AmIslamic Bank Berhad

(Company No. 295576–U)
(Incorporated in Malaysia)

Interim Financial Statements
For the Financial Period
1 April 2012 to
31 December 2012

(In Ringgit Malaysia)

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31 December 2012 RM'000	31 March 2012 (Restated) RM'000	1 April 2011 (Restated) RM'000
ASSETS				
Cash and short-term funds		3,139,044	2,328,883	4,738,758
Deposits and placements with banks and other financial institutions		1,248,383	1,118,383	250,000
Derivative financial assets		11,317	10,925	3,258
Financial assets held-for-trading	A8	2,263,632	1,522,183	991,136
Financial investments available-for-sale	A9	1,083,546	320,117	715,937
Financial investments held-to-maturity	A10	991,081	822,222	-
Financing and advances	A11	19,910,438	16,846,171	13,256,139
Statutory deposit with Bank Negara Malaysia		724,000	559,000	-
Deferred tax asset		-	36,158	118,406
Other assets	A12	219,658	319,223	124,657
Property and equipment		496	582	654
Intangible assets		50	120	278
TOTAL ASSETS		29,591,645	23,883,967	20,199,223
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	A13	2,528,878	1,481,153	1,467,399
Derivative financial liabilities		11,287	10,896	3,254
Deposits from customers	A14	21,666,830	18,272,010	15,249,812
Term funding		1,062,749	854,804	550,000
Bills and acceptances payable		711,486	518,422	879,522
Subordinated Sukuk Musharakah		1,000,000	800,000	400,000
Deferred tax liabilities		16,511	-	-
Other liabilities	A15	534,177	229,780	249,261
Provision for zakat		1,787	1,323	559
Total Liabilities		27,533,705	22,168,388	18,799,807
Share capital		462,922	428,038	403,038
Reserves		1,595,018	1,287,541	996,378
Equity attributable to equity holder of the Bank		2,057,940	1,715,579	1,399,416
TOTAL LIABILITIES AND EQUITY		29,591,645	23,883,967	20,199,223
COMMITMENTS AND CONTINGENCIES	A27	9,368,563	7,783,532	7,595,982
NET ASSETS PER SHARE (RM)		4.45	4.01	3.47

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2012.

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012

		Individual Quarter		Cumulative Quarter	
		31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A16	377,254	316,447	1,093,908	929,111
Income derived from investment of shareholder's funds	A17	37,575	36,446	112,619	107,117
Allowance for impairment on financing and advances	A18	(33,632)	(37,162)	(103,983)	(132,556)
Impairment writeback on other assets		-	-	-	18
Write back/(provision) for commitments and contingencies		4,511	(453)	800	(1,157)
Transfer to profit equalisation reserve		(792)	(3,332)	(5,634)	(4,756)
Total distributable income		384,916	311,946	1,097,710	897,777
Income attributable to the depositors	A19	(196,219)	(145,916)	(547,649)	(434,082)
Total net income		188,697	166,030	550,061	463,695
Other operating expenses	A20	(88,959)	(70,791)	(262,029)	(216,229)
Finance cost		(15,003)	(16,827)	(44,438)	(38,358)
Profit before zakat and taxation		**84,735**	**78,412**	**243,594**	**209,108**
Zakat		(279)	(230)	(831)	(1,099)
Taxation		(18,938)	(17,876)	(53,852)	(50,697)
Profit for the period		**65,518**	**60,306**	**188,911**	**157,312**
Earnings per share (sen) - basic/fully diluted	A21	**15.24**	**14.96**	**44.07**	**39.03**

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2012.

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

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

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit for the period	65,518	60,306	188,911	157,312
Other comprehensive income/(loss):				
Net movement on financial investments available-for-sale	435	(2,301)	2,927	(2,372)
Income tax relating to the components of other comprehensive income	(109)	575	(732)	593
Other comprehensive income/(loss) for the period, net of tax	326	(1,726)	2,195	(1,779)
Total comprehensive income for the period	65,844	58,580	191,106	155,533

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2012.

