

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

**AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2014**

	Note	31.03.14 RM'000	Group 31.03.13 (Restated) RM'000	01.04.12 (Restated) RM'000
<b>ASSETS</b>				
Cash and short-term funds		10,287,346	11,780,148	7,918,253
Securities purchased under resale agreements		-	200,605	517,306
Deposits and placements with banks and other financial institutions		1,063,122	2,322,657	1,892,166
Derivative financial assets	A28	528,810	383,257	380,129
Financial assets held-for-trading	A8	3,836,161	7,330,719	11,236,917
Financial investments available-for-sale	A9	11,640,846	6,139,616	6,074,440
Financial investments held-to-maturity	A10	3,897,565	6,219,804	1,429,843
Loans, advances and financing	A11	87,170,577	82,586,332	75,683,401
Statutory deposits with Bank Negara Malaysia	A12	3,122,961	2,907,435	2,582,411
Deferred tax assets		127,121	151,721	211,119
Investment in associate		252,475	244,656	166,242
Other assets	A13	3,084,376	2,870,742	2,458,018
Reinsurance, retakaful assets and other insurance receivables		473,012	601,279	255,913
Investment properties		7,713	87,878	84,715
Property and equipment		351,468	393,905	224,531
Intangible assets		3,383,662	3,351,507	1,954,799
Assets held for sale		3,126,042	-	-
<b>TOTAL ASSETS</b>		<b>132,353,257</b>	<b>127,572,261</b>	<b>113,070,203</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits and placements of banks and other financial institutions	A14	4,120,923	3,152,946	3,914,568
Securities sold under repurchase agreements		-	-	41,195
Recourse obligation on loans and financing sold to Cagamas Berhad		3,318,263	3,337,941	3,126,109
Derivative financial liabilities	A28	541,224	422,655	441,684
Deposits from customers	A15	89,698,878	84,829,987	77,277,156
Term funding		6,644,641	6,255,969	4,957,323
Bills and acceptances payable		-	1,964,800	871,948
Debt capital		4,766,198	4,205,232	4,021,231
Redeemable cumulative convertible preference share		193,137	183,490	-
Deferred tax liabilities		116,870	124,521	12,935
Other liabilities	A16	3,455,336	5,046,690	3,374,362
Insurance, takaful contract liabilities and other insurance payables		2,568,031	5,106,700	3,505,918
Liabilities directly associated with assets held for sale		2,835,367	-	-
<b>Total Liabilities</b>		<b>118,258,868</b>	<b>114,630,931</b>	<b>101,544,429</b>
Share capital		3,014,185	3,014,185	3,014,185
Reserves		10,128,756	9,053,551	8,130,748
Equity attributable to equity holders of the Company		13,142,941	12,067,736	11,144,933
Non-controlling interests		951,448	873,594	380,841
<b>Total Equity</b>		<b>14,094,389</b>	<b>12,941,330</b>	<b>11,525,774</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>132,353,257</b>	<b>127,572,261</b>	<b>113,070,203</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A27	<b>103,478,931</b>	<b>102,467,484</b>	<b>99,614,955</b>

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

**AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2014 (CONT'D.)**

	Note	31.03.14	Group 31.03.13 (Restated)	01.04.12
		RM'000	RM'000	RM'000
<b>CAPITAL ADEQUACY RATIO</b>	A30			
<b>Before deducting proposed dividends:</b>				
Common Equity Tier 1 ("CET1") Capital		10.126%	9.794%	-
Tier 1 capital Ratio		11.569%	11.478%	-
Total capital Ratio		15.899%	15.215%	-
Core capital ratio		-	-	11.2%
Risk-weighted capital ratio		-	-	15.4%
		<hr/>	<hr/>	<hr/>
<b>After deducting proposed dividends:</b>				
Common Equity Tier 1 ("CET1") Capital		9.745%	9.363%	-
Tier 1 capital Ratio		11.188%	11.046%	-
Total capital Ratio		15.517%	14.784%	-
Core capital ratio		-	-	10.4%
Risk-weighted capital ratio		-	-	14.7%
		<hr/>	<hr/>	<hr/>
<b>NET ASSETS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)</b>		<hr/>	<hr/>	<hr/>
		4.36	4.00	3.70

The audited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2014

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

**AUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

Group	Note	Individual Quarter		Cumulative Quarter	
		31.03.14	31.03.13 (Restated)	31.03.14	31.03.13 (Restated)
		RM'000	RM'000	RM'000	RM'000
Operating revenue	A23	2,391,100	2,347,109	9,606,006	8,705,892
Interest income	A17	1,175,355	1,163,429	4,677,033	4,523,429
Interest expense	A18	(599,471)	(589,015)	(2,405,106)	(2,304,981)
Net interest income		575,884	574,414	2,271,927	2,218,448
Net income from Islamic banking business		250,635	231,347	939,969	883,901
Income from insurance business		505,355	516,079	2,057,100	1,480,010
Insurance claims and commissions		(434,272)	(398,952)	(1,585,184)	(1,229,771)
Net income from insurance business	A19	71,083	117,127	471,916	250,239
Other operating income	A20	236,224	228,475	1,026,273	1,003,251
Share in results of associates		7,228	5,042	21,274	13,459
Net income		1,141,054	1,156,405	4,731,359	4,369,298
Other operating expenses	A21	(464,464)	(600,169)	(2,121,633)	(2,041,564)
Acquisition and business efficiency expenses		(16,915)	220	(29,279)	(45,426)
Operating profit		659,675	556,456	2,580,447	2,282,308
Allowances for impairment on loans and financing	A22	(63,916)	(75,760)	(67,760)	(173,287)
Net impairment (loss)/writeback on:					
Financial investments		2,289	(2,373)	(6,560)	800
Doubtful sundry receivables		(27,214)	10,538	(69,096)	(5,234)
Foreclosed properties		(119)	1,038	(6,704)	(9,086)
Property and equipment		-	-	-	1,347
Intangible assets		-	-	(1,865)	-
(Provision)/Writeback of provision for commitments and contingencies		26,437	(11,353)	30,519	51,568
Transfer to profit equalisation reserve		(1,732)	(3,795)	(10,743)	(9,429)
Profit before taxation and zakat		595,420	474,751	2,448,238	2,138,987
Taxation and zakat	B5	(109,085)	(45,745)	(577,183)	(475,499)
<b>Profit for the period</b>		<b>486,335</b>	<b>429,006</b>	<b>1,871,055</b>	<b>1,663,488</b>
Attributable to:					
Equity holders of the Company		463,707	404,849	1,782,380	1,620,724
Non-controlling interests		22,628	24,157	88,675	42,764
<b>Profit for the period</b>		<b>486,335</b>	<b>429,006</b>	<b>1,871,055</b>	<b>1,663,488</b>
<b>EARNINGS PER SHARE (SEN)</b>	B11				
Basic		15.43	13.49	59.29	54.04
Fully diluted		15.43	13.49	59.26	54.01

The audited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2014

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

**AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

Group	Note	Individual Quarter		Cumulative Quarter	
		31.03.14	31.03.13 (Restated)	31.03.14	31.03.13 (Restated)
		RM'000	RM'000	RM'000	RM'000
Profit for the period		486,335	429,006	1,871,055	1,663,488
Other comprehensive income/(loss):					
<b>Items that are not be reclassified to profit or loss</b>					
Remeasurement of defined benefit liability		1,942	-	1,942	-
<b>Items that are or may be reclassified to profit or loss</b>					
Exchange differences on translation of					
- foreign operations		1,202	(3,639)	8,270	(4,815)
- net investment hedge		227	1,260	6,020	(3,066)
Net movement on cash flow hedges		3,759	3,789	20,898	(1,178)
Net movement on financial investments available-for-sale		(15,405)	(6,656)	(107,304)	(35,083)
		(10,217)	(5,246)	(72,116)	(44,142)
Income tax relating to the components of other comprehensive income		944	256	20,024	9,727
Other comprehensive income/(loss) for the period, net of tax		(7,558)	(6,250)	(50,150)	(34,415)
Total comprehensive income for the period		478,777	422,756	1,820,905	1,629,073
Total comprehensive income for the period attributable to:					
Equity holders of the Company		453,615	398,913	1,742,383	1,596,295
Non-controlling interests		25,162	23,843	78,522	32,778
		478,777	422,756	1,820,905	1,629,073

The audited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2014

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

**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

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	1,945,591	(154,179)	104,056	3,664,064	11,111,089	380,865	11,491,954
Restatement (Note A33)	-	-	(15,560)	-	-	49,404	33,844	(24)	33,820
<b>At 1 April 2012 (restated)</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,930,031</b>	<b>(154,179)</b>	<b>104,056</b>	<b>3,713,468</b>	<b>11,144,933</b>	<b>380,841</b>	<b>11,525,774</b>
Profit for the period	-	-	-	-	-	1,620,724	1,620,724	42,764	1,663,488
Other comprehensive loss, net	-	-	(24,429)	-	-	-	(24,429)	(9,986)	(34,415)
Total comprehensive income/(loss) for the period	-	-	(24,429)	-	-	1,620,724	1,596,295	32,778	1,629,073
Share-based payment under ESS, net	-	-	51,377	-	-	-	51,377	-	51,377
ESS shares vested to employees of subsidiaries	-	-	(48,268)	79,241	-	-	30,973	-	30,973
Transfer of ESS shares recharged difference on purchase price for shares vested	-	-	-	-	-	(14,847)	(14,847)	(379)	(15,226)
Transfer to statutory reserve	-	-	64,550	-	-	(64,550)	-	-	-
Transfer to profit equalisation reserve	-	-	1,495	-	-	-	1,495	-	1,495
Net utilisation of profit equalisation reserve	-	-	(182)	-	-	182	-	-	-
Unallocated surplus transfer	-	-	-	-	(43,238)	61,500	18,262	21,782	40,044
Subscription of shares in AmGeneral Holdings Bhd	-	-	-	-	-	-	-	572,882	572,882
Redemption of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	-	(8,318)	(8,318)
Acquisition of remaining interests in AmLife Insurance Berhad and AmFamily Takaful Berhad	-	-	-	-	49,546	(192,390)	(142,844)	(124,732)	(267,576)
Dividend paid	-	-	-	-	-	(617,908)	(617,908)	(1,260)	(619,168)
<b>At 31 March 2013</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,974,574</b>	<b>(74,938)</b>	<b>110,364</b>	<b>4,506,179</b>	<b>12,067,736</b>	<b>873,594</b>	<b>12,941,330</b>

