Your Bank.
Malaysia's Bank.
AmBank.™

The Banker
Bank of the Year 2013
MALAYSIA

AmBank Group

Annual Report 2014

Vision

As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.

Cover Rationale

Just like children exploring their senses through play, nurturing and stimulating creativity to try new ideas and new ways of thinking becomes second nature as the AmBank Group continues its journey, while embracing a culture of excellence. This is in support of the Group's vision of connecting better both internally and with our customers, developing products and services that meet customers' expectations and strengthening the Group's position moving forward.

AMMB Holdings Berhad

(223035-V)
(Incorporated in Malaysia)

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Notice of Twenty-Third Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of AMMB Holdings Berhad (the "Company") will be held at Manhattan II, Level 14, Berjaya Times Square Hotel Kuala Lumpur, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Thursday, 21 August 2014 at 10.00 a.m. for the following purposes:

Item	Agenda	Resolution
As Ordinary Business		
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2014 and the Reports of the Directors and Auditors thereon.	
2.	To approve a final single tier dividend of 16.9% for the financial year ended 31 March 2014.	Resolution No. 1
3.	To approve the increase of Directors' fees to RM210,000.00 per annum for the Non-Executive Chairman and Non-Executive Deputy Chairman and RM200,000.00 per annum for each Non-Executive Director, and the payment of Directors' fees totaling RM2,186,575.00 for the financial year ended 31 March 2014.	Resolution No. 2
4.	To re-elect the following Directors who retire by rotation pursuant to Article 89 of the Company's Articles of Association:	
	i. Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow	Resolution No. 3
	ii. Mr Mark David Whelan	Resolution No. 4
	iii. Mr Soo Kim Wai	Resolution No. 5
5.	To consider and if thought fit, to pass the following resolutions pursuant to Section 129 of the Companies Act, 1965:	
	5.1 "THAT Y Bhg Tan Sri Azman Hashim, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution No. 6
	5.2 "THAT Y Bhg Dato' Azlan Hashim, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution No. 7
	5.3 "THAT Y A Bhg Tun Mohammed Hanif bin Omar, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution No. 8
	5.4 "THAT Y Bhg Tan Sri Datuk Clifford Francis Herbert, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution No. 9
6.	To re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.	Resolution No. 10
As Special Business		
	To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:	
7.	**Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company's Executives' Share Scheme** "THAT pursuant to the Company's Executives' Share Scheme ("ESS") as approved at the Extraordinary General Meeting of the Company held on 26 September 2008, the Directors of the Company be and are hereby authorised to allot and issue such number of new ordinary shares in the Company from time to time as may be required for the purpose of the ESS, provided that the total number of new and existing ordinary shares in the Company to be allotted and issued and/or transferred, as the case may be, under the ESS, shall not exceed ten percent (10%) in aggregate of the total issued and paid-up ordinary share capital of the Company at any point of time throughout the duration of the ESS."	Resolution No. 11
8.	**Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company to Mr Ashok Ramamurthy, the Group Managing Director of the Company, Pursuant to the Company's Executives' Share Scheme** "THAT subject to the passing of the Ordinary Resolution No. 11 above, the Directors of the Company be and are hereby authorised to allot and issue such number of new ordinary shares in the Company to Mr Ashok Ramamurthy, the Group Managing Director of the Company, from time to time pursuant to the Executives' Share Scheme as approved at the Extraordinary General Meeting of the Company held on 26 September 2008 and in accordance with the By-Laws as set out in Appendix I to the Circular to Shareholders dated 4 September 2008 and as amended on 28 June 2011."	Resolution No. 12

Item	Agenda	Resolution
9.	**Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company's Dividend Reinvestment Plan** "THAT the Directors of the Company be and are hereby authorised to allot and issue such number of new ordinary shares in the Company from time to time as may be required for the purpose of the Company's Dividend Reinvestment Plan as approved at the Extraordinary General Meeting of the Company held on 2 September 2010, which gives the shareholders of the Company the option to elect to reinvest their cash dividend entitlements in new ordinary shares of the Company."	Resolution No. 13
10.	**Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965** "THAT subject to the approvals from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors, may, in their discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being."	Resolution No. 14
11.	To transact any other business of which due notice shall have been received.	

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the final single tier dividend of 16.9% for the financial year ended 31 March 2014, if approved by the shareholders at the Twenty-Third Annual General Meeting, will be paid on 12 September 2014 to shareholders whose names appear in the Record of Depositors on 29 August 2014.

A depositor shall qualify for entitlement only in respect of:

a. Shares transferred into the depositor's securities account before 4.00 p.m. on 29 August 2014 in respect of ordinary transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Koid Phaik Gunn (MAICSA 7007433)
Group Company Secretary

Kuala Lumpur
30 July 2014

Notes:

(1) A member of the Company entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

(2) A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the AGM shall have the same rights as the member to speak at the AGM.

(3) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account. The appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy are specified in the instrument appointing the proxies.