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012

	Attributable to Equity Holder of the Bank				
		Non-distributable		Distributable	
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000	Total RM'000
At 1 April 2011					
As previously stated	403,038	534,068	297,992	162,515	1,397,613
Effect of change in accounting policy (Note A30)	-	-	-	1,803	1,803
As restated	403,038	534,068	297,992	164,318	1,399,416
Profit for the period	-	-	-	157,312	157,312
Other comprehensive loss	-	-	(1,779)	-	(1,779)
Total comprehensive income/(loss) for the period	-	-	(1,779)	157,312	155,533
Transfer of Executive Share Scheme ("ESS") shares recharged - difference on purchase price of shares vested	-	-	-	(26)	(26)
At 31 December 2011	403,038	534,068	296,213	321,604	1,554,923
At 1 April 2012					
As previously stated	428,038	609,068	350,503	328,654	1,716,263
Effect of change in accounting policy (Note A30)	-	-	-	(684)	(684)
As restated	428,038	609,068	350,503	327,970	1,715,579
Profit for the period	-	-	-	188,911	188,911
Other comprehensive income	-	-	2,195	-	2,195
Total comprehensive income for the period	-	-	2,195	188,911	191,106
Issuance of ordinary shares	34,884	115,117	-	-	150,001
Transfer to profit equalisation reserve under the previous guideline	-	-	1,495	-	1,495
Net transfer to profit equalisation reserve for the period	-	-	884	(884)	-
Transfer of ESS shares recharged - difference on purchase price of shares vested	-	-	-	(241)	(241)
At 31 December 2012	462,922	724,185	355,077	515,756	2,057,940

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2012.

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

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

	31 December 2012 RM'000	31 December 2011 (Restated) RM'000
Profit before zakat and taxation	243,594	209,108
Adjustments for non-operating and non-cash items	122,140	139,656
Operating profit before working capital changes	365,734	348,764
Changes in working capital:		
Net changes in operating assets	(4,076,941)	(3,510,763)
Net changes in operating liabilities	5,161,123	1,546,055
Taxation paid	(74,810)	(60,610)
Zakat	(365)	(303)
Net cash generated from/(used in) operating activities	1,374,741	(1,676,857)
Net cash (used in)/generated from investing activities	(914,581)	448,706
Net cash generated from financing activities	350,001	200,000
Net increase/(decrease) in cash and cash equivalents	810,161	(1,028,151)
Cash and cash equivalents at beginning of the financial year	2,328,883	4,738,758
Cash and cash equivalents at end of the period	3,139,044	3,710,607

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

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2012.

Explanatory Notes

A1. BASIS OF PREPARATION

Changes in accounting policies and disclosures

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

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

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

The MFRS Framework has converged with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) except that, in the former; (a) FRS 201_{2004} Property Development Activities will continue to be the extant standard for accounting for property development activities and not IC 15 Agreements for the Construction of Real Estate; and (b) there is no equivalent standard to MFRS 141 Agriculture.

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

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

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

A1. BASIS OF PREPARATION (CONTD.)

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

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

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

The financial effects on the Bank's financial position and financial performance on adoption of the MFRS Framework are set out in Note A30. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

2. BNM Guidelines on Profit Equalisation Reserve

BNM issued the revised Guidelines on Profit Equalisation Reserve ("PER Guidelines"), which became effective for the Bank from 1 April 2012.

On adoption of the PER Guidelines, the Bank continues to set aside a portion of its profit into a Profit Equalisation Reserve ("PER"). The PER of the Investment Account Holder continues to be classified as a liability and is recognised at cost, with subsequent apportionments being recognised in the income statement.

The PER of the Bank is now classified as a separate reserve in equity and subsequent apportionments to and distributions from retained earnings are treated as a transfer between reserves.

This change in accounting policy has been applied prospectively in accordance with the transitional provisions in the PER Guidelines.

A1. BASIS OF PREPARATION (CONTD.)

3. FRSIC Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad

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

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

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

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

The financial impact of this change in accounting policy on the financial statements of the Bank is disclosed in Note A30.

4. New and amended standards and interpretations

(a) Standards effective for financial year ending 31 March 2013

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

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

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

A1. BASIS OF PREPARATION (CONTD.)

4. New and amended standards and interpretations (CONTD.)

(b) Standards issued but not yet effective

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

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

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

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

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

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

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

A2. AUDIT QUALIFICATION

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

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

A5. CHANGES IN ESTIMATES

There was no material change in estimates of amounts reported in prior financial years that have a material effect on the financial quarter ended 31 December 2012 other than as disclosed in Note A30 Changes in accounting policies and comparatives.

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

On 24 December 2012, RM200 million ("Tranche 3") of the Sukuk Musharakah under its existing RM2.0 billion Subordinated Sukuk programme was issued. Tranche 3 which carries a profit rate of 4.45% per annum, and is payable on a semi-annual basis is for a tenor of 10 years non-callable 5 years.

On 27 December 2012, the issued and paid-up ordinary share capital of the Bank increased by way of issuance of 34,884,000 new ordinary shares of RM1.00 each allotted to its holding company, AMMB Holdings Berhad ("AMMB") on the basis of 1,000,000 new ordinary shares for every 12,270,325 existing ordinary shares held, at the issue price of RM4.30 per share. Arising from this, the issued and paid-up share capital of the Bank increased to RM462,922,000.

