528,157	7,829	520,328	-	528,157
	<u>7,829</u>	<u>520,328</u>	<u>-</u>	<u>528,157</u>	<u>7,829</u>	<u>520,328</u>	<u>-</u>	<u>528,157</u>

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A30. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(b) The following tables show the Group's and the Bank's financial instruments that are measured at fair value at the reporting date analysed by levels within the fair value hierarchy (contd.).

	Group				Bank			
	Valuation techniques			Total RM'000	Valuation techniques			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
31 March 2014								
Assets measured at fair value								
Derivative financial assets	752	528,078	-	528,830	752	528,078	-	528,830
Financial assets held-for-trading								
- Money market securities	-	674,229	-	674,229	-	674,229	-	674,229
- Equities	194,546	-	-	194,546	194,546	-	-	194,546
- Quoted private debt securities	23,799	-	-	23,799	23,799	-	-	23,799
- Unquoted private debt securities	-	1,307,804	-	1,307,804	-	1,307,804	-	1,307,804
Financial investments available-for-sale								
- Money market securities	-	3,277,603	-	3,277,603	-	3,277,603	-	3,277,603
- Equities	188,288	-	-	188,288	188,251	-	-	188,251
- Unquoted private debt securities	-	2,919,090	417	2,919,507	-	2,919,090	123,317	3,042,407
	<u>407,385</u>	<u>8,706,804</u>	<u>417</u>	<u>9,114,606</u>	<u>407,348</u>	<u>8,706,804</u>	<u>123,317</u>	<u>9,237,469</u>
Liabilities measured at fair value								
Derivative financial liabilities	33,165	508,094	-	541,259	33,165	508,094	-	541,259
	<u>33,165</u>	<u>508,094</u>	<u>-</u>	<u>541,259</u>	<u>33,165</u>	<u>508,094</u>	<u>-</u>	<u>541,259</u>

There were no transfers between Level 1 and Level 2 during the current financial period and previous financial year for the Group and the Bank.

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A30. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

Movements In Level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Financial investments available-for-sale:				
Balance at beginning of financial year	417	435	123,317	159,732
Total gains/(losses) recognised in:				
- income statement:				
- other operating income	310	1,856	310	1,856
- impairment loss	-	(18)	-	(18)
- other comprehensive income	-	-	1,097	(2,558)
Settlements	(727)	(1,856)	(17,271)	(35,695)
Balance at end of financial year/period	<u>-</u>	<u>417</u>	<u>107,453</u>	<u>123,317</u>

Total gains or losses included in the income statement and statement of comprehensive income for financial instruments held at the end of reporting period:

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Financial investments available-for-sale:				
Total gains/(losses) included in:				
- impairment loss on financial investments	-	(18)	-	(18)
- other comprehensive income	-	-	1,097	(2,558)

There were no transfers between Level 2 and Level 3 during the current financial period and previous financial year for the Group and the Bank.

Impact on fair value of Level 3 financial instruments measured at fair value arising from changes to key assumptions.

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

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A31. CAPITAL ADEQUACY

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

	Group		Bank	
	30 September 2014	31 March 2014	30 September 2014	31 March 2014
Before deducting proposed dividends				
Common Equity Tier 1 Capital Ratio	10.819%	9.864%	10.453%	9.453%
Tier 1 Capital Ratio	12.882%	11.832%	12.513%	11.418%
Total Capital Ratio	16.891%	15.711%	16.480%	14.916%
After deducting proposed dividends				
Common Equity Tier 1 Capital Ratio	10.271%	9.557%	9.905%	9.146%
Tier 1 Capital Ratio	12.333%	11.525%	11.965%	11.112%
Total Capital Ratio	16.342%	15.404%	15.932%	14.609%

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is based on the Basel III capital accord. The minimum regulatory capital adequacy ratios are set out as follows:

	Transitional arrangements		
	Calendar year 2013	Calendar year 2014	Calendar year 2015 onwards
Common Equity Tier 1 ("CET 1") Capital Ratio	3.5%	4.0%	4.5%
Tier 1 Capital Ratio	4.5%	5.5%	6.0%
Total Capital Ratio	8.0%	8.0%	8.0%

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

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

	AMIL	
	30 September 2014	31 March 2014
Core capital ratio	92.060%	86.773%
Risk-weighted capital ratio	92.320%	87.019%

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

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A31. CAPITAL ADEQUACY (CONTD.)