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

**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

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 2013</b>	3,014,185	2,537,372	1,975,000	(74,938)	110,364	4,471,197	12,033,180	1,100,050	13,133,230
Restatement (Note A33)	-	-	(426)	-	-	34,982	34,556	(226,456)	(191,900)
<b>At 1 April 2013 (restated)</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,974,574</b>	<b>(74,938)</b>	<b>110,364</b>	<b>4,506,179</b>	<b>12,067,736</b>	<b>873,594</b>	<b>12,941,330</b>
Profit for the period	-	-	-	-	-	1,782,380	1,782,380	88,675	1,871,055
Other comprehensive income/(loss), net	-	-	(40,739)	-	-	742	(39,997)	(10,153)	(50,150)
Total comprehensive income/(loss) for the period	-	-	(40,739)	-	-	1,783,122	1,742,383	78,522	1,820,905
Purchase of shares pursuant to Executives' Share Scheme ("ESS") <sup>^</sup>	-	-	-	(45,278)	-	-	(45,278)	-	(45,278)
Share-based payment under ESS, net	-	-	35,903	-	-	-	35,903	-	35,903
ESS shares vested to employees of subsidiaries	-	-	(39,643)	61,782	-	-	22,139	-	22,139
Transfer of ESS shares recharged difference on purchase price for shares vested	-	-	-	-	-	(3,250)	(3,250)	(68)	(3,318)
Transfer to statutory reserve	-	-	59,079	-	-	(59,079)	-	-	-
Net utilisation of profit equalisation reserve	-	-	(53)	-	-	53	-	-	-
Unallocated surplus transfer	-	-	-	-	22,629	(30,172)	(7,543)	-	(7,543)
Dividend paid	-	-	-	-	-	(669,149)	(669,149)	(600)	(669,749)
<b>At 31 March 2014</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,989,121</b>	<b>(58,434)</b>	<b>132,993</b>	<b>5,527,704</b>	<b>13,142,941</b>	<b>951,448</b>	<b>14,094,389</b>

<sup>^</sup> Represent the purchase of 6,172,200 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM7.34 per share.

The audited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2014

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

**AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

<b>Group</b>	<b>31.03.14 RM'000</b>	<b>31.03.13 RM'000</b>
Profit before taxation	2,448,238	2,138,987
Add/(Less) adjustments for:		
Accretion of discount less amortisation of premium	(203,958)	(121,192)
Dividend income from investments	(67,666)	(42,995)
Allowance for losses on loans, advances and financing	67,760	173,287
Net gain on redemption of financial investments held-to-maturity	(8,319)	(41,602)
Net gain on sale of financial investments available-for-sale	(95,367)	(59,198)
Net loss on sale of financial assets held-for-trading	42,157	(19,741)
Net loss on revaluation of financial assets held-for-trading	71,040	(20,447)
Net gain on revaluation of derivatives	(59,696)	(57,078)
Other non-operating and non-cash items	237,505	174,917
Operating profit before working capital changes	2,431,694	2,124,938
<i>Decrease/(Increase) in operating assets:</i>		
Securities purchased under resale agreements	(34,735)	316,701
Deposits and placements with banks and other financial institutions	1,111,054	8,672
Financial assets held-for-trading	2,048,810	4,039,444
Loans, advances and financing	(4,861,292)	(6,572,255)
Reinsurance, retakaful assets and other insurance receivables	96,336	17,748
Other assets	155,742	642,088
Statutory deposits with Bank Negara Malaysia	(215,526)	(325,024)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits and placements of banks and other financial institutions	967,977	(761,622)
Obligations on securities sold under repurchase agreements	-	(41,195)
Recourse obligation on loans and financing sold to Cagamas Berhad	(19,678)	211,832
Deposits from customers	4,868,891	7,552,831
Term funding	388,672	748,456
Bills and acceptances payable	(1,964,800)	1,092,852
Insurance, takaful contract liabilities and other insurance payables	48,307	(42,900)
Other liabilities	(1,779,786)	958,620
Cash generated from operations	3,241,666	9,971,186
Taxation and zakat paid	(588,262)	(675,382)
Net cash generated from operating activities	2,653,404	9,295,804
Purchase of financial investments - net	(3,756,813)	(3,569,026)
Dividends received from other investments	64,145	43,583
Acquisition of subsidiaries	-	(2,161,389)
Return of surplus funds from associate	60	1,040
Proceeds from disposal of property and equipment	1,136	1,012
Purchase of property and equipment and intangible assets	(231,014)	(171,841)
Arising from purchase of shares for ESS by the appointed trustee	(45,278)	-
ESS shares vested to eligible employees	61,782	79,241
Transfer of ESS shares recharged difference on purchase price for shares vested	(3,250)	(14,847)
Net cash used in investing activities	(3,909,232)	(5,792,227)
Proceeds from issuance of shares by subsidiaries to non-controlling interests	-	775,682
Proceeds from debt capital	548,562	200,000
Dividends paid by Company to its shareholders	(669,149)	(617,908)
Dividends paid to non-controlling interests by subsidiaries	(600)	(1,260)
Net cash (used in)/generated from financing activities	(121,187)	356,514
Net (decrease)/increase in cash and cash equivalents	(1,377,015)	3,860,091
Cash and cash equivalents at beginning of period	11,780,148	7,918,253
Effect of exchange rates changes	4,822	1,804
Cash and cash equivalents at end of period	10,407,955	11,780,148

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>31.03.14 RM'000</b>	<b>31.03.13 RM'000</b>
Cash and short-term funds	10,287,346	11,780,148
Bank overdrafts	(759)	-
Reclassified to assets held for sale	121,368	-
Cash and cash equivalents	10,407,955	11,780,148

The audited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2014

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

**EXPLANATORY NOTES :**

**A1. BASIS OF PREPARATION**

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia. These financial statements also comply with IAS 34, Interim Financial Reporting.

The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the financial year ended 31 March 2014 which are available upon request from the Company's registered office at Level 22, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

These condensed consolidated interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended MFRSs and IC Interpretations which became effective for the Group and the Company on 1 April 2013. The adoption of these new and amended MFRSs and IC Interpretations did not have any significant impact on the financial statements of the Group and the Company, except as disclosed in Note A33.

**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 127, Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2013)
- MFRS 127, Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 128, Investments in Associates and Joint Ventures
- 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"

**Standards issued but not yet effective**

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

**Standards effective for financial periods beginning on or after 1 January 2014:**

- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

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

- Amendments to MFRS 119, Defined Benefit Plans: Employee Contribution
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010-2012 Cycle"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011-2013 Cycle"

**Standards effective for dates to be announced by MASB:**

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

**Accounting for acquisition of AmGeneral Insurance Berhad in previous financial period**

Upon completion of the purchase price allocation exercise and allocation of goodwill to the relevant cash generating units, the carrying amount of intangible assets and residual goodwill are adjusted accordingly on a retrospective basis. The financial effects arising from these adjustments are disclosed in Note A33.



**A2. AUDIT QUALIFICATION**

There was no audit qualification in the annual financial statements for the year ended 31 March 2014.

**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 DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items during the current financial quarter.

**A5. CHANGES IN ESTIMATES**

Following the revision of Bursa rules, with effect from 2 May 2013, the Group revised its impairment assessment for the stockbroking business to be fully MFRS compliant.

In accordance with MFRS, where there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred.)

Estimated future cash flows evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data and management expert judgement to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Other than as disclosed above, there was no material changes in estimates of amounts reported in the prior financial years that have a material effect on the financial year ended 31 March 2014.

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

The following are changes in debt and equity securities that were issued by the Group during the financial year.

- (a) The Company has issued an additional tranche of senior medium term notes amounting to RM400.0 million under its Medium Term Note Programme during the financial year ended 31 March 2014.
- (b) During the financial year, upon maturity, AmBank repaid Senior Notes totalling RM195.0 million. The Senior Notes issued which remains outstanding as at reporting date has a fixed interest rate ranging from 4.45% to 5.25% (2013: 3.8% to 5.25%) per annum and is payable semi-annually. The Senior Notes outstanding are repayable between 1 month to 3 years (2013: 4 months to 4 years).
- (c) AmBank's USD 300 million term loan was drawn on 31 March 2014 from ANZ for refinancing, working capital, general banking and other corporate purposes. This term loan bears interest at 0.90% per annum above LIBOR. This term loan shall be due and payable in full 3 years after the drawdown date.
- (d) On 30 December 2013, AmBank established a Subordinated Notes programme of RM4.0 billion. The objective of the programme is to enable the issuance of Tier 2 Capital from time to time, for the purpose of enhancing the AmBank's total capital position. The programme is set up in accordance to the requirements spelt out in the Capital Adequacy Framework (Capital Components) issued by BNM, and the securities issued under this programme are fully Basel III compliant.

The programme has a tenor of thirty (30) years from the date of the first issuance under the programme. Each issuance of Tier 2 Subordinated Notes under this programme shall have a tenure of at least five (5) years from the issue date, and is callable on any coupon payment date after a minimum period of five (5) years from the date of issuance of each tranche. The Tier 2 Subordinated Notes have been assigned a credit rating of AA3 by RAM Rating Services Berhad ("RAM").

On 30 December 2013, AmBank has issued the first tranche of Tier 2 Subordinated Notes under the programme, of RM400.0 million. The interest rate of this tranche is at 5.20%, payable on a half-yearly basis. The full amount issued qualified for recognition of capital adequacy ratio computation.

**A6. ISSUANCE, REPURCHASE AND REPAYMENT OF DEBT AND EQUITY SECURITIES (CONT'D.)**

- (e) Amlslamic Bank has repurchased on the market and subsequently cancelled RM 200.0 million of the Sukuk Musharakah between 19 December 2013 and 20 January 2014. The repurchases were granted prior approval by BNM and represent the portion of the Sukuk Musharakah that do not qualify for recognition as Tier 2 capital in the computation of capital adequacy ratio for the calendar years 2013 and 2014, under the Basel III pronouncements.
- (f) On 28 February 2014, Amlslamic Bank has implemented a new Subordinated Sukuk Murabahah programme of RM3.0 billion. The objective of the programme is to enable the issuance of Tier 2 capital from time to time, for the purpose of enhancing the Amlslamic Bank's total capital position. The programme is set-up in accordance to the requirements spelt out in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM, and the securities issued under this programme are fully Basel III-compliant.

On 28 February 2014, Amlslamic Bank has issued the first tranche of Tier 2 Subordinated Sukuk Murabahah under this programme, of RM200.0 million. The profit rate of this tranche is at 5.07%, payable on a semi-annual basis.

Subsequently, on 25 March 2014, Amlslamic Bank has issued the second tranche of Tier 2 Subordinated Sukuk Murabahah under this programme, of RM150.0 million. The profit rate of this tranche is at 5.05%, payable on a semi-annual basis.

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

**A7. DIVIDENDS PAID**

During the financial year ended 31 March 2014, a final single tier dividend of 15.0% for the financial year ended 31 March 2013 amounting to RM452,127,727 was paid on 12 September 2013 to shareholders whose names appear in the record of Depositors on 30 August 2013.