(4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. The appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy are specified in the instrument appointing the proxies.

(5) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or of his attorney duly authorised in writing or, in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.

(6) The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.

(7) Only Members whose names appear on the general meeting Record of Depositors of the Company as at 14 August 2014 shall be eligible to attend the AGM.

(8) **Note to Resolution No. 2 – Proposed Increase and Payment of Directors' Fees**

The proposed increase of Directors' fees, as follows, if passed, shall take effect from the financial year ended 31 March 2014:-

	Current (RM)	Proposed (RM)
Non-Executive Chairman	100,000.00	210,000.00
Non-Executive Deputy Chairman	95,000.00	210,000.00
Non-Executive Director	90,000.00	200,000.00

The proposed increase of Directors' fees is to align with market practice, and to commensurate with the roles and high fiduciary duties and responsibilities as directors of a financial institution group.

(9) **Note to Resolutions No. 3 and No. 9 – Assessment of Independence of Independent Directors**

The independence of Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow and Y Bhg Tan Sri Datuk Clifford Francis Herbert who have served as Independent Non-Executive Directors of the Company has been assessed by the Group Nomination and Remuneration Committee and affirmed by the Board.

(10) **Note to Resolutions No. 11 and No. 12 – Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company's Executives' Share Scheme and Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company to Mr Ashok Ramamurthy, the Group Managing Director of the Company, Pursuant to the Company's Executives' Share Scheme**

Ordinary Resolutions No. 11 and No. 12, if passed, will empower the Directors of the Company to allot and issue new ordinary shares in the Company pursuant to the Company's Executives' Share Scheme and in accordance with the By-Laws as set out in Appendix I to the Circular to Shareholders dated 4 September 2008 and as amended on 28 June 2011.

The authority conferred by such renewed mandates/approvals will be effective from the date of the forthcoming AGM and unless revoked or varied at a general meeting, will expire at the next AGM.

(11) **Note to Resolution No. 13 – Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company's Dividend Reinvestment Plan**

Ordinary Resolution No. 13, if passed, will empower the Directors of the Company to issue new ordinary shares pursuant to the terms and conditions of the Company's Dividend Reinvestment Plan ("DRP") which are contained in the DRP Statement set out in Appendix I to the Circular to Shareholders dated 11 August 2010 (as may be amended in accordance with the provisions of the said DRP).

The authority conferred by such renewed mandate/authority will be effective from the date of the forthcoming AGM and unless revoked or varied at a general meeting, will expire at the next AGM.

The Directors of the Company did not allot, or issue ordinary shares pursuant to the authority given by the shareholders at the previous AGM.

(12) **Note to Resolution No. 14 – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

Ordinary Resolution No. 14, if passed, will give the Directors of the Company, from the date of the forthcoming AGM, authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding ten percent (10%) of the issued share capital of the Company for the time being, as and when the need or business opportunities arise which the Directors consider would be in the interest of the Company and/or in connection with proposals previously approved by the shareholders for issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

The Directors of the Company did not allot, or issue ordinary shares pursuant to the authority given by the shareholders at the previous AGM.

Letter to Shareholders

Dear Valued Shareholders,

Over the last few decades, we have steadily transformed AmBank Group into a well-diversified financial solutions group that takes pride in growing with the evolving needs of Malaysians. This has translated into better rewards for our shareholders.

Our progress in executing on our strategic themes and delivering consistent financial performances has been internationally acknowledged during the year when we won the Bank of the Year Award in Malaysia 2013 by The Banker magazine. This prestigious award recognises top financial institutions that have excelled in the global banking community as the nominees had to display evidence of innovation and standard setting in local markets. Assessment criteria for the award ranged from deployment of new technology to boost efficiency or provide new services to customers, to expansion of business lines, customer numbers and product portfolios in a sustainable and responsible manner.

In November 2013, RAM Ratings Services Berhad upgraded the credit ratings of AmBank (M) Berhad, AmIslamic Bank Berhad ("AmIslamic Bank") and AmInvestment Bank Berhad ("AmInvestment Bank") to AA2/Stable/P1, as well as AMMB Holdings Berhad to AA3/Stable/P1. These upgrades reflect our strengthening financial fundamentals and performance.

AmBank Group's performance in FY2014 is once again a testament of our commitment in consistently delivering on our financial aspirations. This marks the seventh consecutive year of improving performance and positive return to shareholders. Profit after tax and non-controlling interests ("PATMI") was RM1,782 million (up 10.0%), return on equity ("ROE") at 14.1% (up 0.2%) and earnings per share ("EPS") at 59.3 sen (up 9.7%). Aggregated banking entities' capital ratios were maintained above Basel III requirements.

The Board has proposed a final dividend of 16.9 sen bringing total dividends for the year to 24.1 sen, which is 9.6% higher than last year's total dividends of 22.0 sen. This represents a 41% payout from this year's profits and is in line with our dividend payout ratio guidance of between 40% and 50%. We continue to retain sufficient capital to reinvest prudently in order to up-skill our employees, build new capabilities and upgrade infrastructure to better serve our customers and grow in a sustainable manner.