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

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
CET 1 Capital				
Ordinary shares	820,364	820,364	820,364	820,364
Share premium	942,844	942,844	942,844	942,844
Retained earnings	4,854,046	4,607,531	4,655,181	4,408,666
Available-for-sale reserve	(37,694)	(71,094)	(38,019)	(72,241)
Foreign currency translation reserve	(47)	(1,990)	(47)	(1,990)
Statutory reserve	980,969	980,969	980,969	980,969
Merger reserve	104,149	104,149	48,516	48,516
Cash flow hedging reserve	6,855	3,029	6,855	3,029
Less: Regulatory adjustments applied on CET1 Capital				
Intangible assets	(317,768)	(334,857)	(314,357)	(330,679)
Deferred tax assets	(65,378)	(90,488)	(45,588)	(51,825)
Cash flow hedging reserve	(6,855)	(3,029)	(6,855)	(3,029)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(329)	(613)	(7,722)	(67,722)
Total CET1 Capital	7,281,156	6,956,815	7,042,141	6,676,902
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,388,080	1,388,080	1,388,080	1,388,080
Total Tier 1 Capital	8,669,236	8,344,895	8,430,221	8,064,982
Tier 2 Capital				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	400,000	400,000	400,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,557,800	1,557,800	1,557,800	1,557,800
Collective allowance and regulatory reserves	741,660	780,174	745,523	783,541
Less : Regulatory adjustments applied on Tier 2 Capital	(1,315)	(2,450)	(30,888)	(270,888)
Total Tier 2 capital	2,698,145	2,735,524	2,672,435	2,470,453
Total Capital	11,367,381	11,080,419	11,102,656	10,535,435

The breakdown of the RWA in various categories of risk is as follows:

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Credit RWA	59,332,839	62,413,888	59,641,879	62,683,302
Market RWA	2,842,149	2,839,123	2,842,149	2,839,123
Operational RWA	5,050,574	5,128,626	4,815,212	4,965,805
Large exposure risk RWA for equity holdings	72,938	143,864	72,938	143,864
Total RWA	67,298,500	70,525,501	67,372,178	70,632,094

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A32. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group		Bank	
	30 September 2014 RM'000	31 March 2014 RM'000	30 September 2014 RM'000	31 March 2014 RM'000
Outstanding credit exposures with connected parties (RM'000)	2,579,366	2,345,320	2,815,376	2,567,701
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	3.59	3.19	3.96	3.50
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.55	0.25	0.51	0.23

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

A33. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES

a) Adoption of MFRS 10, Consolidated Financial Statements ("MFRS 10")

Prior to the financial year ended 31 March 2014, the Bank had accounted for a collective investment scheme ("CIS"), AmCash Premium as financial investment available-for-sale in accordance with MFRS 139, Financial Instruments: Recognition and Measurement. At the date of initial application of MFRS 10 (1 April 2013), the Group and the Bank reassessed its investment based on the new requirements of MFRS 10 and have concluded that the Bank has control over the CIS.

Accordingly, the Group has consolidated the financial statements of the CIS for the financial year ended 31 March 2014. The assets, liabilities and equity of the collective investment scheme have also been retrospectively consolidated in the financial statements of the Group. Consequently, certain comparatives in the Income Statement for the financial period ended 30 September 2013 were restated.

b) During the current financial quarter, the Bank classified its investments that are not quoted in active markets as "Receivables: Investments not quoted in active markets". Consequently, certain comparative figures were restated to conform with current period's presentation. There was no significant impact to the financial performance and ratios in relation to the financial period ended 30 September 2013.

c) Certain comparatives were also restated to conform to the change in presentation during the last quarter of financial year ended 31 March 2014.