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

The directors do not recommend the payment of any dividend in respect of the financial quarter ended 31 December 2012 and no dividends were paid in the current financial quarter and period.

A8. FINANCIAL ASSETS HELD-FOR-TRADING

	31 December 2012 RM'000	31 March 2012 RM'000
At Fair Value		
Money Market Instruments:		
Islamic Treasury bills	-	4,715
Malaysian Government Investment Issues	448,669	288,275
Bank Negara Monetary Notes	1,328,740	929,449
	1,777,409	1,222,439
Unquoted securities in Malaysia:		
Private debt securities	486,223	279,440
Unquoted securities outside Malaysia:		
Private debt securities	-	20,304
Total financial assets held-for-trading	2,263,632	1,522,183

A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2012 RM'000	31 March 2012 RM'000
At Fair Value		
Money Market Instruments:		
Negotiable instruments of deposit	648,040	-
Quoted securities in Malaysia:		
Unit trusts	-	30,000
Unquoted securities in Malaysia:		
Private debt securities	425,262	290,117
Unquoted securities outside Malaysia:		
Private debt securities	10,244	-
Total financial investments available-for-sale	1,083,546	320,117

A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	31 December 2012 RM'000	31 March 2012 RM'000
At Amortised Cost:		
Unquoted securities in Malaysia:		
Private debt securities	991,081	822,222
Total financial investments held-to-maturity	991,081	822,222

A11. FINANCING AND ADVANCES

	31 December 2012	31 March 2012 (Restated)
At Amortised Cost:	**RM'000**	**RM'000**
Cash lines	640,546	522,780
Term financing	6,036,010	6,046,290
Revolving credit	1,901,930	1,095,887
House financing	771,725	598,260
Hire-purchase receivables	10,997,241	9,264,472
Credit card receivables	330,259	316,677
Bills receivables	189	-
Trust receipts	98,951	63,366
Claims on customers under acceptance credit	1,076,531	1,060,425
	21,853,382	18,968,157
Less: Islamic financing sold to Cagamas Berhad	(1,437,326)	(1,645,251)
Gross financing and advances ^	20,416,056	17,322,906
Allowance for impairment on financing and advances		
- Collective allowance	(492,229)	(460,411)
- Individual allowance	(13,389)	(16,324)
Net financing and advances	19,910,438	16,846,171

^ Included in financing and advances are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between the Bank and AmBank (M) Berhad ("AmBank"). AmBank is exposed to risks and rewards on RPSIA financing and will account for all the allowances for impairment arising thereon, if any, and the profit is shared based on pre-agreed ratios.

A11. FINANCING AND ADVANCES (CONTD.)

A11a. Gross financing and advances analysed by contract are as follows:

	31 December 2012 RM'000	31 March 2012 RM'000
Bai' Bithaman Ajil	4,521,538	4,371,717
Ijarah/Al-Ijarah Thumma Al-Bai'	9,646,442	7,619,215
Musyarakah	6,554	663
Murabahah	1,289,088	1,207,148
Other Islamic contracts	4,952,434	4,124,163
Gross financing and advances	20,416,056	17,322,906

A11b. Gross financing and advances analysed by type of customer are as follows:

	31 December 2012 RM'000	31 March 2012 RM'000
Domestic non-bank financial institutions	13,667	78,669
Domestic business enterprises		
- Small medium enterprises	2,659,943	2,089,792
- Others	5,336,781	4,365,672
Government and statutory bodies	637,908	1,059,717
Individuals	11,748,511	9,713,326
Other domestic entities	10,375	9,016
Foreign entities	8,871	6,714
Gross financing and advances	20,416,056	17,322,906

A11c. All financing and advances reside in Malaysia.

A11. FINANCING AND ADVANCES (CONTD.)

