

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiaries**

**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012**

	Note	31.12.12	Group 31.03.12 (Restated)	01.04.11 (Restated)
		RM'000	RM'000	RM'000
<b>ASSETS</b>				
Cash and short-term funds		10,835,892	7,792,234	13,418,930
Securities purchased under resale agreements		-	384,570	289,731
Deposits and placements with banks and other financial institutions		2,081,223	1,782,935	3,613,482
Derivative financial assets	A28	364,630	380,129	398,797
Financial assets held-for-trading	A8	9,399,845	10,651,890	5,209,227
Financial investments available-for-sale	A9	6,027,474	5,431,866	8,047,981
Financial investments held-to-maturity	A10	2,623,282	938,477	165,431
Loans, advances and financing	A11	79,784,720	73,921,003	69,297,923
Other assets	A12	2,553,524	2,586,441	2,103,168
Statutory deposits with Bank Negara Malaysia	A13	2,841,230	2,582,411	145,842
Deferred tax assets		178,649	205,908	565,464
Investment in associate		13,982	1,101	1,101
Property and equipment		350,128	188,735	202,300
Life and family takaful fund assets		2,539,756	2,629,704	2,434,576
Intangible assets		3,110,505	1,911,781	1,879,000
<b>TOTAL ASSETS</b>		<b>122,704,840</b>	<b>111,389,185</b>	<b>107,772,953</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits and placements of banks and other financial institution:	A14	4,375,476	4,029,464	4,272,160
Securities sold under repurchase agreements		-	41,195	30,465
Recourse obligation on loans sold to Cagamas Berhad		1,267,275	1,176,054	1,018,043
Derivative financial liabilities	A28	442,111	441,684	435,108
Deposits from customers	A15	82,577,557	77,371,158	74,725,065
Term funding		6,958,451	5,262,128	4,746,878
Bills and acceptances payable		1,531,378	871,948	1,867,911
Debt capital		4,613,236	4,021,231	3,598,394
Deferred tax liabilities		111,406	60,103	96,852
Other liabilities	A16	5,374,242	4,004,016	3,941,798
Life and family takaful fund liabilities		339,159	322,721	178,057
Life and family takaful policyholders' funds		2,200,597	2,306,983	2,256,519
<b>Total Liabilities</b>		<b>109,790,888</b>	<b>99,908,685</b>	<b>97,167,250</b>
Share capital		3,014,185	3,014,185	3,014,185
Reserves		8,725,974	8,088,886	7,291,037
Equity attributable to equity holders of the Company		11,740,159	11,103,071	10,305,222
Non-controlling interests		1,173,793	377,429	300,481
<b>Total Equity</b>		<b>12,913,952</b>	<b>11,480,500</b>	<b>10,605,703</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>122,704,840</b>	<b>111,389,185</b>	<b>107,772,953</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A27	<b>95,346,228</b>	<b>101,260,206</b>	<b>100,195,255</b>

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**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012 (CONT'D.)**

	<b>Note</b>	<b>31.12.12</b>	<b>Group</b>	<b>01.04.11</b>
		<b>RM'000</b>	<b>31.03.12</b>	<b>RM'000</b>
			<b>RM'000</b>	<b>RM'000</b>
<b>CAPITAL ADEQUACY RATIO</b>	A29			
<b>Before deducting proposed dividends:</b>				
Core capital ratio		11.1%	11.3%	10.2%
Risk-weighted capital ratio		15.9%	15.7%	14.4%
<b>After deducting proposed dividends:</b>				
Core capital ratio		11.1%	10.5%	9.8%
Risk-weighted capital ratio		15.9%	15.0%	14.0%
<b>NET ASSETS PER ORDINARY SHARE ATTRIBUTABLE</b>				
<b>TO EQUITY HOLDERS OF THE COMPANY (RM)</b>		3.89	3.68	3.42

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2012

**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012**

Group	Note	Individual Quarter		Cumulative Quarter	
		31.12.12	31.12.11	31.12.12	31.12.11
		RM'000	(Restated) RM'000	RM'000	(Restated) RM'000
Operating revenue	A23	2,105,198	1,801,570	6,152,650	5,628,197
Interest income	A17	1,104,607	1,070,891	3,253,370	3,208,767
Interest expense	A18	(580,384)	(542,790)	(1,695,103)	(1,647,836)
Net interest income		524,223	528,101	1,558,267	1,560,931
Net income from Islamic banking business		206,268	193,607	627,229	595,960
Net income from insurance business	A19	37,520	38,867	127,124	108,880
Other operating income	A20	309,564	247,022	832,647	879,093
Share in result of associate		333	-	333	-
Net income		1,077,908	1,007,597	3,145,600	3,144,864
Other operating expenses	A21	(476,405)	(428,033)	(1,352,837)	(1,282,470)
Acquisition and business efficiency expenses		(45,646)	-	(45,646)	-
Operating profit		555,857	579,564	1,747,117	1,862,394
Allowances for impairment on loans and financing	A22	(69,241)	(87,842)	(97,527)	(258,622)
Impairment (loss)/writeback on:					
Financial investments		3,350	1,227	3,173	19,526
Doubtful sundry receivables - net		(16,502)	1,000	(19,979)	(198)
Foreclosed properties		(56)	(19)	(10,124)	(28,293)
Fixed assets		-	-	1,350	-
(Provision)/Writeback of provision for commitments and contingencies		31,696	(20,222)	62,921	(50,166)
Transfer (to)/from profit equalisation reserve		(792)	(3,332)	(5,634)	(4,756)
Profit before taxation and zakat		504,312	470,376	1,681,297	1,539,885
Taxation and zakat	B5	(110,993)	(112,340)	(410,329)	(373,527)
<b>Profit for the period</b>		<b>393,319</b>	<b>358,036</b>	<b>1,270,968</b>	<b>1,166,358</b>
Attributable to:					
Equity holders of the Company		393,625	346,183	1,238,780	1,135,262
Non-controlling interests		(306)	11,853	32,188	31,096
<b>Profit for the period</b>		<b>393,319</b>	<b>358,036</b>	<b>1,270,968</b>	<b>1,166,358</b>
<b>EARNINGS PER SHARE (SEN)</b>	B10				
Basic		13.12	11.58	41.32	37.96
Fully diluted		13.12	11.58	41.24	37.91

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2012

**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012**

Group	Note	Individual Quarter		Cumulative Quarter	
		31.12.12	31.12.11 (Restated)	31.12.12	31.12.11 (Restated)
		RM'000	RM'000	RM'000	RM'000
Profit for the period		393,319	358,036	1,270,968	1,166,358
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations		(38)	(3,028)	(5,502)	8,915
Net movement on cash flow hedges		4,058	(26,463)	(4,967)	(81,726)
Net movement on financial investments available-for-sale		(18,128)	2,643	(52,735)	3,988
Income tax relating to the components of other comprehensive income		9,799	23,552	15,528	28,596
Other comprehensive income/(loss) for the period, net of tax		(4,309)	(3,296)	(47,676)	(40,227)
Total comprehensive income for the period		389,010	354,740	1,223,292	1,126,131
Total comprehensive income for the period attributable to:					
Equity holders of the Company		389,659	338,305	1,200,993	1,090,791
Non-controlling interests		(649)	16,435	22,299	35,340
		389,010	354,740	1,223,292	1,126,131

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**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012**

Group	Attributable to Equity Holders of the Company								
	Non-Distributable				Distributable				
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings Non-participating Funds RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
<b>At 1 April 2011</b>	3,014,185	2,537,372	1,577,712	(48,687)	-	3,228,342	10,308,924	258,122	10,567,046
Effect of change in accounting policy (Note A31)	-	-	(3,612)	-	117,633	(117,723)	(3,702)	42,359	38,657
At 1 April 2011, as restated	3,014,185	2,537,372	1,574,100	(48,687)	117,633	3,110,619	10,305,222	300,481	10,605,703
Profit for the period	-	-	-	-	-	1,135,262	1,135,262	31,096	1,166,358
Other comprehensive loss, net	-	-	(44,471)	-	-	-	(44,471)	4,244	(40,227)
Total comprehensive income for the period	-	-	(44,471)	-	-	1,135,262	1,090,791	35,340	1,126,131
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^	-	-	-	(132,368)	-	-	(132,368)	-	(132,368)
Share-based payment under ESS, net	-	-	28,912	-	-	-	28,912	-	28,912
ESS shares vested to employees of subsidiaries	-	-	(8,728)	25,114	-	-	16,386	-	16,386
Transfer of ESS shares recharged difference on purchase price for shares vested	-	-	-	-	-	(6,084)	(6,084)	(265)	(6,349)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Net transfer for profit equalisation reserve	-	-	-	-	-	-	-	-	-
Unallocated surplus transfer	-	-	-	-	56,981	-	56,981	24,422	81,403
Subscription of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	-	100	100
Subscription of shares in AmFamily Takaful Berhad	-	-	-	-	-	-	-	30,000	30,000
Dividend paid	-	-	-	-	-	(560,638)	(560,638)	(1,320)	(561,958)
<b>At 31 December 2011</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,549,813</b>	<b>(155,941)</b>	<b>174,614</b>	<b>3,679,159</b>	<b>10,799,202</b>	<b>388,758</b>	<b>11,187,960</b>

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

Group	Attributable to Equity Holders of the Company								Total Equity RM'000
	Non-Distributable				Distributable				
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings Non-participating Funds RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	
<b>At 1 April 2012</b>	3,014,185	2,537,372	1,947,100	(154,179)	-	3,816,173	11,160,651	353,867	11,514,518
Effect of change in accounting policy (Note A31)	-	-	(3,843)	-	98,150	(151,887)	(57,580)	23,562	(34,018)
At 1 April 2012, as restated	3,014,185	2,537,372	1,943,257	(154,179)	98,150	3,664,286	11,103,071	377,429	11,480,500
Profit for the period	-	-	-	-	-	1,238,780	1,238,780	32,188	1,270,968
Other comprehensive loss, net	-	-	(37,787)	-	-	-	(37,787)	(9,889)	(47,676)
Total comprehensive income/(loss) for the period	-	-	(37,787)	-	-	1,238,780	1,200,993	22,299	1,223,292
Share-based payment under ESS, net	-	-	37,803	-	-	-	37,803	-	37,803
ESS shares vested to employees of subsidiaries	-	-	(46,422)	75,443	-	-	29,021	-	29,021
Transfer of ESS shares recharged difference on purchase price for shares vested	-	-	-	-	-	(14,316)	(14,316)	(357)	(14,673)
Transfer to profit equalisation reserve under previous guideline	-	-	1,495	-	-	-	1,495	-	1,495
Net transfer for profit equalisation reserve	-	-	884	-	-	(884)	-	-	-
Redemption of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	-	(8,318)	(8,318)
Subscription of shares in AmG Insurance Berhad	-	-	-	-	-	-	-	784,000	784,000
Dividend paid	-	-	-	-	-	(617,908)	(617,908)	(1,260)	(619,168)
<b>At 31 December 2012</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,899,230</b>	<b>(78,736)</b>	<b>98,150</b>	<b>4,269,958</b>	<b>11,740,159</b>	<b>1,173,793</b>	<b>12,913,952</b>

^ Represent the purchase of 20,855,900 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM6.35 per share.