Over the last few decades, we have steadily transformed AmBank Group into a well-diversified financial solutions group that takes pride in growing with the evolving needs of Malaysians.

Letter to Shareholders

VALUE-ADDING STRATEGIC PARTNERSHIP

On 30 April 2014, we sealed a strategic partnership with MetLife International Holdings, Inc. ("MetLife"- the No. 1 insurer in the U.S.), which entails MetLife owning 50% plus one share in AmLife Insurance Berhad ("AmLife") and 50% less one share in AmFamily Takaful Berhad ("AmTakaful"). The signing of the various shareholder agreements with MetLife was witnessed by our Prime Minister, YAB Datuk Seri Najib Tun Razak, together with the President of the United States of America ("U.S."), Barack Obama. This signing ceremony marked a significant milestone for the Group. It was also a memorable moment for me to participate in this historic event, given that this is the second visit by the President of the U.S. to our country in decades.

This strategic partnership is expected to spur the future growth of AmLife and AmTakaful driven by MetLife's vision and commitment to build a leading insurer in Malaysia through enhanced product, design, information technology, customer centricity and innovation. We believe this strategic partnership will enable AmLife and AmTakaful to grow in terms of scale and sophistication, and ultimately provide for greater and better choices in financial planning solutions for Malaysians.

Your Bank. Malaysia's Bank. AmBank. – NEW BRAND POSITIONING FOR AmBank Group

In September 2013, we began an exciting phase as we re-positioned our brand – "**Your Bank. Malaysia's Bank. AmBank.**" to portray us as a modern Malaysian diversified financial solutions partner that understands and meets the diverse needs of modern Malaysians. We want to better connect with our customers as well as remain relevant in today's evolving and fast moving financial services market. This initiative is consistent with our Vision – **As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.**

We have the commitment of our employees, who have been actively participating in various internal initiatives, to promote this fresh and vibrant brand chapter. We are progressively making our brand proposition a reality to our customers. I encourage you to look out for our latest products and services promotions as well as advertisements.

"AmBanCS" – NEW CORE BANKING PLATFORM

The needs of our customers are evolving in this dynamic market and therefore, we need to serve our customers comprehensively in order to remain competitive.

During FY2014, we implemented our new core banking system, "AmBanCS" as part of our transformation efforts to drive connectivity and strengthen customer centricity. The successful implementation of AmBanCS has gained recognition as the Group together with our technology partner, Tata Consultancy Services Limited, won the Best Single Country Core Banking Implementation Award during the Eighth Asian Banker Technology Implementation Awards Programme at the Asian Banker Summit 2014. The programme was administered by The Asian Banker and referred by prominent global bankers, IT consultants and academics. Winners from across Asia Pacific, West Asia and Africa were determined through a stringent three month long evaluation process.

We are continuing to invest in our network infrastructure to improve bandwidth and connectivity especially across branches. The Group looks forward to leveraging these investments and capabilities to improve our products and services offerings as well as strengthen our brand presence amongst targeted customers.

TAKING A LEAP FORWARD FOR CUSTOMERS

As Malaysia's first weekend banking provider, we continued to expand our weekend banking services to increase customer accessibility and convenience. Our new branch in Kota Kemuning sports our latest ergonomic design in order to maximise customers' comfort and service level. Customers are able to easily make payments and perform other banking transactions after office hours and are supported by our 24/7 award-winning Contact Centre.

We have also rolled out new concept branches which reflect our branch transformation initiatives aimed at offering customers enhanced levels of service, interaction and convenience. These new premises have been conceived and designed with a fresh, energetic look which reflects the Group's evolving image.

As part of our other initiatives to exceed customers' expectations, we have also unveiled our new retail banking website, www.ambank.com.my. This customer centric platform is designed with a fresh new look, user friendly navigation and updated with the latest information about the Group's products and services.

In the insurance space, AmGeneral Insurance Berhad ("AmGeneral") is constantly working towards being the Top Insurer Preferred for Service and maintaining its No. 1 position in motor insurance. We are committed to provide quality service and aim to build lasting relationships with our customers through products and services offering. We currently have over 7,000 agents and are supported by nationwide insurance offices as well as 179 AmBank branches.

AmMetLife – NEW MASTER BRAND FOR LIFE ASSURANCE AND FAMILY TAKAFUL BUSINESSES RESPECTIVELY

In May this year after consummating our strategic partnership with MetLife, we launched our new master brand name, AmMetLife, signifying a new chapter in our life assurance and family takaful

AmMetLife

AmMetLife Takaful

Tan Sri Azman Hashim, Chairman, AmBank Group and Dato' Dr. Nirmala Menon, Head of Designated Markets and Health, MetLife Asia launching the new AmMetLife brand.

businesses respectively. Family takaful will be a sub-brand within the AmMetLife master brand. This signifies the coming together of two (2) strong organisations with common core values. With the complementing strengths of the two (2) parties, we are confident of creating customer-centric and modern life assurance as well as family takaful solutions providers for Malaysians.