A11d. Gross financing and advances analysed by profit rate sensitivity are as follows:

	31 December 2012 RM'000	31 March 2012 RM'000
Fixed rate		
- House financing	241,278	263,341
- Hire-purchase receivables	8,117,622	6,088,243
- Other financing	4,830,561	5,103,242
Variable rate		
- Base financing rate plus	3,201,107	2,974,390
- Cost plus	4,025,488	2,893,690
Gross financing and advances	20,416,056	17,322,906

A11e. Gross financing and advances analysed by sector are as follows:

	31 December 2012 RM'000	31 March 2012 RM'000
Agriculture	446,921	254,252
Mining and quarrying	39,111	43,316
Manufacturing	2,212,849	2,075,445
Electricity, gas and water	131,526	130,884
Construction	1,141,017	464,438
Wholesale, retail trade, restaurant and hotel	744,682	622,716
Transport, storage and communication	560,049	836,582
Finance and insurance	13,667	78,669
Real estate	1,714,958	1,254,628
Business activities	518,526	333,451
Education and health	525,575	505,421
Household of which:	13,194,708	11,365,288
- purchase of residential properties	768,794	594,931
- purchase of transport vehicles	10,289,305	8,537,897
- others	2,136,609	2,232,460
Others	609,793	1,003,067
Less: Islamic financing sold to Cagamas Berhad	(1,437,326)	(1,645,251)
Gross financing and advances	20,416,056	17,322,906

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A11. FINANCING AND ADVANCES (CONTD.)

A11f. Gross financing and advances analysed by residual contractual maturity are as follows:

	31 December 2012 RM'000	31 March 2012 RM'000
Maturing within one year	3,726,033	2,830,309
One year to three years	2,456,414	1,806,838
Over three years to five years	2,479,369	2,591,252
Over five years	11,754,240	10,094,507
Gross financing and advances	20,416,056	17,322,906

A11g. All impaired financing and advances reside in Malaysia.

A11h. Impaired financing and advances by sector

	31 December 2012 RM'000	31 March 2012 RM'000
Agriculture	1,011	471
Mining and quarrying	22	83
Manufacturing	21,625	23,994
Electricity, gas and water	142	78
Construction	1,787	1,743
Wholesale, retail trade, restaurant and hotel	4,473	3,708
Transport, storage and communication	285	511
Real estate	9,203	-
Business activities	2,350	262
Education and health	13,303	14,065
Household of which:	217,920	192,809
- purchase of residential properties	27,210	23,142
- purchase of transport vehicles	152,296	123,484
- others	38,414	46,183
Impaired financing and advances	272,121	237,724

A11. FINANCING AND ADVANCES (CONTD.)

A11i. Movements in impaired financing and advances are as follows:

	31 December 2012 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	237,724	320,418
Impaired during the period/year	242,973	245,594
Reclassified as non-impaired	(51,021)	(59,847)
Amount recovered	(26,185)	(38,106)
Amount written off	(131,370)	(230,335)
Balance at end of financial period/year	272,121	237,724
Gross financing and advances	20,416,056	17,322,906
Add: Islamic financing sold to Cagamas Berhad	1,437,326	1,645,251
Gross financing and advances (including Islamic financing sold to Cagamas Berhad)	21,853,382	18,968,157
Impaired financing and advances as % of total financing and advances (including Islamic financing sold to Cagamas Berhad)	1.2%	1.3%
Financing loss coverage (excluding collateral values)	185.8%	200.5%

A11. FINANCING AND ADVANCES (CONTD.)

A11j. Movements in the allowances for impaired financing and advances are as follows:

		31 December 2012 RM'000	31 March 2012 RM'000
Collective allowance			
Balance at beginning of financial year			
As previously stated		463,433	479,010
Effect of change in accounting policy	Note A30	(3,022)	(9,063)
As restated		460,411	469,947
Allowance made during the period/year		157,173	205,859
Transfer to AmBank (M) Berhad *		(1,871)	-
Amount written off		(123,484)	(215,395)
Balance at end of financial period/year		492,229	460,411
As % of gross financing and advances (including Islamic financing sold to Cagamas Berhad and excluding RPSIA financing) less individual allowance		2.3%	2.4%
Individual allowance			
Balance at beginning of financial year		16,324	25,447
Allowance made during the period/year - net		4,230	5,933
Amount written off		(7,165)	(15,056)
Balance at end of financial period/year		13,389	16,324

* As at 31 December 2012, the gross exposures to RPSIA financing was RM502.3 million and the collective allowance relating to this RPSIA amounting to RM1.9 million was recognised in the financial statements of AmBank.

There was no individual allowance provided on this RPSIA financing.