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**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2012**

<b>Group</b>	<b>31.12.12</b>	<b>31.12.11</b>
	<b>RM'000</b>	<b>(Restated)</b> <b>RM'000</b>
Profit before taxation	1,681,297	1,539,885
Add adjustments for non-operating and non-cash items	(153,516)	42,503
Operating profit before working capital changes	<u>1,527,781</u>	<u>1,582,388</u>
<i>Decrease/(Increase) in operating assets:</i>		
Securities purchased under resale agreements	384,570	289,731
Deposits and placements with banks and other financial institutions	140,875	3,054,219
Financial assets held-for-trading	1,542,487	(3,853,412)
Loans, advances and financing	(5,428,491)	(3,611,981)
Other assets	714,688	287,583
Statutory deposits with Bank Negara Malaysia	(258,819)	(2,320,595)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits and placements of banks and other financial institutions	346,532	(2,025,071)
Securities sold under repurchase agreements	(41,195)	(20,540)
Recourse obligation on loans sold to Cagamas Berhad	91,221	160,431
Deposits from customers	5,220,443	618,308
Term funding	1,696,323	497,686
Bills and acceptances payable	659,430	(1,137,239)
Other liabilities	(817,935)	(324,094)
Cash generated from operations	<u>5,777,910</u>	<u>(6,802,586)</u>
Taxation paid	(414,740)	(414,265)
Net cash generated from operating activities	<u>5,363,170</u>	<u>(7,216,851)</u>
<i>Cash flows from investing activities</i>		
Purchase/(Disposal) of financial investments - net	(1,165,649)	3,433,671
Dividends received from other investments	54,380	36,544
Acquisition of 100% equity interest in Kurnia Insurans (Malaysia) Berhad	(1,397,419)	-
Acquisition of 100% equity interest in MBF Cards (M'sia) Sdn Bhd	(514,560)	-
Return of surplus funds from associate	1,040	-
Proceeds from disposal of property and equipment	602	947
Purchase of property and equipment	(67,935)	(25,485)
Purchase of computer software	(71,370)	(36,792)
Net cash (used in)/generated from investing activities	<u>(3,160,911)</u>	<u>3,408,885</u>
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares by subsidiaries to non-controlling interests	775,682	30,100
Proceeds from unsecured bonds	200,000	200,000
Proceeds from medium term notes	410,000	-
Dividends paid by Company to its shareholders	(617,908)	(560,638)
Arising from purchase of shares for ESS by the appointed trustee	-	(132,368)
ESS shares vested to eligible employees	75,443	25,114
Transfer of ESS shares recharged difference on purchase price for shares vested	(14,318)	(6,084)
Dividends paid to non-controlling interests by subsidiaries	(1,260)	(1,320)
Net cash generated from/(used in) financing activities	<u>827,639</u>	<u>(445,196)</u>
Net increase in cash and cash equivalents	<u>3,029,898</u>	<u>(4,253,162)</u>
Cash and cash equivalents at beginning of period	<u>7,792,234</u>	<u>13,418,930</u>
Cash and cash equivalents at end of period	<u>10,822,132</u>	<u>9,165,768</u>

For the purpose of statements of cash flows, cash and cash equivalents consist of cash and short-term funds net of bank overdrafts. Cash and cash equivalents included in the cash flow statements comprise the following financial position amounts:

<b>Group</b>	<b>31.12.12</b>	<b>31.12.11</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	10,835,892	9,165,370
Bank overdrafts	(11,809)	-
	<u>10,824,083</u>	<u>9,165,370</u>
Effect of exchange rates changes	(1,951)	398
Cash and cash equivalents	<u>10,822,132</u>	<u>9,165,768</u>

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**AMMB HOLDINGS BERHAD**  
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**EXPLANATORY NOTES :**

**A1. BASIS OF PREPARATION**

Transition to Malaysian Financial Reporting Standards ("MFRS") Framework

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia.

These condensed consolidated interim financial statements also comply with IAS 34, Interim Financial Statements issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Group for the year ended 31 March 2012 which were prepared under Financial Reporting Standards ("FRS") are available upon request from the Company's registered office at Level 22, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

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

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

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

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

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

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

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

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



#### **A1. BASIS OF PREPARATION (CONT'D.)**

The financial effects on the Group's financial position, financial performance and cash flows on adoption of the MFRS Framework are set out in Note A31.

##### BNM Guidelines on Profit Equalisation Reserve

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

On adoption of the PER Guidelines, the Group continues to set aside a portion of its profits 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 Amlslamic Bank Berhad the Islamic Banking Institution 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.

##### BNM Guidelines on Financial Reporting for Insurers

In the previous financial statements, the life insurance subsidiary's non-participating unallocated surpluses and non-participating available-for-sale reserves were classified as liabilities in accordance with BNM Guidelines and this represented a modification to MFRS as approved by BNM under Section 90 of the Insurance Act 1996.

In accordance with MFRS 4, Insurance Contracts, and BNM's revised Guidelines on Financial Reporting for Insurers ("FRG Guidelines") which came into effect from 1 April 2012, the non-participating unallocated surpluses does not meet the definition of a liability as it represents the residual interest in the assets of the non-participating fund after consideration of all liabilities. In addition, MFRS 139 requires the non-participating available-for-sale reserves to be accounted for as equity.

As a result, the non-participating unallocated surpluses and the non-participating available-for-sale reserves are reclassified from liability to equity.

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

The financial impact of this change in accounting policy on the financial statements of the Group is disclosed in Note A31.

##### Provisional accounting for acquisition of Kurnia Insurans (Malaysia) Berhad ("Kurnia")

As at 30 September 2012, the Group has accounted for the acquisition of Kurnia on a provisional basis as the purchase price allocation ("PPA") exercise and allocation of goodwill to specific cash generating units ("CGU") are still on-going. The fair values of the identifiable assets and liabilities of Kurnia, the intangible assets in the form of agency force and customer relationship, and the residual goodwill are applied on best estimates based on all relevant information available. The Group anticipates to be able to complete the PPA and allocation of goodwill exercises by 30 September 2013. Upon completion of these exercises, the carrying amount of the intangible assets and residual goodwill will be adjusted accordingly on a retrospective basis.

##### Provisional accounting for acquisition of MBF Cards (M'sia) Sdn Bhd ("MBF")

As at 31 December 2012, the Group has accounted for the acquisition of MBF Cards on a provisional basis as the purchase price allocation ("PPA") exercise and allocation of goodwill to specific cash generating units ("CGU") are still on-going.

The fair values of the identifiable assets and liabilities of MBF Cards, the intangible assets in the form of patents for business products, licenses for issuing and acquiring business, sales force and customer relationship and the residual goodwill are applied on best estimates based on all relevant information available.

The Group anticipates to be able to complete the PPA and allocation of goodwill exercises by 30 November 2013.

Upon completion of these exercises, the carrying amount of the intangible assets and residual goodwill will be adjusted accordingly on a retrospective basis.

#### A1. BASIS OF PREPARATION (CONT'D.)

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

In the previous financial statements, monies held in the trust account are accounted for as the Group's assets with corresponding liabilities.

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, the Group does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the Group.

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

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

The financial impact of this change in accounting policy on the financial statements of the Group is disclosed in Note A31.

##### **New and amended standards and interpretations**

###### Standards issued but not yet effective

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

###### *Standards effective for financial year ending 31 March 2014:*

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

**A1. BASIS OF PREPARATION (CONT'D.)**

*Standards effective for financial year ending 31 March 2015:*

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

*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**

There was no audit qualification in the annual financial statements for the year ended 31 March 2012.

**A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

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

**A4. UNUSUAL ITEMS**

There were no unusual items during the current financial quarter.

**A5. USE OF ESTIMATES**

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial period ended 31 December 2012 other than as disclosed in Note A31 change in accounting policy and restatement of comparatives.

**A6. ISSUANCE, CANCELLATION, REPURCHASE, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

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

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

**A7. DIVIDENDS PAID**

During the financial period ended 31 December 2012, a final single tier dividend of 13.5% for the financial year ended 31 March 2012 amounting to RM406,914,966 was paid on 10 September 2012 to shareholders whose names appear in the record of depositors on 24 August 2012.

**A8. FINANCIAL ASSETS HELD-FOR-TRADING**

	Group	
	31.12.12	31.03.12
	RM'000	(Restated) RM'000
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Treasury bills	9,964	54,784
Islamic Treasury bills	-	4,716
Malaysian Government Securities	492,071	929,544
Malaysian Government Investment Certificates	840,865	511,787
Bank Negara Malaysia Monetary Notes	2,900,571	5,979,353
	<u>4,243,471</u>	<u>7,480,184</u>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	264,323	276,777
Trust units	753,750	171,479
Warrants	3,593	2,864
Outside Malaysia:		
Shares	12,858	44
Trust units	1,910	1,804
	<u>1,036,434</u>	<u>452,968</u>
<b>Unquoted Securities:</b>		
In Malaysia:		
Private debt securities	3,298,852	2,092,788
Outside Malaysia:		
Private debt securities	821,088	625,950
	<u>4,119,940</u>	<u>2,718,738</u>
Total	<u>9,399,845</u>	<u>10,651,890</u>

**A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>(Restated) RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Malaysian Government Securities	-	20,782
Malaysian Government Investment Certificates	30,195	45,425
Negotiable instruments of deposits	530,867	1,553,037
Negotiable Islamic debt certificates	647,320	17,046
	<u>1,208,382</u>	<u>1,636,290</u>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	609,637	170,731
Trust units	433,198	830,022
Private debt securities	6,554	27,050
Outside Malaysia:		
Shares	29,717	74,396
	<u>1,079,106</u>	<u>1,102,199</u>
<b>Unquoted Securities:</b>		
In Malaysia:		
Private debt securities	2,251,363	2,324,558
Outside Malaysia:		
Private debt securities	258,562	203,519
	<u>2,509,925</u>	<u>2,528,077</u>
<b>At Cost</b>		
<b>Unquoted Securities:</b>		
In Malaysia:		
Shares	129,422	146,323
Trust units	1,074,958	-
Outside Malaysia:		
Shares	25,681	18,977
	<u>1,230,061</u>	<u>165,300</u>
Total	<u>6,027,474</u>	<u>5,431,866</u>