The guiding philosophy for AmMetLife and AmMetLife Takaful is that "customers are at the heart of everything we do". This will enable us to focus on understanding and taking care of our customers' needs with solutions that empower them to make clear protection choices they require for their future.

DISTINCTION AND RECOGNITION – SIGNIFIES PASSION IN DRIVING BUSINESSES

In order to be an oustanding performer in this fast evolving financial services sector, we need to constantly outperform other players. Throughout the years, we have focused our capabilities and resources to help our clients not only to achieve their objectives but also to exceed their expectations. Our passion for excellence and to deliver beyond expectations are keys to the growth and sustainable success of our franchise. These efforts have been recognised through various awards won across the business divisions.

During FY2014, AmBank Group's recognition for excellence in the industry was evidenced by two (2) awards from The Asset i.e. Best Service Providers – Risk Management, Malaysia and Best Risk Management Solution, Malaysia. Both awards are from the Triple A Transaction Banking Awards 2013 (Treasury, Trade and Risk Management).

AmBank Group's management team's capabilities have also garnered a few prestigious recognitions. The achievement and excellence in management acumen, financial performance, corporate social responsibility, environmental practices and investor relations were attested to when we won the following awards at the 4th Asian Excellence Recognition Awards 2014 organised by Corporate Governance Asia:

- Asia's Best CEOs (Investor Relations), Ashok Ramamurthy
- Best Investor Relations Professional (Malaysia), Ganesh Kumar Nadarajah
- Best Investor Relations by Company (Malaysia) – third time winning this award

Our Group's overall business strategy has been supported by well guided and sound financial strategy as well as good stewardship in delivering consistent performance. AmBank Group's Chief Financial Officer ("CFO"), Mandy Simpson, was awarded the CFO of the Year, Malaysia at The Asset Triple A Transaction Banking Treasury, Trade and Risk Management Awards 2014.

Our Investment Banking division, now part of the newly created Wholesale Banking division, has consistently garnered awards across our debt capital markets and funds management businesses. AmInvestment Bank has been consistently ranked top three (3) in the Bloomberg Underwriter League Table for Ringgit-denominated sukuk for the past eight (8) years and has also been involved in many landmark transactions. The most recent award won for outstanding deals include Best Local Currency Sukuk (DanaInfra Nasional Berhad RM2.4 billion Sukuk) from The Asset Triple A Islamic Finance Awards 2013.

AmInvestment Bank was also honoured as the Most Outstanding Islamic Investment Bank at the 10th Kuala Lumpur Islamic Finance Forum Awards. This award acknowledges the significant efforts and contributions in developing the Islamic finance industry and this is the third time we have won this award.

AmInvest (the new brand for our funds management business launched end of FY2013) has proven that it consistently achieves above-benchmark performance and sets the tone for innovation and industry practice through its comprehensive platform of different asset classes to suit the investing needs of institutional, corporate and retail clients. Key awards won by AmInvest reflect excellence in both the conventional and Shariah compliant asset management categories. These include:

- AmIslamic Balanced as the 'Best Islamic MYR Allocation Fund' at Morningstar Malaysia Fund Awards 2014
- Malaysia's 'Best Institutional House', 'Best Pension Fund Manager' and 'Best Sukuk House' (second consecutive win) awards at Asia Asset Management's 2013 Best of the Best Awards
- Best Domestic Fixed Income Portfolio Manager Year 2013 at the Employees Provident Fund's 2013 External Portfolio Managers Annual Awards
- 'Best Mixed Asset Group' and 'Best Fund Over 10 Years, Bond Malaysian Ringgit' for AmDynamic Bond (the Edge-Lipper Malaysia Fund Awards 2014)

Letter to Shareholders

Tan Sri Azman Hashim, Chairman, AmBank Group and Mr Jeff Pereira, Managing Director, MyKasih Foundation (both in red corporate shirt) with the recipients of AmBank-MyKasih Community Programme in Bayan Baru, Pulau Pinang.

- Asia's Best Asset Manager 2013 from Islamic Business and Finance magazine published by CPI Financial
- Best Islamic Fund Manager 2013 at the Global Islamic Finance Awards
- Best Islamic Fund Manager 2013 at the 7th London Sukuk Summit and Malaysia's Islamic Asset Management House of the Year by The Asset (second consecutive year)
- Best Investor Relations 2013 by an Asset Management Company in the third Islamic Finance News Islamic Investor Poll

In Markets, our foreign exchange and derivatives services were recognised at the seventh Annual Alpha Southeast Asia Best Financial Institution Awards 2013 where we were awarded Best FX Bank for Corporates and Financial Institutions in Malaysia. Winning the award for the second consecutive year validates our track record in providing the best service in foreign exchange capabilities, both locally and regionally, and is a testament to the trust placed in us by our clients, ranging from government-linked companies, multinationals and domestic corporates.