A12. OTHER ASSETS

	31 December 2012 RM'000	31 March 2012 (Restated) RM'000
Other receivables and prepayments	16,767	206,334
Profit receivable	43,541	22,351
Tax recoverable	72,352	15,969
Deferred charges	86,998	74,569
	219,658	319,223

A13. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2012 RM'000	31 March 2012 (Restated) RM'000
Non-Mudharabah		
Licensed banks	338,415	806,330
Licensed investment banks	196,290	173,843
Other financial institutions	270,958	123,491
Bank Negara Malaysia	31,706	17,749
	837,369	1,121,413
Mudharabah		
Licensed bank	502,067	-
Other financial institutions	1,189,442	359,740
	1,691,509	359,740
Total	2,528,878	1,481,153

The Mudharabah deposits from a licensed bank is the RPSIA placed by AmBank on 28 December 2012 for tenor of 490 days. These deposits are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, that is, investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

A14. DEPOSITS FROM CUSTOMERS

	31 December 2012 RM'000	31 March 2012 (Restated) RM'000
(i) By type of deposit:		
Non-Mudharabah		
Demand deposits	3,628,665	2,874,233
Savings deposits	1,663,608	1,541,959
Negotiable instruments of deposits	25,581	25,184
Term deposits	736,896	167,181
	6,054,750	4,608,557
Mudharabah		
Demand deposits	28,028	19,512
Savings deposits	5,595	5,945
General investment deposits	15,440,094	13,453,942
Structured deposits	138,363	184,054
	15,612,080	13,663,453
Total	21,666,830	18,272,010

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

	31 December 2012 RM'000	31 March 2012 (Restated) RM'000
Government and other statutory bodies	3,685,636	4,128,278
Business enterprises	12,803,006	9,645,362
Individuals	4,736,604	3,835,521
Others	441,584	662,849
	21,666,830	18,272,010

(iii) The maturity structure of negotiable instruments of deposits, term deposits, general investment deposits and structured deposits is as follows:

	31 December 2012 RM'000	31 March 2012 (Restated) RM'000
Due within six months	14,975,300	12,566,627
Over six months to one year	1,014,778	806,224
Over one year to three years	324,866	404,005
Over three years to five years	25,990	53,505
	16,340,934	13,830,361

A15. OTHER LIABILITIES

	31 December 2012 RM'000	31 March 2012 (Restated) RM'000
Profit payable	145,389	115,460
Other creditors and accruals	117,336	74,013
Advance rental	9,675	11,635
Profit equalisation reserve *	2,858	3,294
Amount due to related companies	234,380	38
Provision for commitments and contingencies	24,539	25,340
	534,177	229,780

* There is no shareholder's portion of the profit equalisation reserve as at 31 December 2012 (31 March 2012: RM1,495,000).

A16. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Income derived from investment of:				
- General investment deposits	260,974	194,572	745,011	596,057
- Special investment deposits	312	-	312	-
- Other deposits	115,968	121,875	348,585	333,054
	377,254	316,447	1,093,908	929,111

A16. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTD.)

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Income derived from investment of general investment deposits				
Finance income and hibah:				
Financing and advances				
- Financing income	243,224	156,731	679,670	473,857
- Financing income on impaired financing	83	42	244	88
Financial assets held-for-trading	12,484	8,478	30,994	20,959
Financial investments held-to-maturity	11	-	968	-
Deposits and placements with financial institutions	-	19,421	-	66,626
Total finance income and hibah	255,802	184,672	711,876	561,530
Other operating income:				
Fee and commission income:				
- Commission	2,476	1,519	7,059	4,341
- Other fee	8,578	5,389	29,947	17,519
Foreign exchange	2,032	1,355	4,685	1,447
Gain from sale of financial assets held-for-trading	127	4,190	3,644	10,410
Gain/(loss) on revaluation of financial assets held-for-trading	1,912	(2,550)	(2,233)	795
Others	(9,953)	(3)	(9,967)	15
Total other operating income	5,172	9,900	33,135	34,527
Total	260,974	194,572	745,011	596,057

A16. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTD.)

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	**31 December 2011 RM'000**	**31 December 2012 RM'000**	**31 December 2011 RM'000**
Income derived from investment of specific investment deposits				
Finance income and hibah:				
Financing and advances				
- Financing income	312	-	312	-
Total finance income and hibah	312	-	312	-
Income derived from investment of other deposits				
Finance income and hibah:				
Financing and advances				
- Financing income	66,055	97,968	203,225	264,774
- Financing income on impaired financing	23	25	73	49
Financial assets held-for-trading	7,508	5,147	16,292	11,711
Financial investments held-to-maturity	11,180	-	30,082	-
Deposits and placements with financial institutions	28,638	12,399	88,401	37,228
Total finance income and hibah	113,404	115,539	338,073	313,762
Other operating income:				
Fee and commission income:				
- Commission	670	941	2,110	2,425
- Other fee	2,239	3,408	8,955	9,789
Foreign exchange	567	760	1,401	809
Gain/(loss) from sale of financial assets held-for-trading	(68)	2,545	1,439	5,817
Gain/(loss) on revaluation of financial assets held-for-trading	2,132	(1,317)	(413)	443
Others	(2,976)	(1)	(2,980)	9
Total other operating income	2,564	6,336	10,512	19,292
Total	115,968	121,875	348,585	333,054