**A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	Group	
	31.12.12	31.03.12 (Restated)
	RM'000	RM'000
<b>At Amortised Cost</b>		
<b>Unquoted Securities:</b>		
In Malaysia:		
Private debt securities	2,815,097	1,140,533
	<u>2,815,097</u>	<u>1,140,533</u>
Accumulated impairment losses	(191,815)	(202,056)
Total	<u>2,623,282</u>	<u>938,477</u>

**A11. LOANS, ADVANCES AND FINANCING**

	Group	
	31.12.12	31.03.12 (Restated)
	RM'000	RM'000
<b>At Amortised Cost:</b>		
Loans and financing:		
Term loans	25,547,670	23,828,062
Revolving credit	6,761,049	5,779,612
Housing loans	12,956,560	12,467,192
Staff loans	153,834	158,789
Hire-purchase receivables	27,407,623	26,116,383
Credit card receivables	2,247,768	1,762,994
Overdrafts	2,989,840	2,819,809
Claims on customers under acceptance credits	3,646,890	3,502,878
Trust receipts	992,329	856,151
Bills receivable	450,492	326,656
Others	162,532	130,844
	<u>83,316,587</u>	<u>77,749,370</u>
Islamic financing sold to Cagamas Berhad	(1,437,326)	(1,645,251)
Gross loans, advances and financing	<u>81,879,261</u>	<u>76,104,119</u>
Allowance for impairment on loans and financing:		
Collective allowance	(1,980,609)	(2,048,758)
Individual allowance	(113,932)	(134,358)
	<u>(2,094,541)</u>	<u>(2,183,116)</u>
Net loans, advances and financing	<u>79,784,720</u>	<u>73,921,003</u>

**A11. LOANS, ADVANCES AND FINANCING (CONT'D.)**

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

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic:		
Other non-bank financial institutions	1,985,883	2,463,280
Business enterprises:		
Small and medium enterprises	10,039,279	8,824,410
Others	24,845,196	22,451,870
Government and statutory bodies	637,908	1,062,749
Individuals	43,901,222	40,772,322
Other domestic entities	24,013	29,258
Foreign entities	445,760	500,230
	<u>81,879,261</u>	<u>76,104,119</u>

(b) Loans, advances and financing analysed by geographical distribution as follows:

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia	81,045,181	75,365,016
Outside Malaysia	834,080	739,103
	<u>81,879,261</u>	<u>76,104,119</u>

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

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
Variable rate:		
Base lending rate plus	25,341,590	25,005,637
Cost plus	18,096,312	15,011,902
Other variable rates	3,231,062	2,216,005
	<u>46,668,964</u>	<u>42,233,544</u>
Fixed rate:		
Housing loans/financing	2,095,780	2,103,824
Hire purchase receivables	22,735,216	21,050,755
Other loans/financing	10,379,301	10,715,996
	<u>35,210,297</u>	<u>33,870,575</u>
	<u>81,879,261</u>	<u>76,104,119</u>

**A11. LOANS, ADVANCES AND FINANCING (CONT'D.)**

(d) Loans, advances and financing analysed by sectors are as follows:

	Group	
	31.12.12 RM'000	31.03.12 RM'000
Agriculture	2,940,019	2,359,275
Mining and quarrying	1,727,957	1,509,532
Manufacturing	7,585,365	7,439,702
Electricity, gas and water	942,021	1,544,743
Construction	3,287,191	2,479,830
Wholesale, retail, restaurant and hotel	5,555,650	4,421,725
Transport, storage and communication	2,680,695	2,775,590
Finance and insurance	1,985,878	2,463,278
Real estate	6,836,736	5,686,222
Business activities	1,920,367	1,630,157
Education and health	1,585,579	1,881,299
Household	45,398,675	42,464,127
of which:		
Purchase of residential properties	13,093,048	12,589,618
Purchase of transport vehicles	25,233,584	23,556,146
Others	7,072,043	6,318,363
Others	870,454	1,093,890
	83,316,587	77,749,370
Islamic financing sold to Cagamas Berhad	(1,437,326)	(1,645,251)
	81,879,261	76,104,119

(e) Loans, advances and financing analysed by residual contractual maturity are as follows:

	Group	
	31.12.12 RM'000	31.03.12 RM'000
Maturing within one year	17,757,606	14,280,115
One to three years	9,494,565	10,745,751
Three to five years	12,517,394	10,708,079
Over five years	42,109,696	40,370,174
	81,879,261	76,104,119

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

	Group	
	31.12.12 RM'000	31.03.12 RM'000
<b>Gross</b>		
Balance at beginning of period/year	1,906,176	2,449,585
Impaired during the period/year	1,055,934	1,676,106
Reclassification to non-impaired loans and financing	(279,748)	(313,825)
Recoveries	(356,791)	(596,725)
Amount written off	(645,007)	(1,308,965)
Repurchase of loans	2,888	-
Arising from acquisition of subsidiary	12,698	-
Balance at end of period/year	1,696,150	1,906,176
Ratios of impaired loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	2.0%	2.5%
Loan loss coverage excluding collateral values	123.5%	114.5%



**A11. LOANS, ADVANCES AND FINANCING (CONT'D.)**

(g) Impaired loans, advances and financing analysed by sectors are as follows:

	Group	
	31.12.12 RM'000	31.03.12 RM'000
Agriculture	24,275	24,406
Mining and quarrying	18,193	154,760
Manufacturing	231,595	208,863
Electricity, gas and water	25,471	132,208
Construction	52,392	96,582
Wholesale, retail, restaurant and hotel	41,535	46,138
Transport, storage and communication	16,949	4,600
Finance and insurance	30,359	37,628
Real estate	22,313	26,200
Business activities	16,275	12,631
Education and health	59,315	58,870
Household	1,146,787	1,089,007
of which:		
Purchase of residential properties	563,563	561,236
Purchase of transport vehicles	450,186	401,319
Others	133,038	126,452
Others	10,691	14,283
	<u>1,696,150</u>	<u>1,906,176</u>

(h) Impaired loans, advances and financing analysed by geographical distribution

	Group	
	31.12.12 RM'000	31.03.12 RM'000
In Malaysia	<u>1,696,150</u>	<u>1,906,176</u>

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

	Group	
	31.12.12 RM'000	31.03.12 RM'000
<b>Collective allowance</b>		
Balance at beginning of period/year		
- as previously stated	2,011,781	2,135,148
- effect of change in accounting policy	36,977	80,901
As restated	<u>2,048,758</u>	<u>2,216,049</u>
Allowance made during the period/year, net	333,193	569,872
Amount written off	(415,161)	(737,171)
Arising from acquisition of subsidiary	13,925	-
Exchange fluctuation adjustments	(106)	8
Balance at end of period/year	<u>1,980,609</u>	<u>2,048,758</u>
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	<u>2.4%</u>	<u>2.6%</u>
<b>Individual allowance</b>		
Balance at beginning of period/year	134,358	371,429
Allowance made during the period/year, net	203,800	323,666
Amount written off	(224,226)	(560,737)
Balance at end of period/year	<u>113,932</u>	<u>134,358</u>

#### A12. OTHER ASSETS

	Group	
	31.12.12	31.03.12
	RM'000	(Restated) RM'000
Trade receivables, net of allowance for doubtful debts	719,562	1,071,640
Other receivables, deposits and prepayments, net of allowance for doubtful debts	1,083,838	1,015,942
Interest receivables on treasury assets, net of allowance for doubtful debts	198,826	168,390
Fee receivables, net of allowance for doubtful debts	46,705	51,354
Amount due from Originators	258,661	166,238
Amount due from agents, brokers and reinsurers, net of allowance	173,807	30,119
Foreclosed properties, net of allowance for impairment in value	72,125	82,758
	<u>2,553,524</u>	<u>2,586,441</u>

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

#### A13. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits pertaining to investment banking , commercial and Islamic banking subsidiaries are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities.

#### A14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31.12.12	31.03.12
	RM'000	RM'000
Deposits from:		
Licensed banks	1,227,999	2,393,170
Licensed investment banks	456,694	462,580
Bank Negara Malaysia	864,143	195,954
Other financial institutions	1,826,640	977,760
	<u>4,375,476</u>	<u>4,029,464</u>

#### A15. DEPOSITS FROM CUSTOMERS

	Group	
	31.12.12	31.03.12
	RM'000	RM'000
Term/Investment deposits	66,996,720	63,579,273
Savings deposits	4,880,652	4,757,846
Demand deposits	10,507,508	8,491,416
Negotiable instruments of deposits	192,677	542,623
	<u>82,577,557</u>	<u>77,371,158</u>

The deposits are sourced from the following types of customers:

Business enterprises	40,623,811	35,431,816
Individuals	32,081,860	30,708,663
Government and statutory bodies	8,455,188	9,442,578
Others	1,416,698	1,788,101
	<u>82,577,557</u>	<u>77,371,158</u>

#### A16. OTHER LIABILITIES

	Group	
	31.12.12	31.03.12 (Restated)
	RM'000	RM'000
Trade payables	656,853	866,477
Other payables and accruals	1,668,508	1,455,424
Interest payable on deposits and borrowings	696,453	628,015
Lease deposits and advance rentals	31,686	43,141
General insurance funds	2,068,117	743,604
Provision for commitments and contingencies	186,554	249,472
Bank overdrafts	11,809	-
Profit equalisation reserve	2,858	3,294
Tax payable	51,404	14,589
	<u>5,374,242</u>	<u>4,004,016</u>

#### A17. INTEREST INCOME

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11	31.12.12	31.12.11
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits with financial institutions	50,699	50,261	152,926	202,197
Financial assets held-for-trading	61,276	46,647	178,265	140,432
Financial investments available-for-sale	45,829	61,751	132,262	162,043
Financial investments held-to-maturity	17,817	548	37,738	3,895
Loans, advances and financing	923,998	904,272	2,732,912	2,681,771
Interest income on impaired loans	537	2,007	3,992	7,706
Others	4,451	5,405	15,275	10,723
	<u>1,104,607</u>	<u>1,070,891</u>	<u>3,253,370</u>	<u>3,208,767</u>