RESPONSIBLE AND FOCUSED ON REGULATORY AND COMPLIANCE REQUIREMENTS

As the Group strives to achieve all stakeholders' metrices and financial aspirations, it is critical to pay enhanced attention in ensuring that results are delivered without compromise on risk and governance standards. We are committed to complying with both the spirit and letter of the law in our daily tasks as well as ensure that regulatory and compliance requirements are adhered to at all levels and at all times.

I would like to stress that the Board seriously considers the importance of being a responsible corporate citizen and ensures relevant governance as well as risk and compliance competencies are in place across the Group as we grow our business. The Corporate Governance as well as Statement on Risk Management and Internal Control sections of this Annual Report will cover these in greater detail.

GROOMING TALENTS FOR TOMORROW

The appealing testimonials about our Group mirror the culture of excellence which we have been encouraging and instilling in our people as we believe that a competent management team and employee force is our best asset to drive our diversified portfolio of businesses. We take pride in moulding a variety of talents across the organisation, unifying values and identifying growth opportunities for our employees.

In line with the dynamics of the industry, we have been increasing our focus on cultivating the culture of excellence and institutionalising leadership capabilities. As part of our initiatives in grooming human capital, key areas that we invest in substantially are training, talent retention and the creation of an environment that fosters continuous learning and development.

We understand that the foundation of exceptional customer experience is built on highly motivated employees. We actively engage our people and seek feedback through Group Employee Surveys and working groups to understand how we can improve our performance and at the same time deliver career satisfaction.

Over the past three (3) surveys conducted, our employee engagement index has been strengthening steadily. We believe in continuous effort to enhance our employees' engagement and focus on talent management in order to develop our people and grow our leaders.

REACHING OUT TO OUR COMMUNITIES

We are deeply committed to helping our communities by contributing our time, talent and funds to drive Corporate Social Responsibility activities throughout Malaysia and sponsoring various events in support of community projects irrespective of race, creed or religion. This has been and will continue to be our approach to care for the sustainable development of the community which we operate in. AmBank Group's Corporate Social Responsibility platform, AmKasih focuses on reaching out to the community.

Tan Sri Azman Hashim, Chairman, AmBank Group launching the AmBank Group coffee table books, witnessed by Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia.

AmBank Group through its sports club organised a Christmas treat for more than 100 recipients from the Portuguese Settlement in Melaka to bring joy to the disabled and senior citizens. This is one of our efforts to embrace the uniqueness of Malaysia's diverse population from various backgrounds and celebrate all festivals in the spirit of unity and harmony.

There were also various campaigns held throughout the year in order to raise funds for various needs. Amongst others, the Malaysian Independent Animal Rescue, a non-profit organisation which aims at helping strays in need and saving abused animals won RM8,888 after garnering the top position in AmBank Group's #MalaysianHeroes campaign.

Our Islamic banking entity, AmIslamic Bank has also contributed funds to 11 charity homes and organisations from Wilayah Persekutuan, Selangor and Negeri Sembilan to support their ongoing programmes.

I encourage you to read the relevant segments of the Annual Report that provide full details of our various initiatives.

OUTLOOK AND PROSPECTS FOR FY2015

The Malaysian economic growth is expected to be sustained by resilient domestic demand and rebound in export on the back of recovery of advanced economies.

In the local banking industry, business loans will continue to leverage on the demand arising from projects under the Economic Transformation Programme and 10th Malaysia Plan. The loans growth to household is expected to moderate partly impacted by ongoing tightening lending measures to manage inflation as well as the rising household debt.

A tougher economic environment is envisaged to put some pressure on improving asset quality trends whilst stiff price-based competition for loans and deposits are likely to continue pressuring our margins. Nevertheless, there are still good growth precedented opportunities for our financial services group.

I am confident that AmBank Group's FY2015-2017 strategic themes are appropriately positioned to drive further value for our shareholders as we intensify our efforts to deliver sound growth over the next three (3) years. Ashok Ramamurthy, our Group Managing Director, will cover these areas in greater detail in his statement.

ACKNOWLEDGMENT

On behalf of AmBank Group's Board of Directors and all our employees, I would like to thank you for your continuing confidence in us and in the future of AmBank Group.

Moving ahead, I believe that the talent and dedication of our management team and employees, the continuing support from our customers, business partners, counterparties, regulators, shareholders and investors as well as close collaboration with our strategic partners will position us well to drive future growth of the Group.

Yours sincerely,

Tan Sri Azman Hashim
Non-Independent
Non-Executive Chairman

Kuala Lumpur
30 June 2014

Message from Group Managing Director

Dear Valued Shareholders,

As I complete my second year as Group Managing Director of AmBank Group, I am excited about the Group's achievements, the progress we have made in strengthening customer centricity and organisational capabilities, as well as sealing our new strategic partnership with MetLife International Holdings, Inc. ("MetLife") in our life assurance and family takaful businesses.