A17. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Finance income and hibah:				
Financing and advances				
- Financing income	25,960	24,777	79,103	72,640
Financial investments available-for-sale	8,218	6,356	22,963	17,998
Total finance income and hibah	34,178	31,133	102,066	90,638
Other operating income:				
Fee and commission income:				
- Commission	1,601	(20)	3,468	1,660
- Other fee	1,796	2,654	5,503	9,702
Gain from sale of financial investments available-for-sale	-	2,679	1,582	5,117
Total other operating income	3,397	5,313	10,553	16,479
Total	37,575	36,446	112,619	107,117

A18. ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011 (Restated)	31 December 2012	31 December 2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired financing and advances:				
Individual allowance, net	(404)	1,822	4,230	4,192
Collective allowance	52,121	48,867	157,173	164,293
Impaired financing and advances recovered, net	(18,085)	(13,527)	(57,420)	(35,929)
Total	33,632	37,162	103,983	132,556

A19. INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Individual Quarter		Cumulative Quarter	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Deposit from customers				
- Mudharabah fund	130,193	101,977	370,007	306,384
- Non-Mudharabah fund	18,705	11,225	50,565	28,789
	148,898	113,202	420,572	335,173
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	14,258	2,822	24,151	8,384
- Non-Mudharabah fund	11,466	10,701	38,570	33,155
	25,724	13,523	62,721	41,539
Others	21,597	19,191	64,356	57,370
Total	196,219	145,916	547,649	434,082

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A20. OTHER OPERATING EXPENSES

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Personnel costs				
– Salaries, allowances and bonuses	1,874	1,620	5,723	4,964
– Shares and options granted under ESS	261	202	707	534
– Others	494	401	1,772	1,240
	2,629	2,223	8,202	6,738
Establishment costs				
– Amortisation of intangible assets	17	40	74	125
– Cleaning, maintenance and security	8	4	25	23
– Computerisation cost	16	4	31	7
– Depreciation of property and equipment	36	42	116	149
– Rental	150	150	450	474
– Others	96	48	259	86
	323	288	955	864
Marketing and communication expenses				
– Communication, advertising and marketing	1,118	1,248	3,520	3,561
– Others	33	30	110	143
	1,151	1,278	3,630	3,704
Administration and general expenses	1,005	1,686	2,842	4,620
Service transfer pricing expenses	83,851	65,316	246,400	200,303
Total	88,959	70,791	262,029	216,229

A21. EARNINGS PER SHARE (EPS)

Basic/Diluted

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

	Individual Quarter		**Cumulative Quarter**	
	31 December 2012	**31 December (Restated) 2011**	**31 December 2012**	**31 December (Restated) 2011**
Net profit attributable to equity holder of the Bank (RM'000)	65,518	60,306	188,911	157,312
Number of ordinary shares at beginning of financial year ('000)	428,038	403,038	428,038	403,038
Effect of issuance of shares ('000)	1,896	-	634	-
Weighted average number of ordinary shares in issue ('000)	429,934	403,038	428,672	403,038
Basic/Diluted earnings per share (sen)	**15.24**	**14.96**	**44.07**	**39.03**

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A22. BUSINESS SEGMENT ANALYSIS

For the period ended 31 December 2012

	Retail Banking	Business Banking	Corporate and Institutional Banking	Markets	Group Functions and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total operating revenue	459,932	154,791	377,710	24,443	189,651	1,206,527
Net income	376,637	113,707	59,284	16,332	48,480	614,440
Other operating expenses	(176,390)	(21,511)	(4,869)	(3,690)	(55,569)	(262,029)
Profit/(loss) before provision	200,247	92,196	54,415	12,642	(7,089)	352,411
(Provisions)/Writeback of provisions	(111,565)	16,932	(5,510)	61	(8,735)	(108,817)
Profit/(loss) before zakat and taxation	88,682	109,128	48,905	12,703	(15,824)	243,594
Zakat and taxation	(22,171)	(27,282)	(12,227)	(3,176)	10,173	(54,683)
Profit/(loss) for the period	66,511	81,846	36,678	9,527	(5,651)	188,911

Other information

	Retail Banking	Business Banking	Corporate and Institutional Banking	Markets	Group Functions and Others	Total
Cost to income ratio	46.8%	18.9%	8.2%	22.6%	114.6%	42.6%
Gross financing and advances	14,266,819	4,798,940	2,847,239	-	(1,496,942)	20,416,056
Net financing and advances	13,974,077	4,737,805	2,832,189	-	(1,633,633)	19,910,438
Impaired financing and advances	257,071	15,028	-	-	22	272,121
Deposits	5,835,277	2,082,018	14,805,032	288,363	1,185,018	24,195,708

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A22. BUSINESS SEGMENT ANALYSIS (CONTD.)