#### A18. INTEREST EXPENSE

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11	31.12.12	31.12.11
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	444,184	426,630	1,323,468	1,282,126
Deposit and placements of banks and other financial institutions	9,028	4,788	18,876	29,966
Senior notes	45,425	35,344	118,144	104,932
Credit-Linked Note	6,260	5,696	19,130	13,257
Recourse obligation on loans sold to Cagamas Berhad	10,324	10,472	30,773	31,734
Term loans	7,405	6,128	19,183	17,401
Subordinated deposits and term loans	5,977	11,342	17,692	33,904
Medium term notes	27,066	22,255	71,334	66,523
Hybrid and Innovative Tier 1 capital securities	20,031	20,339	60,391	60,058
Others	4,684	(204)	16,112	7,935
	<u>580,384</u>	<u>542,790</u>	<u>1,695,103</u>	<u>1,647,836</u>

**A19. NET INCOME FROM INSURANCE BUSINESS**

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11 (Restated)	31.12.12	31.12.11 (Restated)
	RM'000	RM'000	RM'000	RM'000
Income from Insurance Business:				
Premium income from general insurance business	364,874	140,892	648,583	428,187
Surplus transfer from the life insurance business	-	617	1,500	1,851
Reclassification from life insurance non-par deficit	(42,793)	-	(42,793)	-
Deficit reserve for family takaful insurance business	(520)	-	(2,032)	-
	<u>321,561</u>	<u>141,509</u>	<u>605,258</u>	<u>430,038</u>
Insurance Claims and Commissions:				
Insurance commission	44,014	14,625	74,910	43,210
General insurance claims	240,027	88,017	403,224	277,948
	<u>284,041</u>	<u>102,642</u>	<u>478,134</u>	<u>321,158</u>
Total income from insurance business, net	<u>37,520</u>	<u>38,867</u>	<u>127,124</u>	<u>108,880</u>

**A20. OTHER OPERATING INCOME**

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11 (Restated)	31.12.12	31.12.11 (Restated)
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Fees on loans, financing and securities	79,149	49,896	195,712	161,085
Corporate advisory	7,170	12,109	22,580	25,036
Guarantee fees	11,983	6,601	30,351	30,012
Underwriting commissions	10,269	2,956	21,818	8,352
Portfolio management fees	5,765	6,486	20,707	18,769
Unit trust management fees	27,876	22,982	76,259	61,963
Brokerage rebates	145	150	311	390
Property trust management fees	2,362	1,360	5,259	3,913
Brokerage fees and commissions	17,286	19,644	56,802	68,641
Bancassurance commission	9,074	7,489	26,426	21,736
Other fee income	11,197	19,112	52,296	69,477
	<u>182,276</u>	<u>148,785</u>	<u>508,521</u>	<u>469,374</u>
Investment and trading income:				
Gain from sale of financial assets held-for-trading	5,530	27,558	26,796	92,749
Gain from sale of financial investments available-for-sale	1,977	9,441	43,323	89,785
Gain on redemption of financial investments held-to-maturity	5,355	126	41,031	9,098
(Loss)/Gain on revaluation of financial assets held-for-trading	26,425	18,215	(8,579)	3,005
Foreign exchange <sup>1</sup>	27,092	28,940	75,667	78,047
Gain on derivatives	(3,389)	(12,341)	38,219	72,401
Gain on revaluation of fair value hedge <sup>2</sup>	-	(551)	-	460
Gross dividend income from:				
Financial assets held-for-trading	7,415	1,503	16,661	9,206
Financial investments available-for-sale	30,234	17,907	55,845	39,519
Others	14,811	2,166	14,564	96
	<u>115,450</u>	<u>92,964</u>	<u>303,527</u>	<u>394,366</u>

**A20. OTHER OPERATING INCOME (CONT'D.)**

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11	31.12.12	31.12.11
	RM'000	(Restated) RM'000	RM'000	(Restated) RM'000
Other income:				
Non-trading foreign exchange	813	353	688	3,958
(Loss)/Gain on disposal of property and equipment	(75)	599	(1,693)	824
Rental income	1,482	992	4,180	3,000
Other operating income	9,618	3,329	17,424	7,571
	<u>11,838</u>	<u>5,273</u>	<u>20,599</u>	<u>15,353</u>
	<u>309,564</u>	<u>247,022</u>	<u>832,647</u>	<u>879,093</u>

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

<sup>2</sup> Arising from changes in fair value of interest rate swap (hedging instrument), Hybrid Capital and loans sold to Cagamas Berhad (hedged items) relating to the hedged risk.

**A21. OTHER OPERATING EXPENSES**

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11	31.12.12	31.12.11
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
Salaries, allowances and bonuses	219,633	176,282	631,220	585,674
Shares/options granted under Group Executives' Share Scheme	13,346	10,945	37,804	28,970
Others	58,079	61,297	179,288	182,539
	<u>291,058</u>	<u>248,524</u>	<u>848,312</u>	<u>797,183</u>
Establishment costs:				
Depreciation	15,531	12,806	40,738	39,639
Amortisation of computer software	12,503	10,500	35,744	29,822
Computerisation costs	46,753	34,800	127,695	97,641
Rental	23,843	22,108	69,708	65,646
Cleaning and maintenance	6,407	6,811	19,847	20,187
Others	9,372	7,878	24,695	21,222
	<u>114,409</u>	<u>94,903</u>	<u>318,427</u>	<u>274,157</u>
Marketing and communication expenses:				
Sales commission	942	586	1,507	3,026
Advertising, promotional and other marketing activities	14,249	17,425	32,070	38,787
Telephone charges	4,925	4,630	13,467	12,698
Postage	3,572	2,284	11,047	7,622
Travel and entertainment	7,125	4,185	16,388	13,562
Others	7,906	5,601	18,512	18,872
	<u>38,719</u>	<u>34,711</u>	<u>92,991</u>	<u>94,567</u>
Administration and general expenses:				
Professional services	20,886	24,179	63,538	65,099
Donations	133	173	695	308
Administration and management expenses	103	266	600	834
Others	16,777	25,277	42,749	50,322
	<u>37,899</u>	<u>49,895</u>	<u>107,582</u>	<u>116,563</u>
Expenses capitalised	(5,680)	-	(14,475)	-
	<u>476,405</u>	<u>428,033</u>	<u>1,352,837</u>	<u>1,282,470</u>

**A22. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING**

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11 (Restated)	31.12.12	31.12.11 (Restated)
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
Individual allowance, net	137,113	32,073	203,800	187,073
Collective allowance, net	64,958	191,729	333,193	488,511
Recovery from loans sold to Danaharta	(3,880)	(3,731)	(3,880)	(3,731)
Bad debts and financing:				
Written off	38	-	38	-
Recovered	(128,988)	(132,229)	(435,624)	(413,231)
	<u>69,241</u>	<u>87,842</u>	<u>97,527</u>	<u>258,622</u>

**A23. BUSINESS SEGMENT ANALYSIS**

<b>Group</b> <b>31.12.12</b>	<b>Retail Banking RM'000</b>	<b>Business Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Corporate and Institutional Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Markets RM'000</b>	<b>Group Functions and Others RM'000</b>	<b>Total RM'000</b>
Operating revenue	2,073,920	611,127	263,465	1,358,828	940,714	249,248	655,348	6,152,650
Income	1,379,387	469,566	260,627	412,384	217,137	222,372	184,127	3,145,600
Expenses	(596,313)	(78,758)	(184,677)	(61,495)	(125,794)	(55,480)	(295,966)	(1,398,483)
Profit/(Loss) before provisions	783,074	390,808	75,950	350,889	91,343	166,892	(111,839)	1,747,117
(Provisions)/Writeback of provisions	(199,566)	(32,334)	(3,353)	64,935	(16,901)	9,250	112,149	(65,820)
Profit after provisions	583,508	358,474	72,597	415,824	74,442	176,142	310	1,681,297
Taxation and zakat	(145,947)	(88,688)	(24,939)	(92,113)	(11,512)	(43,867)	(3,262)	(410,329)
Net profit for the period	437,561	269,786	47,658	323,711	62,930	132,275	(2,952)	1,270,968

**Other information:**

Cost to income ratio	43.2%	16.8%	70.9%	14.9%	57.9%	24.9%	160.7%	44.5%
Gross loans/ financing	48,735,569	17,276,462	840,902	16,335,703	33,680	-	(1,343,055)	81,879,261
Net loans/ financing	47,664,392	17,032,692	834,697	16,226,353	33,680	-	(2,007,094)	79,784,720
Gross impaired loans, advances and financing	1,296,243	158,698	3,977	-	-	-	237,232	1,696,150
Total deposits	35,249,701	8,466,559	134,512	40,842,622	-	373,465	1,886,174	86,953,033

**A23. BUSINESS SEGMENT ANALYSIS (CONT'D.)**

<b>Group</b>	<b>Retail Banking</b>	<b>Business Banking</b>	<b>Investment Banking</b>	<b>Corporate and Institutional Banking</b>	<b>Insurance</b>	<b>Markets</b>	<b>Group Functions and Others</b>	<b>Total (Restated) RM'000</b>
<b>31.12.11</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating revenue	2,029,878	545,878	329,423	1,111,523	519,884	383,695	707,916	5,628,197
Income	1,345,372	414,191	323,624	288,099	155,314	356,952	261,312	3,144,864
Expenses	(572,167)	(75,668)	(179,180)	(55,508)	(71,087)	(52,889)	(275,971)	(1,282,470)
Profit before provisions	773,205	338,523	144,444	232,591	84,227	304,063	(14,659)	1,862,394
(Provisions)/Writeback of provisions	(267,961)	(115,398)	(2,590)	(4,156)	10	9,181	58,405	(322,509)
Profit/(Loss) after provisions	505,244	223,125	141,854	228,435	84,237	313,244	43,746	1,539,885
Taxation and zakat	(126,365)	(54,734)	(37,239)	(49,709)	(21,544)	(78,114)	(5,822)	(373,527)
Net profit/(loss) for the period	378,879	168,391	104,615	178,726	62,693	235,130	37,924	1,166,358

**Other information**

Cost to income ratio	42.5%	18.3%	55.4%	19.3%	45.8%	14.8%	105.6%	40.8%
Gross loans/ financing	45,924,121	15,605,071	541,714	13,781,384	3,236	-	(994,402)	74,861,124
Net loans/ financing	44,909,553	15,245,734	534,644	13,643,216	3,236	-	(1,685,101)	72,651,282
Gross impaired loans, advances and financing	1,225,894	371,120	4,959	-	-	-	409,823	2,011,796
Total deposits	33,634,398	7,649,543	260,152	34,924,124	-	359,377	762,774	77,590,368

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiaries, AMCI, AmCapital (B) Sdn Bhd, AmSecurities (H.K.) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia, Brunei and Hong Kong respectively. These activities are not significant in relation to the Group's activities in Malaysia.