An interim single tier dividend of 7.2%% for the financial year ended 31 March 2014 amounting to RM217,021,309 was paid on 12 December 2013 to shareholders whose names appear in the record of Depositors on 29 November 2013.

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

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>(Restated) RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
Malaysia Treasury Bills	9,980	-
Malaysian Government Securities	532,163	240,252
Government Investment Issues	132,086	366,752
Bank Negara Monetary Notes	-	813,112
Negotiable instruments of deposits	-	68,460
	<u>674,229</u>	<u>1,488,576</u>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	172,165	176,435
Unit trusts	35,874	89,906
Warrants	6,067	4,651
Private debt securities	23,799	23,179
Outside Malaysia:		
Shares	-	4,852
	<u>237,905</u>	<u>299,023</u>
<b>Unquoted Securities:</b>		
In Malaysia:		
Unit trusts	-	1,024,303
Private debt securities	2,805,150	4,030,616
Outside Malaysia:		
Unit trusts	-	1,940
Private debt securities	118,877	486,261
	<u>2,924,027</u>	<u>5,543,120</u>
<b>Total</b>	<u>3,836,161</u>	<u>7,330,719</u>

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

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>(Restated) RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
Malaysian Treasury Bills	6,575	-
Malaysian Government Securities	390,806	-
Government Investment Issues	806,663	31,975
Bank Negara Monetary Notes	4,140,975	-
Negotiable instruments of deposits	519,881	843,075
Islamic negotiable instruments of deposit	996,914	745,696
	<u>6,861,814</u>	<u>1,620,746</u>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	40,893	343,657
Unit trusts	581,707	310,339
Private debt securities	-	5,455
Outside Malaysia:		
Shares	29,149	29,394
	<u>651,749</u>	<u>688,845</u>
<b>Unquoted Securities:</b>		
In Malaysia:		
Unit trusts	454,498	475,632
Private debt securities	3,252,612	2,910,447
Outside Malaysia:		
Unit trusts	2,953	-
Private debt securities	286,946	274,766
	<u>3,997,009</u>	<u>3,660,845</u>
<b>At Cost</b>		
<b>Unquoted Securities:</b>		
In Malaysia:		
Shares	121,852	143,500
Outside Malaysia:		
Shares	8,422	25,680
	<u>130,274</u>	<u>169,180</u>
<b>Total</b>	<u>11,640,846</u>	<u>6,139,616</u>

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

	Group	
	31.03.14	31.03.13
	RM'000	RM'000
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Bank Negara Monetary Notes	-	2,980,844
Foreign Treasury Bills	522,405	-
<b>Unquoted Securities:</b>		
In Malaysia:		
Private debt securities	3,378,804	3,432,969
	3,901,209	6,413,813
Accumulated impairment losses	(3,644)	(194,009)
<b>Total</b>	<b>3,897,565</b>	<b>6,219,804</b>

**A11. LOANS, ADVANCES AND FINANCING**

	Group	
	31.03.14	31.03.13
	RM'000	RM'000
<b>At Amortised Cost:</b>		
Loans and financing:		
Term loans	26,925,029	26,106,610
Revolving credit	9,491,102	7,143,751
Housing loans/financing	14,433,902	13,198,316
Staff loans	134,678	148,965
Hire-purchase receivables	27,160,304	27,564,925
Credit card receivables	2,027,373	2,191,778
Overdraft	3,207,162	3,139,452
Claims on customers under acceptance credits	3,783,885	3,624,811
Trust receipts	1,139,161	934,900
Bills receivables	752,279	534,726
Others	233,638	171,015
Gross loans, advances and financing	89,288,513	84,759,249
Allowance for impairment on loans, advances and financing:		
Collective allowance	(1,950,384)	(1,986,361)
Individual allowance	(167,552)	(186,556)
	(2,117,936)	(2,172,917)
<b>Net loans, advances and financing</b>	<b>87,170,577</b>	<b>82,586,332</b>

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

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

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic banking institutions	84	-
Domestic non-bank financial institutions	165,846	1,788,780
Domestic business enterprises:		
Small and medium enterprises	12,358,779	10,890,379
Others	28,386,482	25,179,021
Government and statutory bodies	407,909	417,382
Individuals	46,823,358	45,592,242
Other domestic entities	8,040	23,052
Foreign individual and entities	1,138,015	868,393
	<u>89,288,513</u>	<u>84,759,249</u>

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

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia	88,131,863	83,879,206
Outside Malaysia	1,156,650	880,043
	<u>89,288,513</u>	<u>84,759,249</u>

(c) Gross loans, advances and financing analysed by interest rate/rate of return sensitivity are as follows:

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:		
Housing loans/financing	521,160	867,867
Hire purchase receivables	25,775,955	24,454,794
Other fixed rate loans/financing	12,063,843	11,639,347
	<u>38,360,958</u>	<u>36,962,008</u>
Variable rate:		
Base lending rate plus	26,842,317	26,619,422
Cost plus	23,082,607	19,751,119
Other variable rates	1,002,631	1,426,700
	<u>50,927,555</u>	<u>47,797,241</u>
	<u>89,288,513</u>	<u>84,759,249</u>

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

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

	Group	
	31.03.14 RM'000	31.03.13 RM'000
Agriculture	3,842,717	3,265,118
Mining and quarrying	3,022,389	1,785,481
Manufacturing	8,242,362	7,871,984
Electricity, gas and water	1,345,679	685,621
Construction	4,629,200	3,463,982
Wholesale and retail trade and hotels and restaurants	5,836,570	5,486,758
Transport, storage and communication	2,900,357	2,732,877
Finance and insurance	548,410	1,788,776
Real estate	7,795,364	7,437,154
Business activities	2,077,828	1,995,123
Education and health	1,236,202	1,793,139
Household of which:	47,406,055	45,938,601
Purchase of residential properties	14,667,091	13,353,097
Purchase of transport vehicles	24,958,929	25,495,818
Others	7,780,035	7,089,686
Others	405,380	514,635
	<u>89,288,513</u>	<u>84,759,249</u>

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

	Group	
	31.03.14 RM'000	31.03.13 RM'000
Maturing within one year	19,158,852	18,645,901
Over one year to three years	11,014,209	9,259,486
Over three years to five years	14,760,511	12,991,840
Over five years	44,354,941	43,862,022
	<u>89,288,513</u>	<u>84,759,249</u>

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

	Group	
	31.03.14 RM'000	31.03.13 RM'000
<b>Gross</b>		
Balance at beginning of financial period/year	1,680,471	1,906,176
Impaired during the period/year	1,722,721	1,253,501
Reclassified as non-impaired	(308,206)	(292,479)
Recoveries	(602,212)	(408,636)
Amount written off	(830,633)	(793,677)
Repurchase of impaired loans	-	2,888
Arising from acquisition of subsidiary	-	12,698
Balance at end of financial period/year	<u>1,662,141</u>	<u>1,680,471</u>
Gross impaired loans, advances and financing as % of gross loans, advances and financing	<u>1.9%</u>	<u>2.0%</u>
Loan loss coverage excluding collateral values	<u>127.4%</u>	<u>129.3%</u>

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

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

	Group	
	31.03.14	31.03.13
	RM'000	RM'000
In Malaysia	1,650,221	1,680,471
Outside Malaysia	11,920	-
	1,662,141	1,680,471

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

	Group	
	31.03.14	31.03.13
	RM'000	RM'000
Agriculture	7,384	20,598
Mining and quarrying	4,132	17,888
Manufacturing	227,053	254,786
Electricity, gas and water	24,249	25,906
Construction	36,051	51,111
Wholesale and retail trade and hotels and restaurants	44,512	49,908
Transport, storage and communication	62,617	18,593
Finance and insurance	1,769	28,287
Real estate	7,920	18,244
Business activities	24,512	18,898
Education and health	13,816	56,066
Household of which:	1,206,447	1,109,222
Purchase of residential properties	495,630	547,409
Purchase of transport vehicles	596,219	439,164
Others	114,598	122,649
Others	1,679	10,964
	1,662,141	1,680,471

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

	Group	
	31.03.14	31.03.13
	RM'000	RM'000
<b>Collective allowance</b>		
Balance at beginning of financial period/year	1,986,361	2,048,758
Allowance made during the financial period/year, net	602,488	455,228
Amount written off and others	(639,880)	(563,368)
Arising from acquisition of subsidiary	-	40,536
Exchange fluctuation adjustments	1,415	5,207
Balance at end of financial period/year	1,950,384	1,986,361
Collective allowance as % of gross loans, advances and financing less individual allowance	2.2%	2.3%
<b>Individual allowance</b>		
Balance at beginning of financial period/year	186,556	134,792
Allowance made during the financial period/year, net	216,720	287,718
Amount written off	(235,724)	(235,954)
Balance at end of financial period/year	167,552	186,556



#### A12. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities.

#### A13. OTHER ASSETS

	Group	
	31.03.14	31.03.13 (Restated)
	RM'000	RM'000
Trade receivables, net of allowance for doubtful debts	752,453	976,308
Other receivables, deposits and prepayments, net of allowance for impairment	1,623,340	1,157,211
Interest receivables, net of allowance for impairment	227,268	224,653
Fee receivable, net of allowance for impairment	44,444	47,269
Amount due from Originators	361,635	379,657
Amount due from agents, brokers and reinsurers	8,431	12,812
Foreclosed properties, net of allowance for impairment	66,805	72,832
	<u>3,084,376</u>	<u>2,870,742</u>

Amount due from Originators represents housing loans and personal financing acquired from originators for onward sale to Cagamas Berhad with recourse.