For the period ended 31 December 2011

	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Markets RM'000	Group Functions and Others RM'000	Total (Restated) RM'000
Total operating revenue	406,804	116,205	263,124	45,154	204,941	1,036,228
Net income	336,810	82,535	30,467	40,817	73,159	563,788
Other operating expenses	(151,260)	(12,459)	(1,713)	(2,688)	(48,109)	(216,229)
Profit before provision	185,550	70,076	28,754	38,129	25,050	347,559
(Provisions)/Writeback of provisions	(110,552)	(21,166)	5,831	390	(12,954)	(138,451)
Profit before zakat and taxation	74,998	48,910	34,585	38,519	12,096	209,108
Zakat and taxation	(18,750)	(12,227)	(8,646)	(9,630)	(2,543)	(51,796)
Profit for the period	56,248	36,683	25,939	28,889	9,553	157,312
Other information						
Cost to income ratio	44.9%	15.1%	5.6%	6.6%	65.8%	38.4%
Gross financing and advances	11,756,392	3,961,506	1,589,323	-	(1,489,972)	15,817,249
Net financing and advances	11,503,349	3,889,534	1,578,618	-	(1,621,695)	15,349,806
Impaired financing and advances	207,444	16,181	-	-	2,072	225,697
Deposits	4,762,790	1,981,504	10,466,685	185,729	999,623	18,396,331

Note:

1 The financial information by geographical segment is not presented as the Bank's activities are principally conducted in Malaysia.

2 Certain comparative figures have been restated due to changes in accounting policies as mentioned in Note A30 and to conform with current period's presentation.

A23. PERFORMANCE REVIEW FOR THE PERIOD ENDED 31 DECEMBER 2012

The Bank recorded a profit before zakat and taxation ("Pre-tax profit") of RM243.6 million for the period ended 31 December 2012 compared to RM209.1 million for the corresponding period in the previous financial year.

The increase in Pre-tax profit was mainly due to higher net finance income and hibah and lower allowances for impaired financing and advances offset by lower other operating income, higher other operating expenses and finance cost.

The increase in income derived from investment of depositor's funds and others and income derived from investment of shareholder's funds was mainly due to higher financing income of RM151.0 million or increase of 18.6% attributable to growth in financing and higher income of RM50.6 million from holding of larger portfolio of securities. The lower allowance from impaired loans and advances was due to lower collective provision and higher recoveries from financing written-off.

The lower other operating income was attributable to lower trading and investment income mainly due to securities revaluation and lower gain from sale of securities. The higher other operating expenses was mainly due to increase in business volume during the current financial period.

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

A24. PROSPECTS FOR 31 MARCH 2013

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

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

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

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

A25. VALUATION OF PROPERTY AND EQUIPMENT

The Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

A26. 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 item, 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 Bank for the current period.

A27. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs 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 Bank's assets.

	31 December 2012 RM'000	31 March 2012 RM'000
Contingent Liabilities		
Direct credit substitutes	131,227	134,712
Transaction related contingent items	521,681	487,700
Short-term self liquidating trade-related contingencies	73,942	79,444
Asset sold with recourse	1,437,326	1,645,251
Obligations under underwriting agreements	80,000	100,000
	2,244,176	2,447,107
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,073,849	3,085,277
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,368,583	957,923
Unutilised credit card lines	468,727	482,204
Forward asset purchase	5,095	125,825
	5,916,254	4,651,229
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	624,955	310,584
Equity and commodity related contracts:		
- One year or less	164,059	78,630
- Over one year to five years	419,119	295,982
	1,208,133	685,196
Total	9,368,563	7,783,532

A28. RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

Purpose of engaging in financial derivatives

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

The principal foreign exchange rate contracts used are forward foreign exchange contracts. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. The principal equity contracts used are equity option. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). The principal profit rate contracts used are profit rate swaps. Profit rate swap transactions generally involve the exchange of fixed and floating profit payment obligations without the exchange of the underlying principal amounts.

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

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

Risk associated with financial derivatives

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

A28. RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES (CONTD.)

General disclosure for derivatives and counterparty credit risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Bank's exposure. The markets covered by this treatment include profit rates, foreign exchange and equities.

For counterparty credit risk, the general approach is to calculate the exposure as the sum of the mark-to-market value of the exposure, plus the sum of the notional principal multiplied by the potential credit risk exposure ("PCRE") factor for the exposure.