Certain comparative figures have been restated to conform with current period's presentation.



#### **A24. VALUATIONS OF PROPERTY AND EQUIPMENT**

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

#### **A25. EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

There has not arisen in the interval between the end of the reporting 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 result of the operations of the Group for the current financial quarter other than as disclosed in Note B6.

#### **A26. CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY**

- 1 As announced on 19 December 2011, the Company's 51% owned general insurance subsidiary, AmG Insurance Berhad ("AmG"), submitted an application to Bank Negara Malaysia ("BNM") for the approval of the Minister of Finance ("MOF") for the possible acquisition by AmG of the 100% equity interest held by Kurnia Asia Berhad ("KAB") in Kurnia Insurans (Malaysia) Berhad ("Kurnia") (the "Proposed Acquisition").

Subsequently, the Company announced on 4 April 2012 that AmG had received notification from BNM of the MOF's approval for the Proposed Acquisition. Following the MOF approval, AmG entered into a conditional sale and purchase agreement on 12 April 2012 with KAB for the proposed acquisition of the 100% equity interest in Kurnia for a total cash consideration of RM1.55 billion, subject to adjustment on completion.

On 26 September 2012, the Company announced that the acquisition was completed on 26 September 2012 for a final purchase price of RM1,627 million.

- 2 On 10 July 2012, the Company announced that it has entered into a conditional share sale agreement ("SPA") with MBf Holdings Berhad ("MBf Holdings") and its wholly-owned subsidiaries Atox Cards Sdn Bhd and Jastura Sdn Bhd (collectively, the "Vendors"), for the proposed acquisition of an aggregate 100% equity interest held by the Vendors in MBF Cards (M'sia) Sdn Bhd ("MBF Cards") for a total cash purchase consideration of RM623.4 million (the "Proposed Acquisition"), subject to adjustments on completion. The businesses to be acquired under this transaction include cards issuing, merchant acquiring and bill payments business under Visa and MasterCard licences. The Proposed Acquisition also includes MBF Cards' ownership of 33.33% in Bonuskad Loyalty Sdn Bhd's ("Bonuskad") shares.

The acquisition was completed on 3 December 2012 and on 11 January 2013 the Company announced the final purchase price of RM641.4 million.

## A27. COMMITMENTS AND CONTINGENCIES

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

As at the reporting date, the commitments and contingencies are as follows:

<b>Group</b>	<b>31.12.12</b>	<b>31.03.12</b>
	<b>Principal Amount RM'000</b>	<b>Principal Amount RM'000</b>
<b>Commitments</b>		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
within one year	17,995,138	16,627,120
more than one year	7,036,604	5,631,779
Unutilised credit card lines	3,217,424	3,435,769
Forward asset purchases	25,376	486,724
	<u>28,274,542</u>	<u>26,181,392</u>
<b>Contingent Liabilities</b>		
Direct credit substitutes	1,667,574	1,925,355
Transaction related contingent items	4,249,663	3,608,458
Obligations under underwriting agreements	330,680	513,100
Short term self liquidating trade related contingencies	774,565	694,687
Assets sold with recourse	1,437,326	1,645,251
	<u>8,459,808</u>	<u>8,386,851</u>
<b>Derivative Financial Instruments</b>		
Interest/Profit rate related contracts:	34,377,102	41,340,192
One year or less	5,715,256	14,448,655
Over one to five years	18,381,967	18,849,399
Over five years	10,279,879	8,042,138
Foreign exchange related contracts:	22,237,055	23,425,174
One year or less	18,470,818	20,220,988
Over one to five years	2,932,897	3,145,654
Over five years	833,340	58,532
Credit related contracts:	858,657	903,496
One year or less	266,029	61,290
Over one to five years	296,573	549,473
Over five years	296,055	292,733
Equity related contracts:	1,072,161	877,098
One year or less	525,023	514,710
Over one to five years	547,117	362,368
Over five years	21	20
Commodity related contracts:	66,903	146,003
One year or less	66,903	78,630
Over one to five years	-	67,373
Over five years	-	-
	<u>58,611,878</u>	<u>66,691,963</u>
	<u>95,346,228</u>	<u>101,260,206</u>

## A27. COMMITMENTS AND CONTINGENCIES (CONT.)

As at the reporting date, other commitments and contingencies of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantees amounting to RM225,000,000 (31 March 2012: RM225,000,000) on behalf of subsidiaries for the payment and discharge of all moneys due on trading accounts maintained by customers with the subsidiaries.
- (b) The Company has given a continuing undertaking totalling SGD40,000,000 (31 March 2012: SGD40,000,000) to the Monetary Authority of Singapore on behalf of AmFraser Securities Pte Ltd to meet its liabilities and financial obligations and requirements.
- (c) AmBank has given a continuing guarantee to Labuan Financial Services Authority ("LFSA") on behalf of AmInternational (L) Ltd ("AMIL"), AmBank's offshore bank subsidiary, to meet all its liabilities and financial obligations and requirements.
- (d) The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its subsidiary, AmLife Insurance Berhad ("AmLife"), for the performance and discharge by AmLife of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AmLife's investment-linked product called AmAsia Link-Capital Guaranteed Fund.
- (e) 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 RM27,606,169.65 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 RM19,640,178 together with interest and costs ["MAA Suit"]. 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.

In the MAA Suit, AmTrustee filed a Third Party Notice against Meridian on 6 November 2006 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 subsidiary of the Banking Group, namely AmInvestment Bank Berhad as Co- Defendant and
- to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84.

The High Court dismissed Meridian's application to add AmInvestment Bank Berhad as a party to the Meridian's Suit ("Decision") but allowed Meridian's application to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84. No appeal was filed by Meridian against this Decision, 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.

Sometime in November 2012, MAA in its Suit amended its pleadings further to include Meridian as a Co- Defendant and also to amend its prayers against AMTB. AMTB on the other hand amended its defence in the Meridian's Suit to include the findings of the Kuala Lumpur Session Court which concluded in December 2011, where Meridian's ex-employee was charged for fraud and also the High Court findings of the KWAP Suit against Meridian in May 2012.

Trial proceeded on with both MAA and Meridian Suits on 3rd to 5th of December 2012 and on 10th and 13th December 2012. The trial is further fixed for continued hearing on 18th to 20th February 2013.

Based on documents and evidence in their possession, the solicitors for AmTrustee is of the view that AmTrustee has a good defence in respect of both the Meridian Suit and the MAA Suit and further that the AmTrustee has filed a third party proceeding against Meridian for indemnity or contribution in respect of the claim initiated by MAA.

Neither material financial loss nor operational impact on the Group is expected as a result of the Writs and Statements of Claim filed by Meridian and MAA against Am Trustee.

**A27. COMMITMENTS AND CONTINGENCIES (CONT.)**

- (e) Parties attended subsequent case management on 17 August 2012. Upon Meridian's Application to the Managing Judge on the grounds that their client may be prejudged by YA who was the presiding judge in another matter involving KWAP and their client, Meridian, the Civil Suits were transferred from YA Hamid Sultan Abu Backer's Court to YA Lee Swee Seng's court and matter was fixed for Case Management on 10 September 2012.

On 10 September, YA Lee Swee Seng was updated of this matter and parties also indicated to YA that both MAA and AMTB intend to amend their pleadings. AMTB's reasoning was that there were more evidence that were made available to AMTB from the closure of the criminal trial and justify that amendments must be made to its pleading. The court allowed it and gave directions on this request.

MAA's Application to amend its pleadings to add a further prayer against AMTB in is fixed for hearing on 30 October 2012, whilst AMTB's Application to amend its Statement of Defence in the Meridian's Suit and its third party claim against Meridian in the MAA Suit is fixed on 7 November 2012.

Trial dates fixed in October 2012 are vacated and the court has fixed fresh trial dates in December 2012 ie from 3rd to 5th December and 13th and 14th December.

Based on documents and evidence in their possession, the solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of both the Meridian Suit and the MAA Suit and further that the AmTrustee has filed a third party proceeding against Meridian for indemnity or contribution in respect of the claim initiated by MAA.

Neither material financial loss nor operational impact on the Group is expected as a result of the Writs and Statements of Claim filed by Meridian and MAA against Am Trustee.

**A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES**

Group	31.12.12			31.03.12		
	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
<b>Trading derivative</b>						
Interest rate related contracts:	32,222,102	229,422	244,113	33,150,192	198,693	208,082
- Less than 1 year	5,160,256	8,827	9,342	8,753,655	12,219	14,387
- 1 year to 3 years	8,351,437	38,458	37,919	6,434,399	34,513	30,482
- More than 3 years	18,710,409	182,137	196,852	17,962,138	151,961	163,213
Foreign exchange related contracts:	22,237,055	117,948	124,461	23,425,174	138,215	143,402
- Less than 1 year	18,470,818	76,187	73,758	20,220,988	112,213	88,547
- 1 year to 3 years	1,113,781	6,659	5,750	751,968	9,696	4,480
- More than 3 years	2,652,456	35,102	44,953	2,452,218	16,306	50,375
Credit derivative contracts:	858,657	9,086	4,843	903,496	21,299	5,232
- Less than 1 year	266,029	-	2,430	61,290	140	99
- 1 year to 3 years	296,573	1,565	796	255,704	10,966	2,848
- More than 3 years	296,055	7,521	1,617	586,502	10,193	2,285
Equity and commodity related contracts:	1,139,064	7,655	48,170	1,023,101	12,590	57,371
- Less than 1 year	689,081	4,042	39,995	593,340	2,132	43,107
- 1 year to 3 years	449,962	3,612	8,175	416,292	10,423	8,967
- More than 3 years	21	1	-	13,469	35	5,297
	<b>56,456,878</b>	<b>364,111</b>	<b>421,587</b>	<b>58,501,963</b>	<b>370,797</b>	<b>414,087</b>
<b>Hedging derivative</b>						
Interest rate related contracts,						
Interest rate swaps:						
Cash flow hedge	2,155,000	519	20,524	8,190,000	9,332	27,597
- Less than 1 year	555,000	-	2,860	5,695,000	7,712	605
- 1 year to 3 years	1,500,000	-	17,664	1,775,000	-	20,785
- More than 3 years	100,000	519	-	720,000	1,620	6,207
	<b>2,155,000</b>	<b>519</b>	<b>20,524</b>	<b>8,190,000</b>	<b>9,332</b>	<b>27,597</b>
Total	<b>58,611,878</b>	<b>364,630</b>	<b>442,111</b>	<b>66,691,963</b>	<b>380,129</b>	<b>441,684</b>

**Purpose of engaging in financial derivatives**

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

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

## **A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)**

### **Purpose of engaging in financial derivatives (Cont'd.)**

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

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

The principal equity contracts used are equity option, equity futures and equity swaps. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future. Equity Swaps are one of the most basic equity derivatives products and are usually traded over-the-counter (OTC) with financial institutions and corporates. It is a contractual agreement between parties to exchange two stream of payments, one based on a predetermined index or equity price, and the other based on a reference interest rate (ie KLIBOR or LIBOR). The underlying reference for Equity Swaps is usually to an index, a basket of stocks or a single underlying stock.