CONSISTENT AND SUSTAINABLE GROWTH

Every year for the past seven (7) years, the Group has delivered record performances and consistently met the majority of our yearly financial aspirations. For FY2014, the Group's PATMI increased 10.0% to RM1,782 million and ROE continued to trend upwards to 14.1%. We had stronger performances across recurring non-interest income sources from higher cross-sell penetration and acquisitions which were partly offset by margin compression and softer financial market business performance. Non-interest income contribution increased to 34% of total income (FY2013: 31%).

Notwithstanding our various planned investments in improving customer centricity, core banking replacement as well as risk and governance enhancements, cost to income ratio at the Group level trended down to 45.5% (FY2013: 47.8%). This is a testament of our disciplined approach to cost management in balancing between investing for growth and improving efficiency.

Our consistent emphasis on growing low cost deposits, current account and saving account ("CASA") led to faster than industry CASA growth of 11.2%. CASA composition stood at 21% of total customer deposits. We continued to focus on risk-adjusted returns and were selective in managing our loans growth, seeking out sound opportunities in the non-retail space. We have successfully lifted non-retail loans to 44% of total loans (FY2008: 26%). Asset quality remains good with gross impaired loans at 1.86% and loan loss coverage better than industry at 127.4%.

We have achieved our financial aspirations for FY2014 whilst continuing to invest in technology, customer centricity and people for longer term sustainability of performance.

Message from Group Managing Director

DIVERSIFIED CONTRIBUTION ACROSS BUSINESS DIVISIONS

The Group's record performance was underpinned by diversified contributions across our business divisions.

Retail Banking's profit after tax ("PAT") rose 9.2% to RM646.2 million partly from benefits of integration of MBf Cards and higher recoveries. Loans growth was targeted in profitable segments while customer deposits, including low-cost deposits growth was underpinned by new thematic marketing campaigns coupled with leveraging both existing and new channels.

Business Banking's PAT grew 18.6% year-on-year ("yoy") to RM394.2 million underpinned by increased net interest income from higher loans growth and lower provisions. Low cost deposits registered strong growth.

Corporate & Institutional Banking delivered double digit lending growth and PAT of RM365.7 million supported by good fee income growth and lower expenses.

Investment Banking achieved a strong 52% yoy profit before provisions growth driven by notable deals and stock broking business in Malaysia which had higher trading volume. Income growth was partly offset by provisioning relating to AmFraser Securities Pte Ltd. The recovery efforts are progressing to expectations.

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

General Insurance's PAT increased 50.6% to RM175.0 million from enlarged merged business from the Kurnia acquisition as well as higher investment and trading income.

Life Assurance and Family Takaful's PAT rose to RM12.9 million with stronger gross written premiums through growing both agency force and bancassurance/bancatakaful.

DELIVERING ON OUR STRATEGIC AGENDA SET OUT IN FY2014

In FY2014, our strategic agenda set out five (5) priorities to achieve our Vision - **As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.** (1) Integrate acquisitions and deliver synergies; (2) Simplify business model and streamline processes; (3) Accelerate organic growth with focus on cross-sell, flow business, small business, and emerging affluent customers; (4) Build scale in specialist businesses with partners; (5) Optimise capital and holding company structures. Let me share with you our achievements.

In ***(1) Integrate acquisitions and deliver synergies***, our niche acquisitions of Kurnia and MBf Cards in FY2013 complement the Group's business portfolio. We are on track to complete most of the integration activities within expectations.

For Kurnia, we achieved a total of RM63.7 million cost synergies to-date and our combined AmG-Kurnia business remains Malaysia's largest motor insurer. In MBf Cards, we achieved synergies of RM20.6 million in FY2014 (surpassing our initial target of RM19 million), and have maintained our position as Top 3 in merchant acquiring business with over 55,000 merchants in force.

As part of ***(2) Simplify business model and streamline processes***, we initiated a "Save to Invest" programme with the objective of building both a customer centric organisation and delivering greater operational efficiencies across the Group. We consolidated five (5) non-retail business divisions (Business Banking, Corporate & Institutional Banking, Investment Banking, Markets, and Transaction Banking) into two (2) divisions under a new Wholesale Banking operating model which commenced operations on 1 April 2014. This model aims to increase customer centricity through new coverage and segmentation models, as well as deliver products and solutions excellence in a more cost effective manner. We will continue to identify new opportunities to simplify operating models.

Additionally, in November last year, Phase 1 of our core banking system replacement which simultaneously replaces our core banking platform, teller front end system and a new Enterprise Data Warehouse successfully went live. Built over two (2) years, this large and complex implementation involved group-wide participation from front, middle, to back offices and support departments across various locations nationwide. Its functionalities are anticipated to pave the way for operational improvements and enhanced customer experience in retail banking and enablement functions over time. Our effort was recognised when we won the Best Single Country Core Banking Implementation 2014 Award by The Asian Banker. Concurrently, we upgraded our network infrastructure to improve bandwidth and connectivity, especially across our branches.