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

	Group	
	31.03.14	31.03.13
	RM'000	RM'000
Deposits from:		
Licensed banks	2,228,756	233,412
Licensed investment banks	5,281	402,298
Bank Negara Malaysia	98,293	863,663
Other financial institutions	1,788,593	1,653,573
	<u>4,120,923</u>	<u>3,152,946</u>

#### A15. DEPOSITS FROM CUSTOMERS

	Group	
	31.03.14	31.03.13 (Restated)
	RM'000	RM'000
Demand deposits	13,450,532	11,776,089
Savings deposits	5,290,440	5,071,454
Term/Investment deposits	70,903,023	67,898,630
Negotiable instruments of deposits	54,883	83,814
	<u>89,698,878</u>	<u>84,829,987</u>

The deposits are sourced from the following types of customers:

Business enterprises	42,554,162	39,318,222
Individuals	34,508,342	33,952,401
Government and statutory bodies	10,116,686	9,852,981
Others	2,519,688	1,706,383
	<u>89,698,878</u>	<u>84,829,987</u>

#### A16. OTHER LIABILITIES

	Group	
	31.03.14	31.03.13 (Restated)
	RM'000	RM'000
Trade payables	659,944	930,052
Other payables and accruals	1,838,615	3,060,729
Interest payable	736,777	712,649
Lease deposits and advance rentals	19,526	29,401
Provision for commitments and contingencies	174,965	204,795
Bank overdrafts	759	-
Profit equalisation reserve	1,571	1,659
Provision for taxation	23,179	107,405
	<u>3,455,336</u>	<u>5,046,690</u>

#### A17. INTEREST INCOME

Group	Individual Quarter		Cumulative Quarter	
	31.03.14	31.03.13	31.03.14	31.03.13 (Restated)
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits with financial institutions	62,557	77,774	249,933	245,421
Financial assets held-for-trading	34,618	58,698	144,041	293,636
Financial investments available-for-sale	61,660	60,560	206,803	217,928
Financial investments held-to-maturity	36,277	21,997	189,788	59,735
Loans and advances	972,863	939,396	3,863,959	3,682,438
Impaired loans and advance	1,121	811	4,891	4,803
Others	6,259	4,193	17,618	19,468
	<u>1,175,355</u>	<u>1,163,429</u>	<u>4,677,033</u>	<u>4,523,429</u>

#### A18. INTEREST EXPENSE

Group	Individual Quarter		Cumulative Quarter	
	31.03.14	31.03.13 (Restated)	31.03.14	31.03.13 (Restated)
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	454,866	439,864	1,846,924	1,762,621
Deposit and placements of banks and other financial institutions	14,922	24,228	46,090	65,599
Senior notes	48,391	46,146	193,978	164,290
Credit-Linked Note	4,157	6,280	18,960	25,410
Recourse obligation on loans sold to Cagamas Berhad	10,083	10,099	40,825	40,872
Term loans	6,376	8,295	26,407	27,478
Subordinated deposits and term loans	5,082	5,607	21,754	23,299
Interest on bonds	5,143	-	5,237	-
Medium term notes	20,421	23,639	82,819	94,973
Hybrid and Innovative Tier 1 capital securities	20,600	19,896	81,735	80,287
Others	9,430	4,961	40,377	20,152
	<u>599,471</u>	<u>589,015</u>	<u>2,405,106</u>	<u>2,304,981</u>

#### A19. NET INCOME FROM INSURANCE BUSINESS

Group	Individual Quarter		Cumulative Quarter	
	31.03.14	31.03.13 (Restated)	31.03.14	31.03.13 (Restated)
	RM'000	RM'000	RM'000	RM'000
Income from Insurance Business:				
Premium income from general insurance business	379,444	374,076	1,544,065	1,022,659
Premium income from life and family takaful insurance business	125,911	142,003	513,035	457,351
	<u>505,355</u>	<u>516,079</u>	<u>2,057,100</u>	<u>1,480,010</u>
Insurance Claims and Commission:				
Insurance commission <sup>1</sup>	78,264	54,738	223,035	126,513
General insurance claims	239,152	215,775	973,084	618,998
Life and family takaful insurance claims	116,856	128,439	389,065	484,260
	<u>434,272</u>	<u>398,952</u>	<u>1,585,184</u>	<u>1,229,771</u>
Total income from insurance business, net	<u>71,083</u>	<u>117,127</u>	<u>471,916</u>	<u>250,239</u>

<sup>1</sup> Net of bancassurance commission paid/payable to fellow subsidiaries of the Group of RM33,291,000 (31 March 2013: RM40,857,000) eliminated upon consolidation.

#### A20. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	31.03.14	31.03.13 (Restated)	31.03.14	31.03.13 (Restated)
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Fees on loans, financing and securities	92,283	54,070	286,645	213,544
Corporate advisory	3,793	5,719	35,893	28,299
Guarantee fees	12,998	11,850	50,368	42,201
Underwriting commission	531	1	3,969	14,046
Portfolio management fees	8,960	12,126	34,752	32,828
Unit trust management fees	25,387	22,932	101,397	99,191
Brokerage rebates	100	97	512	408
Property trust management fees	1,578	832	6,305	6,091
Brokerage fees and commission	15,554	20,405	78,835	77,207
Wealth management fees	6,576	5,801	24,157	24,069
Other fee and commission income	25,462	22,106	90,739	92,718
	<u>193,222</u>	<u>155,939</u>	<u>713,572</u>	<u>630,602</u>
Investment and trading income:				
Net gain/(loss) from sale of financial assets held-for-trading	(16,664)	(8,566)	(43,571)	34,068
Net gain from sale of financial investments available-for-sale	6,784	2,070	96,254	70,752
Net gain on redemption of financial investments held-to-maturity	444	571	8,319	41,602
Net gain/(loss) on revaluation of financial assets held-for-trading	(9,104)	23,681	(72,216)	3,338
Net foreign exchange gain <sup>2</sup>	31,693	16,088	122,046	91,755
Net gain on derivatives	(3,580)	18,859	59,696	57,078
Gross dividend income from:				
Financial assets held-for-trading	1,511	2,464	9,096	11,529
Financial investments available-for-sale	11,838	4,427	58,570	31,466
Others	(135)	(14)	(85)	(237)
	<u>22,787</u>	<u>59,580</u>	<u>238,109</u>	<u>341,351</u>

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

Group	Individual Quarter		Cumulative Quarter	
	31.03.14	31.03.13 (Restated)	31.03.14	31.03.13 (Restated)
	RM'000	RM'000	RM'000	RM'000
Other income:				
Net non-trading foreign exchange gain/(loss)	(1,763)	692	(1,963)	1,380
Net gain/(loss) on disposal of property and equipmen	61	40	461	(1,653)
Rental income	6,211	1,472	11,525	7,610
Others	15,706	10,752	64,569	23,961
	<u>20,215</u>	<u>12,956</u>	<u>74,592</u>	<u>31,298</u>
	<u>236,224</u>	<u>228,475</u>	<u>1,026,273</u>	<u>1,003,251</u>

<sup>2</sup> Foreign exchange gain includes gains and losses from spot and forward contracts and other currency derivatives.

**A21. OTHER OPERATING EXPENSES**

Group	Individual Quarter		Cumulative Quarter	
	31.03.14	31.03.13 (Restated)	31.03.14	31.03.13 (Restated)
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
Salaries, allowances and bonuses	198,835	250,402	957,869	911,867
Shares/options granted under Group Executives' Share Scheme	3,858	13,572	35,945	51,376
Others	48,636	70,979	261,693	253,621
	<u>251,329</u>	<u>334,953</u>	<u>1,255,507</u>	<u>1,216,864</u>
Establishment costs:				
Depreciation of property and equipment	16,650	17,496	67,123	62,286
Amortisation of intangible assets	22,159	35,739	94,272	99,918
Computerisation costs	41,748	47,139	175,429	178,626
Rental of premises	25,593	26,259	101,647	98,545
Cleaning, maintenance and security	10,767	5,815	30,391	25,755
Others	11,340	9,664	44,342	34,053
	<u>128,257</u>	<u>142,112</u>	<u>513,204</u>	<u>499,183</u>
Marketing and communication expenses:				
Sales commission	4,362	3,053	12,920	4,560
Advertising, promotional and other marketing activities	20,216	29,992	70,592	67,180
Telephone charges	5,852	5,589	17,904	19,757
Postage	4,139	6,421	16,837	18,036
Travel and entertainment	6,694	7,669	25,634	25,335
Others	9,849	9,994	35,688	29,911
	<u>51,112</u>	<u>62,718</u>	<u>179,575</u>	<u>164,779</u>
Administration and general expenses:				
Professional services	15,543	29,587	108,734	94,762
Donations	272	2,280	5,848	2,994
Administration and management expenses	1,222	712	4,643	2,536
Others	22,400	39,894	96,157	87,008
	<u>39,437</u>	<u>72,473</u>	<u>215,382</u>	<u>187,300</u>
Expenses capitalised	(5,671)	(12,087)	(42,035)	(26,562)
	<u>464,464</u>	<u>600,169</u>	<u>2,121,633</u>	<u>2,041,564</u>

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

Group	Individual Quarter		Cumulative Quarter	
	31.03.14 RM'000	31.03.13 RM'000	31.03.14 RM'000	31.03.13 RM'000
Allowance for impaired loans, advances and financing:				
Individual allowance, net	22,363	83,917	216,720	287,718
Collective allowance, net	227,089	122,035	602,488	455,228
Recovery from loans sold to Danaharta	-	-	(2,950)	(3,880)
Impaired loans, advances and financing:				
Written off	-	102	-	140
Recovered, net	(185,536)	(130,294)	(748,498)	(565,919)
	<u>63,916</u>	<u>75,760</u>	<u>67,760</u>	<u>173,287</u>

**A23. BUSINESS SEGMENT ANALYSIS**

<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</b>
<b>31.03.14</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	3,037,205	875,386	400,036	1,799,104	2,315,083	267,439	911,753	9,606,006
Income	1,994,205	636,716	396,055	538,576	670,921	227,811	245,801	4,710,085
Share in results of associates	4,415	-	-	-	-	-	16,859	21,274
Other operating expenses	(899,626)	(106,100)	(250,449)	(77,619)	(412,266)	(65,750)	(339,102)	(2,150,912)
<i>of which:</i>								
<i>Depreciation of Property and Equipment</i>	(26,401)	(907)	(3,173)	(1,147)	(17,445)	(1,638)	(18,627)	(69,338)
<i>Amortisation of Intangible Assets</i>	(16,820)	(633)	(2,475)	(150)	(26,904)	(5,327)	(42,169)	(94,478)
Profit/(Loss) before provisions	1,098,994	530,616	145,606	460,957	258,655	162,061	(76,442)	2,580,447
(Provisions)/Writeback of provisions	(239,971)	(7,568)	(78,522)	(210)	(8,428)	(3,385)	205,875	(132,209)
Profit after provisions	859,023	523,048	67,084	460,747	250,227	158,676	129,433	2,448,238
Taxation and zakat	(212,864)	(128,826)	(41,031)	(95,014)	(62,292)	(39,172)	2,016	(577,183)
Net profit for the period	646,159	394,222	26,053	365,733	187,935	119,504	131,449	1,871,055
<b>Other information</b>								
Total segment assets	49,466,687	18,788,685	2,557,013	19,788,924	8,518,401	7,446,520	25,787,027	132,353,257
Total segments liabilities	41,313,347	13,660,586	956,677	42,663,407	6,135,804	3,539,070	9,989,977	118,258,868
Cost to income ratio	45.1%	16.7%	63.2%	14.4%	61.4%	28.9%	138.0%	45.7%
Gross loans/ financing	49,565,499	18,971,137	1,247,713	19,360,133	223,764	-	(79,733)	89,288,513
Net loans/ financing	48,511,887	18,785,245	1,228,501	19,224,711	223,331	-	(803,098)	87,170,577
Impaired loans, advances and financing	1,357,755	134,120	15,115	-	-	-	155,151	1,662,141
Total deposits	40,504,198	10,365,653	53,455	41,189,495	-	355,877	1,351,123	93,819,801