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

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

### **Risk associated with financial derivatives**

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

### **Market risk of derivatives used for trading purposes**

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

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

## A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

### General disclosure for derivatives and counterparty credit risk

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

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

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the value used in calculation is zero.
- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

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

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

### Liquidity risk of derivatives

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

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

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

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

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

## A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

### Derivative Financial Instruments and Hedge Accounting

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

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

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

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

#### (i) Fair Value Hedge

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

#### (ii) Cash Flow Hedge

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

#### (iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of its foreign operations. The hedge is accounted for similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion of the hedge are recognised in the income statements. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the income statements.



## A29. CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows:

	31.12.12			
	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
Core capital ratio	11.0%	9.6%	25.4%	11.1%
Risk weighted capital ratio	15.5%	15.9%	25.4%	15.9%
After deducting proposed dividends:				
Core capital ratio	11.0%	9.6%	25.4%	11.1%
Risk weighted capital ratio	15.5%	15.9%	25.4%	15.9%
	31.03.12			
	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
Core capital ratio	11.3%	9.0%	21.0%	11.3%
Risk weighted capital ratio	15.6%	15.2%	21.0%	15.7%
After deducting proposed dividends:				
Core capital ratio	10.1%	9.0%	19.7%	10.5%
Risk weighted capital ratio	14.6%	15.2%	19.7%	15.0%

\* Notes:

- The banking subsidiaries of the Company to which the Risk Weighted Capital Adequacy Framework ("RWCAF") apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank") - which offers Islamic banking services.
- The capital adequacy ratios are computed in accordance with BNM's Risk Weighted Capital Adequacy Framework or Risk Weighted Capital Adequacy Framework for Islamic Banks (as applicable), which are based on the Basel II capital accord. Each entity has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk.
- The minimum regulatory capital adequacy requirement is 8.0% for the risk weighted capital ratio.
- Group\* figures presented in this Report represent an **aggregation** of the consolidated capital positions and risk weighted assets ("RWA") of our regulated banking institutions. The consolidated positions of each entity are published at [www.ambankgroup.com](http://www.ambankgroup.com).
- The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank (M) Bhd and its wholly-owned offshore banking subsidiary, AmInternational (L) Ltd ("AMIL")

**A29. CAPITAL ADEQUACY RATIO (CONT'D.)**

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

	31.12.12			Group *
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	
Tier 1 Capital				
Paid-up ordinary share capital	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Statutory reserve	980,969	359,716	200,000	1,540,685
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	(11,932)	-	-	16,134
Innovative Tier 1 capital	1,130,793	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of period	3,243,007	516,640	97,715	3,868,655
Non-controlling interests	-	-	-	50
Total	<u>7,654,561</u>	<u>2,063,463</u>	<u>497,715</u>	<u>10,369,926</u>
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(115,942)	18,851	(11,744)	(113,474)
Total Tier 1 Capital	<u>7,538,619</u>	<u>2,082,314</u>	<u>485,971</u>	<u>10,245,209</u>
Less: Deduction in excess of allowable Tier 2 capital	-	-	(109,754)	(21,523)
Maximum Allowable Tier 1 Capital	<u>7,538,619</u>	<u>2,082,314</u>	<u>376,217</u>	<u>10,223,686</u>
Tier 2 Capital				
Medium term notes	1,967,800	-	-	1,967,800
Subordinated bonds	-	1,000,000	-	1,000,000
Innovative Tier 1 capital	104,307	-	-	-
Collective allowance for loans and financing <sup>#</sup>	1,042,777	364,710	2,436	1,409,998
Total Tier 2 Capital	<u>3,114,884</u>	<u>1,364,710</u>	<u>2,436</u>	<u>4,377,798</u>
Maximum Allowable Tier 2 Capital	<u>3,114,884</u>	<u>1,364,710</u>	<u>2,436</u>	<u>4,377,798</u>
Total Capital Funds	10,653,503	3,447,024	378,653	14,601,484
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(7,189)	-	(23,959)	(31,148)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	109,754	21,523
Capital Base	<u>10,613,534</u>	<u>3,447,024</u>	<u>376,217</u>	<u>14,559,090</u>

<sup>#</sup> Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM556,822,000.

The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The aggregated operational risk weighted assets of the Group has been adjusted to reflect the disposal of AmIslamic Bank by AmBank to the Company on 28 February 2011. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

Credit risk	59,239,005	19,561,092	959,232	80,129,910
Market risk	4,367,848	715,361	98,273	5,183,066
Operational risk	4,776,897	1,396,239	421,043	6,412,199
Large exposure risk requirements for equity holdings	1,436	-	-	1,436
Total risk weighted assets	<u>68,385,186</u>	<u>21,672,692</u>	<u>1,478,548</u>	<u>91,726,611</u>

**A29. CAPITAL ADEQUACY RATIO (CONT'D.)**

	31.03.12			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
Tier 1 Capital				
Paid-up ordinary share capital	820,364	428,038	200,000	1,448,402
Share premium	942,844	609,068	-	1,551,912
Statutory reserve	980,969	359,716	200,000	1,540,685
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	2,077	-	-	30,143
Innovative Tier 1 capital	1,124,271	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	3,235,856	328,654	102,299	3,685,929
Non-controlling interests	-	-	-	50
<b>Total</b>	<b>7,654,897</b>	<b>1,725,476</b>	<b>502,299</b>	<b>10,051,208</b>
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(159,755)	(32,258)	(16,844)	(213,053)
<b>Total Tier 1 Capital</b>	<b>7,495,142</b>	<b>1,693,218</b>	<b>485,455</b>	<b>9,826,912</b>
Less: Deduction in excess of allowable Tier 2 capital	-	-	(102,091)	(13,860)
<b>Maximum Allowable Tier 1 Capital</b>	<b>7,495,142</b>	<b>1,693,218</b>	<b>383,364</b>	<b>9,813,052</b>
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	800,000	-	800,000
Innovative Tier 1 capital	110,829	-	-	-
Collective allowance for loans and financing <sup>##</sup>	1,198,932	370,964	9,218	1,582,744
<b>Total Tier 2 Capital</b>	<b>2,867,561</b>	<b>1,170,964</b>	<b>9,218</b>	<b>3,940,544</b>
<b>Maximum Allowable Tier 2 Capital</b>	<b>2,867,561</b>	<b>1,170,964</b>	<b>9,218</b>	<b>3,940,544</b>
<b>Total Capital Funds</b>	<b>10,362,703</b>	<b>2,864,182</b>	<b>392,582</b>	<b>13,753,596</b>
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(9,446)	-	(23,078)	(32,524)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	102,091	13,860
<b>Capital Base</b>	<b>10,320,477</b>	<b>2,864,182</b>	<b>383,364</b>	<b>13,702,163</b>

<sup>##</sup> Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM429,497,000.

The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The aggregated operational risk weighted assets of the Group has been adjusted to reflect the disposal of AmIslamic Bank by AmBank to the Company on 28 February 2011. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

Credit risk	57,235,055	17,095,915	1,103,164	75,842,272
Market risk	4,494,813	384,044	244,709	5,123,496
Operational risk	4,570,067	1,327,826	478,318	6,045,547
Large exposure risk requirements for equity holdings	3,298	-	-	3,298
<b>Total risk weighted assets</b>	<b>66,303,233</b>	<b>18,807,785</b>	<b>1,826,191</b>	<b>87,014,613</b>

### A30. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2012 and the results for the period ended 31 December 2012 of the Islamic banking business of the Group and included in the financial statements after elimination of intercompany transactions and balances are summarised as follows:

#### UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	31.12.12	Group 31.03.12 (Restated)	01.04.11 (Restated)
	RM'000	RM'000	RM'000
<b>ASSETS</b>			
Cash and short-term funds	3,144,442	2,347,583	4,758,829
Deposit 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	2,263,632	1,522,183	991,136
Financial investments available-for-sale	1,083,545	320,117	715,937
Financial Investments held-to-maturity	991,081	822,222	-
Financing and advances	19,910,438	16,846,171	13,256,138
Other receivables, deposits and prepayments	238,928	338,501	150,874
Statutory deposits with Bank Negara Malaysia	724,000	559,000	-
Deferred tax assets	1,492	37,699	119,948
Property and equipment	539	641	732
Intangible assets	55	126	286
<b>TOTAL ASSETS</b>	<b>29,617,852</b>	<b>23,923,551</b>	<b>20,247,138</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits and placements of banks and other financial institutions	2,347,202	1,329,601	1,358,676
Derivative financial liabilities	11,287	10,896	3,254
Deposits from customers	21,652,337	18,263,147	15,242,478
Term funding	1,062,749	854,804	550,000
Bills and acceptances payable	711,486	518,422	879,522
Subordinated Sukuk Musyarakah	1,000,000	800,000	400,000
Deferred tax liabilities	16,511	-	-
Other liabilities	609,489	289,467	295,729
<b>TOTAL LIABILITIES</b>	<b>27,411,061</b>	<b>22,066,337</b>	<b>18,729,659</b>
Share capital/Capital funds	495,761	460,877	435,877
Reserves	1,711,030	1,396,337	1,081,602
<b>TOTAL ISLAMIC BANKING FUNDS</b>	<b>2,206,791</b>	<b>1,857,214</b>	<b>1,517,479</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>29,617,852</b>	<b>23,923,551</b>	<b>20,247,138</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>9,486,213</b>	<b>7,897,610</b>	<b>7,736,063</b>