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive ("in the money"), the Bank has credit exposure against the counterparty; if it is negative, ("out of the money"), the value used in calculation is zero.

- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

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

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

A28. RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES (CONTD.)

Liquidity risk of derivatives

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

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

Funding risk is the risk of derivative activities placing an adverse funding and cash flow pressure on the Bank, arising from the need to post collateral (for example, like a margin call due to mark-to-market valuations) to compensate for an existing out of the money position (Note: if collateral is not posted, the counterparty can close out their position and claim such mark-to-market loss from the Bank. This would also result in the Bank no longer being hedged).

Generally, the Bank measures and monitors funding risk through the cash flow gap analysis according to specified time interval. The Bank's access to deposits and funding markets is dependent on its credit rating. A downgrading in the credit rating could adversely affect its access to liquidity, as well as the competitive position, and could increase the cost of funding.

The primary objective of funding risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due under normal market condition and on contingency basis.

A28. RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES (CONTD.)

Derivative financial instruments and hedge accounting

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

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

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

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

(i) Fair value hedge

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

A28. RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES (CONTD.)

Derivative financial instruments and hedge accounting (Contd.)

(ii) Cash flow hedge

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

A29. CAPITAL ADEQUACY

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

	31 December 2012	31 March 2012
Core capital ratio	9.6%	9.0%
Risk-weighted capital ratio	15.9%	15.2%

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB"), which are based on the Basel II capital accord. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (31 March 2012: 8%) for the risk-weighted capital ratio.

A29. CAPITAL ADEQUACY (CONTD.)

(b) The components of Tier 1 and Tier 2 capital of the Bank are as follows:

	31 December 2012 RM'000	31 March 2012 RM'000
Tier 1 capital		
Paid-up ordinary share capital	462,922	428,038
Share premium	724,185	609,068
Statutory reserve	359,716	359,716
Retained earnings	516,640	328,654
	2,063,463	1,725,476
Add/(less): Deferred tax asset/(liability)	18,851	(32,258)
Total Tier 1 capital	2,082,314	1,693,218
Tier 2 capital		
Subordinated Sukuk Musharakah	1,000,000	800,000
Collective allowance on impaired financing and advances *	364,710	370,964
Total Tier 2 capital	1,364,710	1,170,964
Capital base	3,447,024	2,864,182

* Excludes collective allowance on impaired financing and advances restricted from Tier 2 capital of the Bank of RM127,519,000 as at 31 December 2012 (31 March 2012: RM92,469,000).

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

	31 December 2012 RM'000	31 March 2012 RM'000
Credit risk	19,561,092	17,095,915
Market risk	715,361	384,044
Operational risk	1,396,239	1,327,826
Total risk weighted assets	21,672,692	18,807,785

In accordance with BNM's guidelines on the recognition and measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit risk on the assets funded by the PSIA are excluded from the risk weighted capital ("RWCR") calculation.

As at 31 December 2012, RPSIA assets excluded from the RWCR calculation amounted to RM502.3 million.

A30. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES

a. Transition to MFRSs

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

b. FRISC Consensus 18

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

i. Reconciliation of equity

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
As at 1 April 2011				
Financing and advances	13,247,076	9,063	-	13,256,139
Deposits and placements of banks and other financial institutions	1,467,556	-	(157)	1,467,399
Deposits from customers	15,249,655	-	157	15,249,812
Other liabilities	242,001	7,260	-	249,261
Reserves	994,575	1,803	-	996,378
As at 31 March 2012				
Financing and advances	16,843,149	3,022	-	16,846,171
Deferred tax asset	35,329	829	-	36,158
Other assets	319,824	(601)	-	319,223
Deposits and placements of banks and other financial institutions	1,481,305	-	(152)	1,481,153
Deposits from customers	18,271,858	-	152	18,272,010
Other liabilities	225,846	3,934	-	229,780
Reserves	1,288,225	(684)	-	1,287,541

A30. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

ii. Reconciliation of income statement and statement of comprehensive income

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
Income statement for the period ended 31 December 2011				
Allowance for impairment on financing and advances	(128,025)	(4,531)	-	(132,556)
(Provision)/writeback of provision for provision for commitments and contingencies	(3,201)	2,044	-	(1,157)
Income attributable to the depositors:				
Deposits from Customers				
- Mudharabah fund	306,381	-	3	306,384
Deposits and placements of banks and other financial institutions	8,387	-	(3)	8,384
- Mudharabah fund				
Taxation	(51,319)	622	-	(50,697)