**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</b>
<b>31.03.13</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	2,822,848	812,416	350,855	1,793,212	1,726,463	327,321	872,777	8,705,892
Income	1,884,387	619,508	346,637	525,737	455,835	295,074	228,661	4,355,839
Share in results of associates	-	-	-	-	-	-	13,459	13,459
Other operating expenses	(832,565)	(105,865)	(250,846)	(90,492)	(376,417)	(71,290)	(359,515)	(2,086,990)
<i>of which:</i>								
<i>Depreciation of Property and Equipment</i>	(25,395)	(946)	(3,997)	(1,146)	(12,018)	(1,576)	(17,260)	(62,338)
<i>Amortisation of Intangible Assets</i>	(9,860)	(1,090)	(1,391)	(215)	(49,224)	(5,036)	(33,154)	(99,970)
Profit/(Loss) before provisions	1,051,822	513,643	95,791	435,245	79,418	223,784	(117,395)	2,282,308
(Provisions)/Writeback of provisions	(265,143)	(72,577)	(3,026)	47,777	(2,475)	9,058	143,065	(143,321)
Profit after provisions	786,679	441,066	92,765	483,022	76,943	232,842	25,670	2,138,987
Taxation and zakat	(194,973)	(108,746)	(24,842)	(107,092)	(24,664)	(57,987)	42,805	(475,499)
Net profit for the period	591,706	332,320	67,923	375,930	52,279	174,855	68,475	1,663,488

**Other information**

Total segment assets	48,994,907	17,226,708	2,480,645	17,595,149	8,286,118	8,220,048	24,768,686	127,572,261
Total segments liabilities	38,388,744	11,666,987	1,216,582	42,084,730	6,053,164	2,761,737	12,458,987	114,630,931
Cost to income ratio	44.2%	17.1%	72.4%	17.2%	82.6%	24.2%	157.2%	47.9%
Gross loans/ financing	49,040,728	17,511,246	947,296	17,104,812	142,796	-	12,371	84,759,249
Net loans/ financing	47,943,976	17,222,642	940,898	16,995,457	142,363	-	(659,004)	82,586,332
Impaired loans, advances and financing	1,250,734	197,625	3,855	-	-	-	228,257	1,680,471
Total deposits	37,318,293	8,469,986	66,365	40,714,576	-	355,891	1,057,822	87,982,933

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. VALUATION OF PROPERTY AND EQUIPMENT**

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

**A25. EVENTS SUBSEQUENT TO REPORTING DATE**

There were no other significant events subsequent to reporting date other than as disclosed in Note B6.

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

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



## A27. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmBank (M) Berhad, AmInvestment Bank Berhad, AmIslamic Bank Berhad and AmInternational (L) Ltd, make various commitments and incur certain contingent liabilities with legal recourse to their 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>31.03.14</b>	<b>31.03.13</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:		
up to one year	17,895,665	19,414,354
over one year	6,169,893	6,925,080
Unutilised credit card lines	4,235,678	3,789,713
Forward asset purchases	275,872	108,266
	<u>28,577,108</u>	<u>30,237,413</u>
<b>Contingent Liabilities</b>		
Direct credit substitutes	1,336,108	1,505,620
Transaction related contingent items	5,370,402	4,393,242
Obligations under underwriting agreements	296,375	330,000
Short term self liquidating trade related contingencies	677,065	676,655
	<u>7,679,950</u>	<u>6,905,517</u>
<b>Derivative Financial Instruments</b>		
Interest/Profit rate related contracts:	39,220,552	36,341,198
One year or less	4,377,756	4,548,404
Over one year to five years	28,591,959	22,110,387
Over five years	6,250,837	9,682,407
Foreign exchange related contracts:	26,637,299	27,176,687
One year or less	22,723,112	22,898,737
Over one year to five years	3,018,618	3,440,503
Over five years	895,569	837,447
Credit related contracts:	612,486	863,536
One year or less	-	267,510
Over one year to five years	306,519	298,275
Over five years	305,967	297,751
Equity and commodity related contracts:	751,536	943,133
One year or less	420,433	395,123
Over one year to five years	331,103	547,989
Over five years	-	21
	<u>67,221,873</u>	<u>65,324,554</u>
	<u>103,478,931</u>	<u>102,467,484</u>

## A27. COMMITMENTS AND CONTINGENCIES (CONT'D.)

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 RM150,000,000 (31 March 2013: RM225,000,000) on behalf of a subsidiary for the payment and discharge of all monies due on trading accounts maintained by customers with the said subsidiary.
- (b) The Company has given a continuing undertaking totalling SGD40,000,000 (31 March 2013: 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 (M) Berhad has given a continuing guarantee to Labuan Financial Services Authority ("LFSA") on behalf of AmInternational (L) Ltd ("AMIL"), AmBank's offshore banking 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 RM19,602,119.23 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. Just before the trial proceeded, MAA added Meridian as a Co-Defendant in the MAA Suit.

AmTrustee was also served on 2 September 2009 with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian. The Third Party Notice was taken against AmTrustee by Meridian to indemnify Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007. AmTrustee filed an application to strike out the Third Party Notice. The court allowed AmTrustee's application. Meridian appealed against this decision to the Court of Appeal and the Court of Appeal dismissed the appeal on 1 November 2010 ("Order"). With this Order, AmTrustee is no longer involved in KWAP's claim against Meridian. Decision was handed down by the High Court against Meridian in KWAP's claim on 5 May 2012 for a sum of RM7,254,050.42 with interest on the said sum from the date of the misappropriation of the said sum to the date of judgment and a further interest of 8% on the said sum from the date of judgment to the date of settlement of the judgment sum.

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

Parties filed several interim applications in the Meridian Suit amongst which was an application by Meridian to:-  
- add another 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 "Order" 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 "Order", hence no litigation is pending today against AmInvestment Bank Berhad by Meridian.

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

Trial proceeded on 3rd to 5th of December 2012 and on 10th and 13th December 2012 and continued on 18th to 20th February 2013. Matter was fixed for decision and or clarification on 11 April 2013.

After clarification of the matter on 11 April 2013 the court decided as follows ("Decision"):

## A27. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(e) In the MAA Suit:

- the court dismissed MAA's claim against AmTrustee with costs of RM100,000.00 and interest at 5% on the cost from the date of the decision to the date of settlement. Meridian on the other hand was found to be fully liable to MAA and was ordered to pay the sum of RM19,602,119.23 with interest from the date of filing of the writ to the date of realization and costs of RM100,000.00 with interest at 5% on the cost from the date of the decision to the date of settlement.

In the Meridian Suit:

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

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

Both Meridian and MAA to date have filed their appeals (against the Decision on 8 May 2013 and 9 May 2013 respectively). The appeals were called up for Case Management on 20 June 2013, wherein parties were directed to take steps prior to the actual hearing of the appeals and is now re-fixed for further Case Management on 6 August 2013.

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

On 6 August 2013, the Court of Appeal ordered MAA and Meridian to file their Supplementary Record of Appeal by 23 August 2013 and AmTrustee to file its notice of cross-appeals by 2 September 2013.

On 23 August 2013, MAA and Meridian filed their Supplementary Record of Appeal on 23 August 2013 and AmTrustee filed its notice of cross-appeals on 30 August 2013.

Altogether, there will be 6 appeals by the parties in the Court of Appeal:

- MAA Suit:
- (i) MAA's appeal against the Decision in the MAA Suit;
  - (ii) Meridian's appeal against the Decision in the MAA Suit;
  - (iii) AmTrustee's cross-appeal against MAA's appeal in the MAA Suit;
  - (iv) AmTrustee's cross-appeal against Meridian's appeal in the MAA Suit;
- Meridian's Suit:
- (v) Meridian's appeal against the Decision in the Meridian Suit;
  - (vi) AmTrustee's appeal against Meridian's appeal in the Meridian Suit.

The Court of Appeal was fixed the appeals for further case management on 5 September 2013 for parties to update Court of Appeal on the status of their appeals. On 5 September 2013 the Court of Appeal fixed 29 January 2014 for the parties to file Written Submissions. The Court of Appeal also had fixed the hearing on the appeals and cross appeals on 14 February 2014.

On 22 November 2013, the Court of Appeal notified that hearing for the appeals is now re-scheduled to 21 April 2014.

On 13 January 2014, the Court of Appeal informed that:

- (i) the originally fixed appeal hearing date of 21 April 2014 was vacated;
- (ii) all parties shall file their written submission for the appeals by 5 May 2014;
- (iii) the appeals by MAA, Meridian and AmTrustee in the MAA Suit and Meridian Suit, together with Meridian's appeal in the KWAP-V-Meridian case, will now be heard on 19 May 2014.

**A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES**

Group	31.03.14			31.03.13		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>						
Interest rate related contracts:	35,920,551	198,168	202,109	34,316,198	214,474	229,217
- One year or less	3,517,756	3,947	3,863	4,103,404	5,343	6,297
- Over one year to three years	10,339,174	28,549	34,991	8,643,427	36,959	55,507
- Over three years	22,063,621	165,672	163,255	21,569,367	172,172	167,413
Foreign exchange related contracts:	26,637,298	292,908	284,524	27,176,687	149,127	141,108
- One year or less	22,723,111	84,513	86,592	22,898,737	77,451	64,887
- Over one year to three years	3,014,221	118,543	119,854	1,615,738	18,008	20,965
- Over three years	899,966	89,852	78,078	2,662,212	53,668	55,256
Credit derivative contracts:	612,486	23,804	4,322	863,536	12,932	6,113
- One year or less	-	-	-	267,510	-	2,140
- Over one year to three years	306,519	4,651	-	-	-	-
- Over three years	305,967	19,153	4,322	596,026	12,932	3,973
Equity and commodity related contracts:	751,538	5,408	45,129	943,133	6,191	29,585
- One year or less	420,433	4,927	44,649	488,457	1,528	20,210
- Over one year to three years	331,105	481	480	454,655	4,661	9,375
- Over three years	-	-	-	21	2	-
	<b>63,921,873</b>	<b>520,288</b>	<b>536,084</b>	<b>63,299,554</b>	<b>382,724</b>	<b>406,023</b>
<b>Hedging derivatives</b>						
Interest rate related contracts,						
Interest rate swaps:						
Cash flow hedge	3,300,000	8,522	5,140	2,025,000	533	16,632
- One year or less	860,000	-	2,785	445,000	-	1,391
- Over one year to three years	720,000	1,167	1,742	1,480,000	-	15,241
- Over three years	1,720,000	7,355	613	100,000	533	-
	<b>3,300,000</b>	<b>8,522</b>	<b>5,140</b>	<b>2,025,000</b>	<b>533</b>	<b>16,632</b>
Total	<b>67,221,873</b>	<b>528,810</b>	<b>541,224</b>	<b>65,324,554</b>	<b>383,257</b>	<b>422,655</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 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 streams 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.