**A30. ISLAMIC BANKING BUSINESS (CONT'D.)**

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

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11 (Restated)	31.12.12	31.12.11 (Restated)
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	377,257	316,457	1,093,932	929,117
Allowance for impairment on financing and advances	(33,632)	(37,161)	(103,983)	(132,555)
(Provision)/Writeback for commitments and contingencies	4,511	(2,619)	800	(1,157)
Impairment writeback/(loss) for sundry debtors	-	-	-	18
Transfer from profit equalisation reserve	(792)	(3,332)	(5,634)	(4,756)
Total attributable income	347,344	273,345	985,115	790,667
Income attributable to the depositors	(194,932)	(144,852)	(543,932)	(431,188)
Profit attributable to the Group	152,412	128,493	441,183	359,479
Income derived from Islamic Banking Funds	38,946	38,829	121,667	136,389
Total net income	191,358	167,322	562,850	495,868
Operating expenditure	(89,918)	(71,424)	(265,126)	(218,825)
Finance cost	(15,002)	(16,827)	(44,438)	(38,358)
Profit before taxation and zakat	86,438	79,071	253,286	238,685
Taxation and zakat	(19,652)	(18,808)	(57,147)	(59,173)
Profit for the period	66,786	60,263	196,139	179,512

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

Group	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11 (Restated)	31.12.12	31.12.11 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit for the period	66,786	60,263	196,139	179,512
Other comprehensive income/(loss):				
Net change in revaluation of financial investments available-for-sale	434	(2,301)	2,926	(2,372)
Exchange differences on translation of foreign operations	2	(30)	(11)	260
Income tax relating to the components of other comprehensive income	(109)	575	(732)	593
Other comprehensive income/(loss) for the period, net of tax	327	(1,756)	2,183	(1,519)
Total comprehensive income for the period	67,113	58,507	198,322	177,993

**A30. ISLAMIC BANKING BUSINESS (CONT'D.)**

**(a) Financing and Advances**

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>(Restated) RM'000</b>
Islamic hire purchase, net of unearned income	10,444,601	8,734,905
Term financing	6,036,010	6,046,290
Revolving credit	1,901,930	1,095,887
Claims on customer under acceptance credits	1,076,531	1,060,425
Credit card receivables	330,259	316,677
Trust receipts	98,951	63,367
Other financing	1,965,100	1,650,606
	<u>21,853,382</u>	<u>18,968,157</u>
Islamic financing sold to Cagamas Berhad	(1,437,326)	(1,645,251)
Gross financing and advances	<u>20,416,056</u>	<u>17,322,906</u>
Allowance for impairment on financing and advances:		
Collective allowance	(492,229)	(460,411)
Individual allowance	(13,389)	(16,324)
	<u>(505,618)</u>	<u>(476,735)</u>
Net financing and advances	<u>19,910,438</u>	<u>16,846,171</u>

(i) Movements in impaired financing and advances are as follows:

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of period/year	237,724	320,418
Impaired during the period/year	242,973	245,594
Reclassification to non-impaired financing	(51,021)	(59,847)
Recoveries	(26,186)	(38,106)
Amount written off	(131,369)	(230,335)
Balance at end of period/year	<u>272,121</u>	<u>237,724</u>
Impaired financing and advances as % of total financing and advances (including Islamic financing sold to Cagamas Berhad)	<u>1.2%</u>	<u>1.3%</u>

**A30. ISLAMIC BANKING BUSINESS (CONT'D.)**

**(a) Financing and Advances (Cont'd.)**

(ii) Movements in allowances for impaired financing and advances are as follows:

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective allowance</b>		
Balance at beginning of period/year		
- as previously stated	463,433	479,010
- effect of change in accounting policy	(3,022)	(9,063)
As restated	<u>460,411</u>	<u>469,947</u>
Allowance made during the period/year	157,173	205,859
Amount written off	(125,355)	(215,395)
Balance at end of period/year	<u>492,229</u>	<u>460,411</u>
% of total financing and advances (including Islamic financing sold to Cagamas Berhad)	<u>2.3%</u>	<u>2.4%</u>
<b>Individual allowance</b>		
Balance at beginning of period/year	16,324	25,447
Allowance made during the period/year	4,230	5,933
Amount written off	(7,165)	(15,056)
Balance at end of period/year	<u>13,389</u>	<u>16,324</u>

**(b) DEPOSITS FROM CUSTOMERS**

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Mudarabah Fund:</b>		
Demand deposits	28,028	19,512
Saving deposits	5,595	5,945
General investment deposits	15,425,602	13,445,079
Structured deposits	138,363	184,054
	<u>15,597,588</u>	<u>13,654,590</u>
<b>Non-Mudarabah Fund:</b>		
Demand deposits	3,628,664	2,874,233
Saving deposits	1,663,608	1,541,959
Term deposits	736,896	167,181
Negotiable instruments of deposits	25,581	25,184
	<u>6,054,749</u>	<u>4,608,557</u>
	<u>21,652,337</u>	<u>18,263,147</u>

**(c) OTHER LIABILITIES**

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	504,132	221,962
Taxation and zakat payable	34,337	31,458
Provision for commitments and contingencies	24,539	65
Amount owing to head office	33,948	21,053
Lease deposits and advance rentals	9,675	11,635
Profit equalisation reserve	2,858	3,294
	<u>609,489</u>	<u>289,467</u>

### A31. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES

#### (a) Transition to MFRSs

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

#### (b) Restatement of comparatives

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

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

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

#### (i) Reconciliation of equity

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatement RM'000	As restated RM'000
<b>As at 31 March 2012</b>				
<b>Assets</b>				
Cash and short-term funds	7,904,737	-	(112,503)	7,792,234
Financial assets held-for-trading	10,570,642	81,248	-	10,651,890
Financial investments available-for-sale	5,503,261	(71,170)	(225)	5,431,866
Financial investments held-to-maturity	948,477	(10,000)	-	938,477
Loans, advances and financing	73,957,980	(36,977)	-	73,921,003
Other assets	2,752,148	120,752	(286,459)	2,586,441
Deferred tax assets	214,350	3,302	(11,744)	205,908
Property and equipment	252,119	-	(63,384)	188,735
Life fund assets	2,772,093	(142,389)	-	2,629,704
Intangible assets	1,848,397	-	63,384	1,911,781
<b>Liabilities</b>				
Deposits and placements of banks and other financial	4,028,944	-	520	4,029,464
Deposits from customers	77,142,052	-	229,106	77,371,158
Life fund liabilities	317,397	5,324	-	322,721
Life policyholder funds	2,454,696	(147,713)	-	2,306,983
Deferred tax liabilities	25,089	52,258	(17,244)	60,103
Other liabilities	4,558,414	52,415	(606,813)	4,004,016
<b>Equity</b>				
Reserves	8,146,466	(46,030)	(11,550)	8,088,886
Non-controlling interests	353,867	28,512	(4,950)	377,429



**A31. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONT'D.)**

**(i) Reconciliation of equity (Cont'd.)**

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatement RM'000	As restated RM'000
<b>As at 1 April 2011</b>				
<b>Assets</b>				
Cash and short-term funds	13,502,567	-	(83,637)	13,418,930
Financial assets held-for-trading	5,173,737	35,490	-	5,209,227
Financial investments available-for-sale	8,073,935	(25,440)	(514)	8,047,981
Financial investments held-to-maturity	175,431	(10,000)	-	165,431
Loans, advances and financing	69,378,824	(80,901)	-	69,297,923
Other assets	2,206,656	186,328	(289,816)	2,103,168
Deferred tax assets	559,964	-	5,500	565,464
Property and equipment	248,090	-	(45,790)	202,300
Life fund assets	2,634,838	(200,262)	-	2,434,576
Intangible assets	1,833,210	-	45,790	1,879,000
<b>Liabilities</b>				
Deposits and placements of banks and other financial	4,271,656	-	504	4,272,160
Deposits from customers	74,566,962	-	158,103	74,725,065
Life fund liabilities	174,393	3,664	-	178,057
Life policyholder funds	2,460,445	(203,926)	-	2,256,519
Deferred tax liabilities	35,323	61,529	-	96,852
Other liabilities	4,463,581	(11,209)	(510,574)	3,941,798
<b>Equity</b>				
Reserves	7,294,739	7,848	(11,550)	7,291,037
Non-controlling interests	258,122	47,309	(4,950)	300,481

**(ii) Reconciliation of consolidated income statements**

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatement RM'000	As restated RM'000
<b>Second quarter ended 30 September 2011</b>				
Net income from insurance business	49,668	(10,801)	-	38,867
Other operating income	275,971	(28,949)	-	247,022
Allowances for impairment on loans and financing	(121,081)	33,239	-	(87,842)
Provision for commitments and contingencies	2,490	(22,712)	-	(20,222)
Taxation and zakat	(116,736)	4,396	-	(112,340)
<b>Cumulative quarter ended 30 September 2011</b>				
Net income from insurance business	103,579	5,301	-	108,880
Other operating income	631,643	247,450	-	879,093
Allowances for impairment on loans and financing	(193,466)	(65,156)	-	(258,622)
Provision for commitments and contingencies	(1,331)	(48,835)	-	(50,166)
Taxation and zakat	(270,938)	(102,589)	-	(373,527)

**A31. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONT'D.)**

**(iii) Reconciliation of consolidated statements of comprehensive income**

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatement RM'000	As restated RM'000
<b>Second quarter ended 30 September 2011</b>				
Net movement on financial investments available-for-sale	(17,856)	20,499	-	2,643
Income tax relating to the components of other comprehensive income	8,577	14,975	-	23,552
<b>Cumulative quarter ended 30 September 2011</b>				
Net movement on financial investments available-for-sale	1,736	2,252	-	3,988
Income tax relating to the components of other comprehensive income	4,947	23,649	-	28,596

**(iv) Reconciliation of operations of Islamic banking business**

**(i) Reconciliation of equity**

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatement RM'000	As restated RM'000
<b>As at 31 March 2012</b>				
Cash and short-term funds	2,347,666	-	(83)	2,347,583
Financing and advances	16,843,149	3,022	-	16,846,171
Other receivables, deposits and prepayments	339,103	(602)	-	338,501
Deferred tax assets	36,870	829	-	37,699
Deposits and placements of banks and other finan	1,329,753	-	(152)	1,329,601
Deposits from customers	18,262,995	-	152	18,263,147
Other liabilities	285,617	3,933	(83)	289,467
Reserves	1,397,021	(684)	-	1,396,337
<b>As at 1 April 2011</b>				
Cash and short-term funds	4,761,640	-	(2,811)	4,758,829
Financing and advances	13,247,076	9,062	-	13,256,138
Deposits and placements of banks and other finan	1,358,833	-	(157)	1,358,676
Deposits from customers	15,242,321	-	157	15,242,478
Other liabilities	291,281	7,259	(2,811)	295,729
Reserves	1,079,799	1,803	-	1,081,602

**(ii) Reconciliation of consolidated income statements**

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatement RM'000	As restated RM'000
<b>Second quarter ended 30 September 2011</b>				
Allowance for impairment on financing and advances	(50,493)	13,332	-	(37,161)
(Provision)/Writeback for commitments and contingencies	(933)	(1,686)	-	(2,619)
Taxation and zakat	(19,510)	702	-	(18,808)
<b>Cumulative quarter ended 30 September 2011</b>				
Allowance for impairment on financing and advances	(92,374)	(40,181)	-	(132,555)
(Provision)/Writeback for commitments and contingencies	(2,066)	909	-	(1,157)
Taxation and zakat	(40,779)	(18,394)	-	(59,173)

## B1. PERFORMANCE REVIEW ON THE RESULTS OF THE GROUP

Year-on-year (yoy), the Group's earnings grew 9.1% to RM1,238.8 million, supported by higher net income and lower allowances.