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A33. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONTD.)

The financial effects arising from the above are as follows:

(i) Reconciliation of statements of financial position

	As previously reported RM'000	Effect of adoption of MFRS 10 RM'000	Other restatements RM'000	As restated RM'000
Group				
Receivables: Investments not quoted in active markets	-	-	62,181	62,181
Other Assets	1,852,967	-	(62,181)	1,790,786
Bank				
Receivables: Investments not quoted in active markets	-	-	62,181	62,181
Other Assets	1,847,020	-	(62,181)	1,784,839

(ii) Reconciliation of income statements

Group

Income statement for the financial quarter ended 30 September 2013

Operating revenue	2,575,380	(513)	(4,809)	2,570,058
Interest income	2,227,005	(549)	-	2,226,456
Interest expense	(1,171,343)	474	-	(1,170,869)
Other operating income	348,353	36	(4,809)	343,580
Other operating expenses	(610,237)	(18)	4,809	(605,446)

Bank

Income statement for the financial quarter ended 30 September 2013

Operating revenue	2,564,777	-	(4,809)	2,559,968
Interest income	2,222,522	(474)	-	2,222,048
Other operating income	342,255	474	(4,809)	337,920
Other operating expenses	(640,640)	-	4,809	(635,831)

Group

Income statement for the individual quarter ended 30 September 2013

Operating revenue	1,286,234	(284)	(2,425)	1,283,525
Interest income	1,108,724	(313)	-	1,108,411
Interest expense	(589,291)	238	-	(589,053)
Other operating income	177,498	29	(2,425)	175,102
Other operating expenses	(309,168)	(8)	2,425	(306,751)

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A33. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONTD.)

(ii) Reconciliation of income statements (contd.)

	As previously reported RM'000	Effect of adoption of MFRS 10 RM'000	Other restatements RM'000	As restated RM'000
Bank				
Income statement for the individual quarter ended 30 September 2013				
Operating revenue	1,278,703	-	(2,425)	1,276,278
Interest income	1,106,520	(238)	-	1,106,282
Other operating income	172,183	238	(2,425)	169,996
Other operating expenses	(339,683)	-	2,425	(337,258)

(iii) Reconciliation of condensed statements of cash flows

Group

30 September 2013

Profit before taxation	904,721	(57)	-	904,664
Net change of operating assets	1,015,390	52	-	1,015,442
Net change in operating liabilities	1,194,065	31	(5,120)	1,188,976
Cash and cash equivalents at beginning of financial year	7,336,759	15	-	7,336,774
Effect of exchange rate changes	-	-	5,120	5,120
Cash and cash equivalents at end of financial period	10,283,655	41	-	10,283,696

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And Its Subsidiaries

A34. ISLAMIC BANKING BUSINESS

The Islamic banking business of the Group is attributable to its wholly-owned offshore banking subsidiary, AMIL. The subsidiary has ceased its Islamic banking business during the financial period.

The statement of financial position as at 30 September 2014 and the results for the financial period ended 30 September 2014 of the Islamic Banking Business of the Group included in the financial statements are summarised as follows:

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 RM'000	31 March 2014 RM'000
ASSETS			
Cash and short-term funds		2	5,593
Other assets		-	454
TOTAL ASSETS		2	6,047
LIABILITY AND ISLAMIC BANKING FUNDS			
Other liabilities		1	-
TOTAL LIABILITY		1	-
Capital funds		-	2,839
Reserves		1	3,208
TOTAL ISLAMIC BANKING FUNDS		1	6,047
TOTAL LIABILITY AND ISLAMIC BANKING FUNDS		2	6,047

**UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

	Individual Quarter		Cumulative Quarter	
	30 September 2014	30 September 2013	30 September 2014 RM'000	30 September 2013 RM'000
Income derived from Islamic Banking Funds representing total comprehensive income for the period	-	12	1	22