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.

## A29. Fair Values of Financial Instruments

### Determination of fair value and fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

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

Less than 0.01% of the total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

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

### Group

31.03.14	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivative financial assets	752	528,058	-	528,810
Financial assets held-for-trading				
- Money market securities	-	674,229	-	674,229
- Equities	214,106	-	-	214,106
- Quoted private debt securities	23,799	-	-	23,799
- Unquoted private debt securities	-	2,924,027	-	2,924,027
Financial investments available-for-sale				
- Money market securities	-	6,861,814	-	6,861,814
- Equities	651,749	457,451	-	1,109,200
- Unquoted private debt securities	-	3,539,141	417	3,539,558
	<u>890,406</u>	<u>14,984,720</u>	<u>417</u>	<u>15,875,543</u>
Derivative financial liabilities	<u>33,175</u>	<u>508,049</u>	<u>-</u>	<u>541,224</u>



**A29. Fair Values of Financial Instruments (CONT'D.)**

**Group**

<b>31.03.13</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
Derivative financial assets	170	383,087	-	383,257
Financial assets held-for-trading				
- Money market securities	-	1,488,576	-	1,488,576
- Equities	275,844	1,026,243	-	1,302,087
- Quoted private debt securities	23,179	-	-	23,179
- Unquoted private debt securities	-	4,516,877	-	4,516,877
Financial investments available-for-sale				
- Money market securities	-	1,620,746	-	1,620,746
- Equities	683,389	475,632	-	1,159,021
- Quoted private debt securities	-	5,455	-	5,455
- Unquoted private debt securities	-	3,184,778	435	3,185,213
	<u>982,582</u>	<u>12,701,394</u>	<u>435</u>	<u>13,684,411</u>
Derivative financial liabilities	<u>9,992</u>	<u>412,663</u>	<u>-</u>	<u>422,655</u>

There is no transfer between Level 1 and Level 2 during the current and previous financial year for the Group.

**Movements in Level 3 financial instruments measured at fair value**

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

<b>Group</b>	<b>Financial investments available -for-sale  31.03.14 RM'000</b>	<b>Financial investments available -for-sale  31.03.13 RM'000</b>
Balance at beginning of financial year	435	23,840
Total gains/(losses) recognised in:		
- profit or loss:		
- other operating income	1,856	10,710
- impairment writeback/(loss)	(18)	83
Settlements	(1,856)	(34,198)
Balance at end of financial year	<u>417</u>	<u>435</u>

Total gains or losses included in profit or loss for financial instruments held at the end of the financial year:

<b>Group</b>	<b>Financial investments available -for-sale  31.03.14 RM'000</b>	<b>Financial investments available -for-sale  31.03.13 RM'000</b>
Total gains/(losses) included in:		
- impairment writeback/(loss) on financial investments	<u>18</u>	<u>14</u>

There is no transfer between Level 2 and Level 3 during the current and previous financial year for the Group.

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

### A30. CAPITAL ADEQUACY RATIO

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

	31.03.14			
	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
Common Equity Tier 1 ("CET1") Capital	9.453%	9.830%	21.207%	10.126%
Tier 1 capital ratio	11.418%	9.830%	21.207%	11.569%
Total capital ratio	14.916%	15.807%	21.207%	15.899%
After deducting proposed dividends:				
Common Equity Tier 1 ("CET1") Capital	9.146%	9.203%	21.207%	9.745%
Tier 1 capital ratio	11.112%	9.203%	21.207%	11.188%
Total capital ratio	14.609%	15.180%	21.207%	15.517%

	31.03.13			
	AmBank (Restated)	AmIslamic Bank	AmInvestment Bank	Group * (Restated)
Before deducting proposed dividends:				
Common Equity Tier 1 ("CET1") Capital	9.185%	9.470%	25.749%	9.794%
Tier 1 capital ratio	11.435%	9.470%	25.749%	11.478%
Total capital ratio	14.729%	14.620%	25.749%	15.215%
After deducting proposed dividends:				
Common Equity Tier 1 ("CET1") Capital	8.608%	9.470%	25.749%	9.363%
Tier 1 capital ratio	10.858%	9.470%	25.749%	11.046%
Total capital ratio	14.152%	14.620%	25.749%	14.784%

\* Notes:

- The capital adequacy ratios on a consolidated basis of the banking institution include the financial related services within the Group. The Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is based on the Basel III capital accord. The minimum regulatory capital adequacy requirements are as follows:

	Calendar Year		
	2013	2014	2015
Common Equity Tier 1 ("CET 1")	3.5%	4.0%	4.5%
Tier 1 capital ratio	4.5%	5.5%	6.0%
Total capital ratio	8.0%	8.0%	8.0%

- 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")

**A30. CAPITAL MANAGEMENT (CONT'D.)**

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

	31.03.14			Group *
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	
<b><u>Common Equity Tier 1 ("CET1") Capital</u></b>				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	4,408,666	698,125	57,377	5,343,662
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	(72,241)	(18,442)	1,707	(87,776)
Foreign exchange translation reserve	(1,990)	-	-	32,527
Statutory reserve	980,969	483,345	200,000	1,664,314
Profit equalisation reserve	-	1,260	-	1,260
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	111,805
Cash flow hedging reserve	3,029	-	-	3,029
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(11,243)
Intangible assets	(330,679)	(26)	(1,714)	(336,694)
Deferred tax assets	(51,825)	-	(14,164)	(104,652)
Profit equalisation reserve	-	(1,260)	-	(1,260)
Cash flow hedging reserve	(3,029)	-	-	(3,029)
55% of cumulative gains of AFS financial instruments	-	-	(939)	(968)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(67,722)	-	(20,408)	(946)
Deduction in excess of Tier 2 capital**	-	-	(103,190)	(22,891)
<b>CET1 capital</b>	<b>6,676,902</b>	<b>2,350,109</b>	<b>318,669</b>	<b>9,740,268</b>
<b><u>Additional Tier 1 ("T1") capital</u></b>				
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	1,388,080	-	-	1,388,080
<b>Tier 1 capital</b>	<b>8,064,982</b>	<b>2,350,109</b>	<b>318,669</b>	<b>11,128,348</b>
<b><u>Tier 2 ("T2") capital</u></b>				
Tier 2 capital instruments meeting all relevant criteria for inclusion	400,000	350,000	-	750,000
Tier 2 capital instruments (subject to gradual phase-out treatment)	1,557,800	800,000	-	2,357,800
Collective allowance and regulatory reserves	783,541	279,038	4,085	1,063,297
Less: Regulatory adjustments applied on Tier 2 capital	(270,888)	-	(4,085)	(6,535)
<b>Tier 2 capital</b>	<b>2,470,453</b>	<b>1,429,038</b>	<b>-</b>	<b>4,164,562</b>
<b>Total Capital</b>	<b>10,535,435</b>	<b>3,779,147</b>	<b>318,669</b>	<b>15,292,910</b>
Credit RWA	62,683,302	22,773,142	1,097,505	86,477,498
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	(450,133)	-	(450,133)
Total Credit RWA	62,683,302	22,323,009	1,097,505	86,027,365
Market RWA	2,839,123	68,731	38,766	2,946,622
Operational RWA	4,965,805	1,515,669	366,407	7,072,900
Large exposure risk RWA for equity holdings	143,864	-	-	143,864
<b>Total Risk Weighted Assets</b>	<b>70,632,094</b>	<b>23,907,409</b>	<b>1,502,678</b>	<b>96,190,751</b>

\*\* The portion of regulatory adjustments not deducted from Tier 2 (as the AmInvestment Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

**A30. CAPITAL MANAGEMENT (CONT'D.)**

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

	31.03.13			Group *
	AmBank RM'000 (Restated)	AmIslamic Bank RM'000	AmInvestment Bank RM'000	
<b><u>Common Equity Tier 1 ("CET1") Capital</u></b>				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	3,501,590	521,327	118,307	4,155,659
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	(8,402)	(7,256)	3,110	(13,268)
Foreign exchange translation reserve	(14,760)	-	-	15,228
Statutory reserve	980,969	424,266	200,000	1,605,235
Profit equalisation reserve	-	1,313	-	1,313
Capital reserve	-	-	-	2,815
Merger reserve	507,017	-	-	578,129
Cash flow hedging reserve	(12,644)	-	-	(12,644)
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(11,243)
Intangible assets	(235,655)	(50)	(2,347)	(238,108)
Deferred tax assets	(120,523)	-	(11,512)	(135,531)
Profit equalisation reserve	-	(1,313)	-	(1,313)
Cash flow hedging reserve	12,644	-	-	12,644
55% of cumulative gains of AFS financial instruments	-	-	(1,711)	(1,739)
Deduction in excess of Tier 2 capital**	-	-	(110,010)	(23,267)
<b>CET1 capital</b>	<b>6,373,444</b>	<b>2,125,394</b>	<b>395,837</b>	<b>9,084,225</b>
<b><u>Additional Tier 1 ("T1") capital</u></b>				
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	1,561,590	-	-	1,561,590
<b>Tier 1 capital</b>	<b>7,935,034</b>	<b>2,125,394</b>	<b>395,837</b>	<b>10,645,815</b>
<b><u>Tier 2 ("T2") capital</u></b>				
Tier 2 capital instruments (subject to gradual phase-out treatment)	1,557,800	900,000	-	2,457,800
Collective allowance and regulatory reserves	758,440	255,665	2,789	1,013,215
Less: Regulatory adjustments applied on Tier 2 capital	(30,133)	-	(2,789)	(4,744)
<b>Tier 2 capital</b>	<b>2,286,107</b>	<b>1,155,665</b>	<b>-</b>	<b>3,466,271</b>
<b>Total Capital</b>	<b>10,221,141</b>	<b>3,281,059</b>	<b>395,837</b>	<b>14,112,086</b>
Credit RWA	60,675,227	20,954,069	1,118,859	82,822,657
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	(500,866)	-	(500,866)
Total Credit RWA	60,675,227	20,453,203	1,118,859	82,321,791
Market RWA	3,722,181	583,120	9,366	4,318,447
Operational RWA	4,875,083	1,406,226	409,052	5,989,031
Large exposure risk RWA for equity holdings	120,393	-	-	120,393
<b>Total Risk Weighted Assets</b>	<b>69,392,884</b>	<b>22,442,549</b>	<b>1,537,277</b>	<b>92,749,662</b>

\*\* The portion of regulatory adjustments not deducted from Tier 2 (as the AmInvestment Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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.