Divisional performance for 9MFY2013 compared to 9MFY2012 :

*Retail Banking : Higher profits from improved asset quality*

Profit after tax (PAT) rose 15.5% to RM437.6 million supported by higher fee income and better loans growth as the division continued to target profitable segments. Low cost deposits growth remained strong.

*Business Banking : Good income underpinned profit growth*

PAT grew 60.2% to RM269.8 million underpinned by good assets growth and higher fee income. Low cost deposits grew strongly.

*Corporate and Institutional Banking : Strong income performance*

PAT was 81.1% higher at RM323.7 million, attributed to good growth in deposits and lending as a result of stronger share of wallet penetration.

*Investment Banking : Subdued performance compared to 9MFY2012*

PAT was lower at RM47.7 million despite improved contributions from funds management and private banking. Debt capital market had lower income compared to last financial year whilst there was a decline in stock broking contribution.

*Markets : Volatility in market reflected in income performance*

PAT was lower at RM132.3 million due to lower fixed income impacted by continuous global uncertainties and flattish yield curve despite improved performance from foreign exchange and derivatives business.

*General Insurance : Good income growth from improved underwriting profits*

PAT rose 66.0% to RM106.9 million from higher premiums as well as lower claims experience. Additionally, three-month Kurnia's performance is reflected.

*Life Assurance : Performance reflected revisions in BNM Guidelines*

Loss after tax reflects revisions in BNM Guidelines on Financial Reporting for Insurers, from change in classification of Non-Par fund and reserves from liability to equity.

The Group's PAT increased by RM35.3 million in the current quarter, compared to the previous corresponding quarter ended 31 December 2011. Earnings improvement was broad based across a few divisions.

Gross loans and advances expanded to RM81.9 billion to register an annual growth of 10.1%. The growth was mainly attributed to the household, wholesale, retail, restaurant and hotel and construction. Financing for purchase of household transport vehicles accounted for 30.3% of total loans, while loans for residential properties accounted for 15.7% of total loans.

As at 31 December 2012, the Group's total assets stood at RM122.7 billion. Meanwhile, the Group's banking subsidiaries aggregated risk weighted capital ratio ("RWCR") stood at 15.9% as at 31 December 2012, compared with 15.7% as at 31 March 2012.

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

## **B2. REVIEW OF MATERIAL CHANGES IN PROFIT BEFORE TAXATION**

The Group reported a lower pre-tax profit of RM504.3 million for the third quarter ended 31 December 2012 as compared to RM554.5 million reported for the second quarter ended 30 September 2012. This was mainly due to higher allowances for impairment on loans and financing, higher other operating expenses and higher impairment on doubtful sundry receivables by RM56.1 million, RM37.6 million and RM9.9 million respectively. Lower income was reported from net income from insurance business and net income from Islamic banking business by RM16.0 million and RM2.1 million. In addition, RM45.6 million on acquisition and business efficiency expenses was reported for the current reporting quarter ended 31 December 2012.

This was mitigated by higher operating income and net interest income by RM87.7 million and RM5.6 million, higher writeback on provision for commitments and contingencies by RM17.9 million and lower transfer to profit equalisation reserve by RM3.7 million. Besides, impairment writeback on financial investments of RM3.4 million was reported for quarter ended 31 December 2012.

## **B3. PROSPECTS FOR 31 MARCH 2013**

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

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

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

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

## **B4. VARIANCE FROM PROFIT FORECAST AND SHORTFALL FROM PROFIT GUARANTEE**

This is not applicable to the Group.

## B5. TAXATION

Group	Individual Quarter		Cumulative Quarter	
	31.12.12 RM'000	31.12.11 RM'000	31.12.12 RM'000	31.12.11 RM'000
Estimated current tax payable	(21,010)	151,986	328,850	493,999
Transfer to deferred tax	131,979	(39,675)	81,789	(122,010)
	<u>110,969</u>	<u>112,311</u>	<u>410,639</u>	<u>371,989</u>
Under/(Over) provision of current taxation in respect of prior years	(256)	(201)	(1,142)	438
Taxation	<u>110,713</u>	<u>112,110</u>	<u>409,497</u>	<u>372,427</u>
Zakat	280	230	832	1,100
Taxation and zakat	<u>110,993</u>	<u>112,340</u>	<u>410,329</u>	<u>373,527</u>

The total tax charge of the Group for the financial quarters ended 31 December 2012 and 2011 reflect an effective tax rate which is lower than the statutory tax rate mainly due to income not subject to tax.

## B6. CORPORATE PROPOSALS

- As at 31 December 2012, the trustee of the ESS held 12,947,750 ordinary shares (net of ESS shares vested to employees) representing 0.43% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM78,735,683.
- The Company announced on 16 October 2012 that it has obtained the approval of Bank Negara Malaysia for the Company to commence negotiations with Friends Life FPL Limited ("Friends Life") for the proposed repurchase of the 30% equity interest held by Friends Life in the two joint ventures, namely, AmLife Insurance Berhad and AmFamily Takaful Berhad (the "Proposal").

Subsequently, on 31 December 2012 the Company announced that it has received the notification of Bank Negara Malaysia (via letter dated 28 December 2012) that the Minister of Finance has approved the Proposal. The approval for the repurchase is subject to the Company or AMAB Holdings Sdn Bhd completing the sale of part of its stake in AmLife Insurance Berhad and AmFamily Takaful Berhad to a new strategic partner within one year of the completion of the

On 7 January 2013, the Company announced that the repurchase was completed on 4 January 2013 at an aggregate cash consideration of RM245 million.

- On 17 December 2012, the Company announced that AmG Insurance Berhad ("AmG") has obtained the approval of Bank Negara Malaysia for a proposed scheme to transfer the general insurance business of AmG to Kurnia Insurans (Malaysia) Berhad, a wholly owned subsidiary on AmG (the "Scheme").

The Scheme is expected to be completed by the first quarter of 2013.

**B7. BORROWINGS**

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Deposits from customers		
Due within six months	68,806,808	63,951,266
Six months to one year	10,489,341	9,601,339
One to three years	2,598,071	2,726,720
Three to five years	683,337	1,091,833
	<u>82,577,557</u>	<u>77,371,158</u>
(ii) Deposits and placements of banks and other financial institutions		
Due within six months	2,455,415	2,242,320
Six months to one year	630,324	24,896
One to three years	1,062,903	1,102,738
Three to five years	226,834	659,510
	<u>4,375,476</u>	<u>4,029,464</u>
(iii) Term funding		
(a) Unsecured senior notes		
Due within one year	160,250	235,250
More than one year	4,408,227	3,206,602
(b) Credit-Linked Note		
Due within one year	137,774	30,020
More than one year	273,556	413,760
(c) Term loans and revolving credits		
Due within one year		
Secured	619,737	225,381
Unsecured	206,000	206,000
More than one year		
Unsecured	640,158	640,311
(d) Amount due to Cagamas Berhad		
More than one year		
Unsecured	512,749	304,804
	<u>6,958,451</u>	<u>5,262,128</u>
(iv) Debt capital		
(a) Unsecured bonds		
More than one year	1,000,000	800,000
(b) Medium Term Notes		
More than one year	1,967,800	1,557,800
(c) Hybrid capital		
More than one year	660,436	678,431
The above hybrid capital includes amounts denominated in USD. Principal amount - USD200.0 million		
(d) Non-Innovative Tier 1 Capital Securities		
More than one year	500,000	500,000
(e) Innovative Tier 1 Capital Securities		
More than one year	485,000	485,000
	<u>4,613,236</u>	<u>4,021,231</u>

#### B8. REALISED AND UNREALISED PROFITS OR LOSSES

In accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad, the breakdown of the retained earnings as at the end of the reporting period, into realised and unrealised profits or losses is as follows:

	<b>Group</b>	
	<b>31.12.12</b>	<b>31.03.12</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings		
- Realised	6,852,949	6,102,078
- Unrealised	608,221	513,943
Total share of retained earnings from associate:		
- Realised	1,430	1,101
- Unrealised	4	-
Less: consolidation adjustments	(3,192,646)	(2,952,835)
Total retained earnings as per consolidated financial statements	<u>4,269,958</u>	<u>3,664,287</u>

Disclosure of the above is solely for complying with the disclosure requirements of Bursa Malaysia Securities Berhad Listing Requirements and should not be applied for any other purposes.

#### B9. MATERIAL LITIGATION

The Group and the Company do not have any material litigation which would materially affect the financial position of the Group and the Company. For other litigations, please refer to Note A27(e).

**B10. EARNINGS PER SHARE (SEN)**

a. Basic earnings per share

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

	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11	31.12.12	31.12.11
	RM'000/000	RM'000/000	RM'000/000	RM'000/000
Net profit attributable to equity holders of the Company	393,625	346,183	1,238,780	1,135,262
Weighted average number of ordinary shares in issue	3,000,674	2,988,488	2,998,256	2,990,777
Basic earnings per share (Sen)	13.12	11.58	41.32	37.96

b. Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue and dilutive effect of Share Options vested and not exercised by eligible executives under ESS as at the reporting date.

The Share Options are dilutive when they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The amount of the dilution is the average market price of ordinary shares during the period minus the issue price.

	Individual Quarter		Cumulative Quarter	
	31.12.12	31.12.11	31.12.12	31.12.11
	RM'000/000	RM'000/000	RM'000/000	RM'000/000
Net profit attributable to equity holders of the Company	393,625	346,183	1,238,780	1,135,262
Weighted average number of ordinary shares in issue (as in (a) above)	3,000,674	2,988,488	2,998,256	2,990,777
Effect of options vested under ESS	83	-	5,640	3,557
Adjusted weighted average number of ordinary shares in issue / issuable	3,000,757	2,988,488	3,003,896	2,994,334
Fully diluted earnings per share (Sen)	13.12	11.58	41.24	37.91