Mr Ashok Ramamurthy, Group Managing Director, AmBank Group (centre) with the award for Bank of the Year in Malaysia 2013, with Ms Jane Cooper, Asia Editor of The Banker (left) and former BBC journalist Mr Michael Buerk, the host of The Banker Awards 2013.

Our third priority on ***(3) Accelerate organic growth with focus on cross-sell, flow business, small business, and emerging affluent customers*** has enabled the delivery of consistent non-interest income growth particularly in foreign exchange, rates and transaction banking. Development of customer value propositions are underway to enhance cross-selling to target segments in retail banking while in small business, we have commenced testing of our new business model via a pilot programme.

To ***(4) Build scale in specialist businesses with partners*** we have recently welcomed MetLife as our strategic partner in Life Assurance and Family Takaful. The share sale agreement was completed on 30 April 2014 for an aggregate cash consideration of RM812 million, subject to customary adjustments. This partnership reaffirms the Group's commitment and focus on delivering our strategic agenda to accelerate recurring non-interest income, enhance cross-selling leveraging on our banking platform and build scale in specialist businesses with our international strategic partners.

The creation of our new master brand, 'AmMetLife', together with our partner MetLife marks an exciting new chapter for our life assurance and family takaful businesses. Takaful will exist as a sub-brand within this AmMetlife master brand. These unified brands reflect the coming together of two (2) renowned and strong organisations with shared core values of integrity, partnership and innovation. We will leverage on our combined strengths to offer customer-centric and modern life assurance/family takaful solutions to Malaysians and at the same time strengthen our bancassurance/bancatakaful offering across all touch points.

Finally, ***(5) Optimise capital and holding company structures*** involves continuous capital management to balance capital needed for growth and to meet regulatory requirements. As at FY2014, under Basel III, the Group's aggregated banking entities' common equity tier-1 ("CET-1") was at 10.1% before proposed dividend, well above our internal targeted level of 8.5% ± 1%. Tier-1 capital ratio was at 11.6% and total capital ratio at 15.9%. During the year, we issued Malaysia's first capital market Basel III compliant Tier 2 Subordinated Sukuk Murabahah Programme of up to RM3 billion under a Tawarruq arrangement.

INVESTING IN CUSTOMER CENTRICITY

Our commitment to our customers remains unchanged and we continued to make significant investments towards building a customer centric operating model.

Our new brand chapter – "**Your Bank. Malaysia's Bank. AmBank.**" expresses our emphasis to reposition AmBank Group as a modern Malaysian diversified financial solutions partner that understands and meets the diverse needs of modern Malaysians. We have also created a new dedicated retail banking website, www.ambank.com.my, with a fresh new look and user friendly navigation.

Additionally, the new core banking system aims to enhance our customers' banking experience through an integrated customer view and faster time to market for new products and services. Many of the functionalities will allow us to progressively improve and expand offerings especially in the digital and mobile space, and hence increase accessibility, simplify processes and improve the efficiency of delivery. We have just commenced Phase 2 of our core banking system replacement and target completion within approximately 15 months, subject to impacts arising from other group-wide key initiatives such as goods and services tax ("GST") project, Infrastructure Modernisation, Multi-Channel Switch Solution and National Bill Payment Services.

Progressing into our next phase of building customer centricity, greater emphasis will be placed on expanding our digital and customer touch points to improve our visibility and connectivity with customers. We will leverage on our growing retail customer database and focus investments in customer analytics along with segmentation capabilities to enable tailoring of solutions suitable for our customers' evolving lifestyle needs and build main-bank relationships. In non-retail, we adopted a sector and segment focus approach with relevant new industry-focused portfolios created. Under our new coverage and segmentation models, the Relationship Management teams will be the single point of contact to enhance customer connectivity and convenience across sales, product solutions and servicing.

SETTING OUT STRATEGIC PRIORITIES FOR FY2015 – FY2017

As we close this year and move forward to FY2015, I am focused on the good growth opportunities ahead of us. For FY2015, AmBank Group will be guided by four (4) strategic priorities to achieve our Vision.

Message from Group Managing Director

Mr Ashok Ramamurthy, Group Managing Director, AmBank Group (centre) and members of the Senior Management of AmBank Group at the Eighth Asian Banker Technology Implementation Awards where AmBank Group received the Best Single Country Core Banking Implementation Award.

Our first priority, ***(1) Deliver on focused organic growth***, encapsulates the Group's organic plans with emphasis on the following divisions:

Retail Banking will focus on building emerging affluent and small business customers while leveraging existing strength to grow in mass market.

Wholesale Banking will grow franchise value by targeting value segments and continuing to deepen relationships to increase share-of-wallet of existing and new to bank customers. Additionally, emphasis will be placed on growing CASA, cross selling and innovation to accelerate non-interest income growth.