**A31. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	2,947,092	3,647,974
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	2.91	3.77
- which is non-performing or in default	0.20	0.25

The disclosure on Credit Transaction and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

**A32. ISLAMIC BANKING BUSINESS**

The state of affairs as at 31 March 2014 and the results for the period ended 31 March 2014 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:

**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2014**

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	2,941,329	3,546,395
Deposit and placements with banks and other financial institutions	1,118,383	1,548,383
Derivative financial assets	7,699	7,924
Financial assets held-for-trading	64,694	1,216,381
Financial investments available-for-sale	3,854,715	1,197,335
Financial Investments held-to-maturity	1,335,055	1,920,361
Financing and advances	24,445,039	21,987,306
Statutory deposit with Bank Negara Malaysia	891,000	771,000
Deferred tax assets	292	212
Other assets	574,891	332,467
Property and equipment	409	519
Intangible assets	28	54
<b>TOTAL ASSETS</b>	<b>35,233,534</b>	<b>32,528,337</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits and placements of banks and other financial institutions	3,122,588	2,349,592
Recourse obligation on financing sold to Cagamas Berhad	2,068,337	2,073,690
Derivative financial liabilities	7,675	7,894
Deposits from customers	25,423,364	23,176,547
Term funding	550,000	550,000
Bills and acceptances payable	-	722,821
Subordinated Sukuk Musharakah	1,149,302	1,000,000
Deferred tax liabilities	7,255	15,945
Other liabilities	387,526	351,098
<b>TOTAL LIABILITIES</b>	<b>32,716,047</b>	<b>30,247,587</b>
Share capital/Capital funds	495,761	495,761
Reserves	2,021,726	1,784,989
<b>TOTAL ISLAMIC BANKING FUNDS</b>	<b>2,517,487</b>	<b>2,280,750</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>35,233,534</b>	<b>32,528,337</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>8,467,022</b>	<b>8,553,161</b>

**A32. ISLAMIC BANKING BUSINESS (CONT'D.)**

**AUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

Group	Individual Quarter		Cumulative Quarter	
	31.03.14 RM'000	31.03.13 RM'000	31.03.14 RM'000	31.03.13 RM'000
Income derived from investment of depositors' funds and others	451,054	393,758	1,673,142	1,487,690
Allowance for impairment on financing and advances (Provision)/Writeback for commitments and contingencies	(69,242)	(32,104)	(208,471)	(136,087)
Impairment writeback for sundry debtors	4,431	(1,499)	600	(699)
Transfer to profit equalisation reserve	-	-	51	-
	(1,732)	(3,795)	(10,743)	(9,429)
<b>Total attributable income</b>	<b>384,511</b>	<b>356,360</b>	<b>1,454,579</b>	<b>1,341,475</b>
Income attributable to the depositors	(218,440)	(196,534)	(826,909)	(740,466)
<b>Profit attributable to the Group</b>	<b>166,071</b>	<b>159,826</b>	<b>627,670</b>	<b>601,009</b>
Income derived from Islamic Banking Funds	27,578	39,986	120,930	161,653
<b>Total net income</b>	<b>193,649</b>	<b>199,812</b>	<b>748,600</b>	<b>762,662</b>
Operating expenditure	(95,196)	(88,257)	(365,181)	(353,382)
Finance cost	(16,159)	(16,681)	(67,461)	(61,120)
<b>Profit before taxation and zakat</b>	<b>82,294</b>	<b>94,874</b>	<b>315,958</b>	<b>348,160</b>
Taxation and zakat	(13,824)	(20,700)	(67,915)	(77,847)
<b>Profit for the period</b>	<b>68,470</b>	<b>74,174</b>	<b>248,043</b>	<b>270,313</b>

**AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

Group	Individual Quarter		Cumulative Quarter	
	31.03.14 RM'000	31.03.13 RM'000	31.03.14 RM'000	31.03.13 RM'000
Profit for the period	68,470	74,174	248,043	270,313
Other comprehensive income/(loss):				
<b>Items that are or may be reclassified to profit or loss</b>				
Net change in revaluation of financial investments available-for-sale	(5,127)	(317)	(14,915)	2,609
Exchange differences on translation of foreign operations	(20)	63	317	52
Income tax relating to the components of other comprehensive income	1,282	80	3,729	(652)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(3,865)</b>	<b>(174)</b>	<b>(10,869)</b>	<b>2,009</b>
<b>Total comprehensive income for the period</b>	<b>64,605</b>	<b>74,000</b>	<b>237,174</b>	<b>272,322</b>

**A32. ISLAMIC BANKING BUSINESS (CONT'D.)**

**(a) Financing and Advances**

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash lines	838,903	718,718
Term financing	7,050,637	6,557,431
Revolving credit	3,384,763	2,037,140
Housing financing	1,097,743	826,510
Hire purchase receivables	11,089,549	10,884,005
Bill receivables	757	468
Credit card receivables	311,702	328,326
Trust receipts	99,371	49,329
Claims on customer under acceptance credits	1,125,549	1,090,241
Gross financing and advances	<u>24,998,974</u>	<u>22,492,168</u>
Allowance for impairment on financing and advances:		
Collective allowance	(534,465)	(490,410)
Individual allowance	(19,470)	(14,452)
	<u>(553,935)</u>	<u>(504,862)</u>
Net financing and advances	<u>24,445,039</u>	<u>21,987,306</u>

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

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of period/year	268,443	237,724
Impaired during the period/year	460,256	296,001
Reclassification to non-impaired financing	(44,233)	(51,999)
Recoveries	(100,149)	(32,716)
Amount written off	(235,802)	(180,567)
Balance at end of period/year	<u>348,515</u>	<u>268,443</u>
Impaired financing and advances as % of total financing and advances	<u>1.4%</u>	<u>1.2%</u>



**A32. 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>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective allowance</b>		
Balance at beginning of period/year	490,410	460,411
Allowance made during the period/year	240,823	195,964
Amount written off and others	(196,768)	(165,965)
Balance at end of period/year	<u>534,465</u>	<u>490,410</u>
Collective allowance as % of gross financing and advances less individual allowance	<u>2.1%</u>	<u>2.2%</u>
<b>Individual allowance</b>		
Balance at beginning of period/year	14,452	16,324
Allowance made during the period/year	53,568	13,171
Amount written off	(48,550)	(15,043)
Balance at end of period/year	<u>19,470</u>	<u>14,452</u>

**(b) Deposits From Customers**

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
Saving deposits		
<i>Wadiah</i>	1,841,983	1,738,366
<i>Mudharabah</i>	6,002	5,586
Demand deposits		
<i>Wadiah</i>	3,742,024	4,865,376
<i>Mudharabah</i>	34,991	30,621
Term deposits		
<i>Wakalah</i>	2,375,226	1,020,284
Negotiable instruments of deposits	21,017	20,560
<i>Bai' Bithaman Ajil</i>		
General investment deposits	17,347,972	15,361,368
<i>Mudharabah</i>		
Structured deposits	54,149	134,386
<i>Mudharabah</i>		
	<u>25,423,364</u>	<u>23,176,547</u>

**(c) Other Liabilities**

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	324,147	255,276
Taxation and zakat payable	27,027	23,136
Provision for commitments and contingencies	25,439	26,039
Amount owing to head office	3,341	35,425
Advance rentals	6,001	9,563
Profit equalisation reserve	1,571	1,659
	<u>387,526</u>	<u>351,098</u>

### A33. CHANGE IN COMPARATIVES

Arising from adoption of new and amended MFRSs and IC Interpretations which became effective for the Group on 1 April 2013, restatement on accounting for acquisition of AmGeneral Insurance Berhad in previous financial period and certain comparative numbers to conform with current period's presentation.

#### (i) Reconciliation of equity

	As previously reported RM'000	Restatement RM'000	As restated RM'000
<b>As at 31 March 2013</b>			
<b>Assets</b>			
Cash and short-term funds	11,233,573	546,575	11,780,148
Financial assets held-for-trading	7,021,986	308,733	7,330,719
Financial investments available-for-sale	7,208,604	(1,068,988)	6,139,616
Deferred tax assets	136,244	15,477	151,721
Investment in associate	20,935	223,721	244,656
Other assets	2,864,266	6,476	2,870,742
Reinsurance, retakaful assets and other insurance receivables	166,627	434,652	601,279
Investment properties	80,165	7,713	87,878
Property and equipment	395,147	(1,242)	393,905
Intangible assets	3,245,653	105,854	3,351,507
<b>Liabilities</b>			
Deposits from customers	84,859,987	(30,000)	84,829,987
Redeemable cumulative convertible preference share	-	183,490	183,490
Deferred tax liabilities	32,043	92,478	124,521
Other liabilities	5,046,439	251	5,046,690
Insurance, takaful contract liabilities and other insurance payables	4,582,048	524,652	5,106,700
<b>Equity</b>			
Reserves	9,018,995	34,556	9,053,551
Non-controlling interests	1,100,050	(226,456)	873,594
	<b>As previously reported RM'000</b>	<b>Other restatement RM'000</b>	<b>As restated RM'000</b>
<b>As at 1 April 2012</b>			
<b>Assets</b>			
Cash and short-term funds	7,813,159	105,094	7,918,253
Financial assets held-for-trading	10,942,373	294,544	11,236,917
Financial investments available-for-sale	6,641,204	(566,764)	6,074,440
Deferred tax assets	205,908	5,211	211,119
Investment in associate	1,101	165,141	166,242
Other assets	2,457,199	819	2,458,018
Reinsurance, retakaful assets and other insurance receivables	112,535	143,378	255,913
<b>Liabilities</b>			
Deposits from customers	77,307,156	(30,000)	77,277,156
Deferred tax liabilities	12,886	49	12,935
Other liabilities	3,374,186	176	3,374,362
Insurance, takaful contract liabilities and other insurance payables	3,362,540	143,378	3,505,918
<b>Equity</b>			
Reserves	8,096,904	33,844	8,130,748
Non-controlling interests	380,865	(24)	380,841

**A33. CHANGE IN COMPARATIVES (CONT'D.)**

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

	As previously reported RM'000	restatement RM'000	As restated RM'000
<b>Fourth quarter ended 31 March 2013</b>			
Interest income	1,151,046	12,383	1,163,429
Interest expense	(577,411)	(11,604)	(589,015)
Net income from Islamic banking business	220,528	10,819	231,347
Net income from insurance business	105,802	11,325	117,127
Other operating income	251,862	(23,387)	228,475
Share in result of associate	320	4,722	5,042
Other operating expenses	(583,784)	(16,385)	(600,169)
Taxation and zakat	(50,361)	4,616	(45,745)
Non-controlling interests	30,151	(5,994)	24,157
<b>Cumulative quarter ended 31 March 2013</b>			
Interest income	4,487,833	35,596	4,523,429
Interest expense	(2,265,312)	(39,669)	(2,304,981)
Net income from Islamic banking business	847,757	36,144	883,901
Net income from insurance business	209,382	40,857	250,239
Other operating income	1,093,995	(90,744)	1,003,251
Share in result of associate	653	12,806	13,459
Other operating expenses	(2,005,951)	(35,613)	(2,041,564)
Taxation and zakat	(486,410)	10,911	(475,499)
Non-controlling interests	58,054	(15,290)	42,764

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

	As previously reported RM'000	Other restatement RM'000	As restated RM'000
<b>Fourth quarter ended 31 March 2013</b>			
Net movement on financial investments available-for-sale	(2,113)	(4,543)	(6,656)
Income tax relating to the components of other comprehensive income	(880)	1,136	256
<b>Cumulative quarter ended 31 March 2013</b>			
Net movement on financial investments available-for-sale	(55,229)	20,146	(35,083)
Income tax relating to the components of other comprehensive income	14,763	(5,036)	9,727

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

Year-on-year (yoy), the Group's earnings grew 10.0% to RM1,782.4 million, supported by good income growth and from acquisitions.

Divisional performance for FY2014 compared to FY2013:

**Retail Banking:** Higher profits from integrating MBF Cards

PAT rose 9.2% yoy to RM646.2 million partly from benefits of integration of MBF Cards and higher recoveries. Loans targeted profitable segments. Good customer deposits and low-cost deposits growth underpinned by new thematic marketing campaigns and segment based strategies, leveraging both existing and new channels.

**Business Banking:** Higher income, strong low-cost deposits growth

PAT up 18.6% yoy to RM394.2 million underpinned by higher net interest income from loans growth and lower provisions in line with improved customer credit quality. Low cost deposits registered strong growth.

**Corporate and Institutional Banking:** Double-digit lending growth

PAT at RM365.7 million with good fee income growth and lower expenses. Net interest income impacted by margin compression despite double-digit lending growth. Moderate deposit growth reflects management of depositors concentration.

**Investment Banking:** Diversified contribution across businesses

PAT at RM26.1 million. Strong profit before provision (up 52% yoy) driven by notable deals and stock broking with higher trading volume, offset by provisioning relating to AmFraser.

**Markets:** Healthy foreign exchange volumes

PAT at RM119.5 million, stronger contribution from foreign exchange and lower expenses offset by subdued fixed income business performance.

**General Insurance:** Higher premium from integration of Kurnia

PAT rose 50.6% to RM175.0 million from enlarged merge business as well as stronger investment and trading income. Integration on track. Continued focus on both motor and niche general insurance segments.

**Life Assurance & Family Takaful:** Stronger gross written premiums growth

PAT rose to RM12.9 million with stronger gross written premiums through growing both agency force and bancassurance/bancatakaful.

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

The Group reported a lower pre-tax profit of RM595.4 million for the fourth quarter ended 31 March 2014 as compared to RM615.1 million for the third quarter ended 31 December 2013. This was mainly due to lower net income from insurance business and other operating income by RM65.1 million and RM41.8 million. In addition, higher allowance for impairment on loans and financing and sundry receivables by RM29.0 million and RM9.7 million and higher acquisition and business efficiency cost by RM11.0 million were reported for the reporting quarter as compared to previous quarter ended 31 December 2013.

This was mitigated by lower other operating expenses by RM68.9 million, net writeback on provision for commitments and contingencies and financial investments by RM29.7 million and RM9.8 million respectively during the reporting quarter ended 31 March 2014. Besides, higher income were reported from net income from Islamic banking business, net interest income and share in result of associates by RM23.9 million, RM4.0 million and RM2.4 million.

## B3. PROSPECTS FOR 31 MARCH 2014

For the coming financial year (FY2015), Malaysia's growth is anticipated to be driven by exports, following improving global trade, while domestic demand is anticipated to moderate from fiscal consolidation and rationalisation of subsidies. Inflation projected at 3% with GDP at 4.8% for the year 2015.

In the financial services sector, wholesale deposits and loans growth will be driven by the implementation of projects under the Economic Transformation Programme (ETP) while capital markets, investment banking, currency and commodity trading is forecasted to benefit from increased trade flows. Domestic consumer loans demand may soften given the various responsible lending measures to address high household debts and easing consumer spending from the on-going rationalisation of subsidies.

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

This is not applicable to the Group.

## B5. TAXATION

Group	Individual Quarter		Cumulative Quarter	
	31.03.14	(Restated) 31.03.13	31.03.14	(Restated) 31.03.13
	RM'000	RM'000	RM'000	RM'000
Estimated current tax payable	120,632	207,688	516,754	542,695
Deferred tax	(20,123)	(25,314)	31,578	69,744
	<u>100,509</u>	<u>182,374</u>	<u>548,332</u>	<u>612,439</u>
Over provision of current taxation in respect of prior years	8,407	(137,428)	27,695	(138,570)
Taxation	<u>108,916</u>	<u>44,946</u>	<u>576,027</u>	<u>473,869</u>
Zakat	169	799	1,156	1,630
Taxation and zakat	<u>109,085</u>	<u>45,745</u>	<u>577,183</u>	<u>475,499</u>

The total tax charge of the Group for the financial year ended 31 March 2014 and 2013 reflect an effective tax rate which is lower than the statutory tax rate mainly due to income not subject to tax.

## B6. CORPORATE PROPOSALS

- 1 As at 31 March 2014, the trustee of the ESS held 8,335,500 ordinary shares (net of ESS shares vested to employees) representing 0.28% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM58,433,390.
- 2 On 28 April 2014, AMAB Holdings Sdn Bhd ("AMAB"), a wholly owned subsidiary of the Company, entered into conditional share sale agreements with MetLife International Holdings, Inc. ("MetLife"), for the sale of equity interests held by AMAB in each of AmLife Insurance Berhad ("AmLife") and AmFamily Takaful Berhad ("AmTakaful") at an aggregate cash consideration of RM812 million (subject to adjustment in completion) ("Share Sale").

Under the Share Sale, MetLife will acquire from AMAB an equity interest of:-

'50% plus one share' in AmLife, comprising an acquisition of 100,000,000 ordinary shares of RM1.00 each in AmLife for a cash consideration of RM740 million and the allotment of one (1) new ordinary share of RM1.00 by AmLife to MetLife at a subscription price of RM1.00; and

'50% less one share' in AmTakaful, comprising the acquisition of 50,000,000 ordinary shares of RM1.00 each in AmTakaful for a cash consideration of RM72 million, and the allotment of one (1) new ordinary share of RM1.00 by AmTakaful to AMAB at a subscription price of RM1.00.

The assets and liabilities of AmLife and AmTakaful (part of the insurance segment) have been presented as held for sale following BNM's approval for the Group to dispose off 50% interest each in AmLife and AmTakaful. The completion date for the transaction is expected by the second quarter of 2014.

The major classes of assets and liabilities of AmLife and AmTakaful classified as held for sale are as follows:

	<b>Group 31.03.14 RM'000</b>
<b>Asset</b>	
Cash and short-term funds	121,368
Securities purchased under resale agreements	235,340
Deposits and placements with banks and other financial institutions	148,481
Financial assets held-for-trading	1,330,719
Financial investments available-for-sale	795,540
Loans, advances and financing	209,287
Deferred tax assets	13,427
Other assets	74,596
Reinsurance, retakaful assets and other insurance receivables	42,181
Investment properties	84,345
Property and equipment	36,091
Intangible assets	34,667
Assets of subsidiaries held for sale	<u>3,126,042</u>
<b>Liabilities</b>	
Deferred tax liabilities	4,638
Other liabilities	243,753
Insurance, takaful contract liabilities and other insurance payables	2,586,976
Liabilities of subsidiaries held for sale	<u>2,835,367</u>

**B7. BORROWINGS**

	<b>Group</b>	
	<b>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Deposits from customers		
Six months or less	70,438,698	68,768,106
Over six months to one year	15,068,341	13,119,691
Over one year to three years	3,072,324	2,630,397
Over three years to five years	1,119,515	311,793
	<u>89,698,878</u>	<u>84,829,987</u>
(ii) Deposits and placements of banks and other financial institutions		
Six months or less	3,555,113	1,539,831
Over six months to one year	137,721	351,503
Over one year to three years	306,876	1,042,797
Over three years to five years	121,214	218,815
	<u>4,120,924</u>	<u>3,152,946</u>
(iii) Term funding		
(a) Unsecured senior notes		
Due within one year	1,569,439	495,000
More than one year	3,146,606	4,013,771
(b) Credit-Linked Note		
Due within one year	-	138,173
More than one year	278,182	274,469
(c) Term loans and revolving credits		
Due within one year		
Secured	473,573	480,563
Unsecured	206,000	206,000
More than one year		
Unsecured	970,841	647,993
	<u>6,644,641</u>	<u>6,255,969</u>
(iv) Debt capital		
(a) Unsecured bonds		
More than one year	1,548,562	1,000,000
(b) Medium Term Notes		
More than one year	1,557,800	1,557,800
(c) Hybrid capital		
More than one year	674,836	662,432
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>4,766,198</u>	<u>4,205,232</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>31.03.14</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>(Restated)</b>
		<b>RM'000</b>
Total retained earnings		
- Realised	8,043,026	7,380,468
- Unrealised	664,134	392,711
Total share of retained earnings from associate:		
- Realised	9,141	781
- Unrealised	4,326	1,298
Less: consolidation adjustments	(3,192,923)	(3,269,079)
Total retained earnings as per consolidated financial statements	5,527,704	4,506,179

Disclosure of the above is solely for purposes of 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. DIVIDENDS

- (i) A proposed final single tier ordinary dividend of 16.9% for the financial year ended 31 March 2014 has been recommended by the directors;
- (ii) Amount per share: 16.9 Sen;
- (iii) Previous corresponding period: 15.0 Sen single tier;
- (iv) Payment date: To be determined and announced at a later date; and
- (v) In respect of ordinary share capital, entitlement to the proposed dividend will be determined on the basis of the Record of Depositors as at the close of business on the date to be determined and announced at a later date.



**B11. 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	
	31.03.14	31.03.13	31.03.14	31.03.13
	RM'000'000	RM'000'000	RM'000'000	RM'000'000
Net profit attributable to equity holders of the Company	463,707	404,849	1,782,380	1,620,724
Weighted average number of ordinary shares in issue	3,005,594	3,001,669	3,005,999	2,999,097
Basic earnings per share (Sen)	15.43	13.49	59.29	54.04

b. Diluted earnings per share

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	
	31.03.14	31.03.13	31.03.14	31.03.13
	RM'000'000	RM'000'000	RM'000'000	RM'000'000
Net profit attributable to equity holders of the Company	463,707	404,849	1,782,380	1,620,724
Weighted average number of ordinary shares in issue (as in (a) above)	3,005,594	3,001,669	3,005,999	2,999,097
Effect of executives' share scheme	-	-	1,917	1,811
Adjusted weighted average number of ordinary shares in issue / issuable	3,005,594	3,001,669	3,007,916	3,000,908
Fully diluted earnings per share (Sen)	15.43	13.49	59.26	54.01