General Insurance aims to maintain No. 1 position in motor through bancassurance and synergies from the Kurnia acquisition at the same time expand its non-motor segments.

Islamic Banking will focus on expanding main bank relationships which will drive growth in low cost deposits and capital efficient investment accounts.

Secondly, ***(2) Leverage strategic partnerships and deliver on acquisitions***. The integrations of Kurnia and MBf Cards are expected to be completed within this financial year. The Group is now shifting focus to top line growth with the acquisitions. In Life Assurance and Family Takaful, we are working together with MetLife to identify best practices and standards to better serve customers. We aim to create a modern, innovated and customer centered insurance company.

Thirdly, ***(3) Continue to optimise efficiency***. We are building a lean and scalable customer service delivery capability, streamlining operating layers along with simplifying business and operating models. For capital management, we are progressively optimising our holding company structure and capital allocation. We have commenced building our advanced internal rating based ("AIRB") capabilities for improved portfolio risk management.

Finally, ***(4) Build sustainability*** in the areas of compliance and governance, human capital and customer experience. We are continuously strengthening our corporate governance, controls and compliance culture, given the increasing regulatory requirements and emphasis on compliance. Compliance is now embedded and tracked within the performance measures of the senior management team, while its importance is communicated to all AmBankers through training and internal communications.

We are also investing in processes and systems in preparation for GST which will come live in April 2015 and in insurance, we are getting ready for the anticipated de-tariffication in 2016.

Initiatives are progressively being rolled out to enhance employee engagement, talent management and to achieve a connected team culture. We are in the midst of a Total Target Remuneration Review initiative as part of efforts to align total pay, including rewards and benefits, to performance while remaining competitive with the industry. Our objective is to attract, retain, reward and develop talent.

We are also investing in next wave technologies and branding agendas to enable us to deliver on superior customer experience in target value segments.

CONCLUSION

We have built a track record of sustainable growth, and I am thankful to our team of more than 12,000 AmBankers. Their continuing hard work and commitment has been the key to our success. We have a great team, a sound strategy and a unique platform as Malaysia's internationally connected bank.

I would like to encourage shareholders to access our Investor Relations section in our corporate website at www.ambankgroup.com. Here, you will find updated information on past performances, business outlook and performance guidance throughout the year.

We are committed to continually delivering sustainable growth whilst increasing returns for our shareholders. We look forward to continue being **Your Bank. Malaysia's Bank. AmBank.**

Yours sincerely,

Ashok Ramamurthy
Group Managing Director

Kuala Lumpur
30 June 2014

The Jewels of Muslim World Award 2013

Awarded to Tan Sri Azman Hashim, Chairman, AmBank Group

Instituted by OIC Today Magazine, the award honours and acknowledges the roles played by 10 distinguished Muslim leaders throughout the world in their capacity to lead the Islamic economy towards major achievements. Tan Sri Azman Hashim, Chairman, AmBank Group was awarded for his contributions and leadership in global Islamic banking and finance.

Tan Sri Azman Hashim, Chairman, AmBank Group (right) receiving the award from Dato' Sri Mustapa Mohamed, the then-Minister of International Trade and Industry, Malaysia

AMMB Holdings Berhad (223035-V)

AmBank Group

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Your Bank. Malaysia's Bank. AmBank.™

Values

The AmBank Group's Values are centred around the concept of "p²ace" - Principled, Proactive, Appreciative, Connected and Evolving.

PRINCIPLED

Integrity and professionalism remain the thrust of all we do, and we take accountability for all our actions.

PROACTIVE

We approach every challenge positively, initiate change responsibly and always anticipate the needs of all our colleagues, customers and our community.

APPRECIATIVE

We value and recognise everyone's role and contribution, and always provide support to our customers and colleagues.

CONNECTED

We are connected in everything we do. We are part of an organisation that fosters teamwork and open communication.

EVOLVING

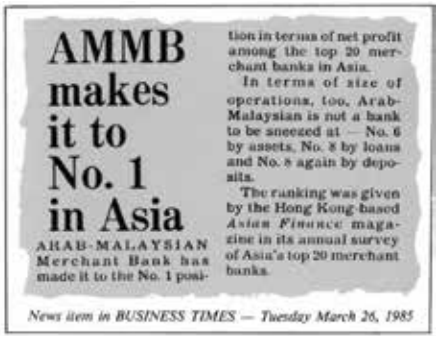
We strive to seek new and relevant ways of growing ourselves, our customers, our business and our community in a sustainable manner.

Our History

AmBank Group has enjoyed considerable success over the last three decades. Together, we have built one of the largest and fastest-growing financial institutions in the country.

Tracing our early history, Arab-Malaysian Development Bank Berhad was incorporated on 5 August 1975 as a joint venture between Malaysian Industrial Development Finance Berhad, with a 55.0% shareholding, Arab Investments for Asia (Kuwait) with a 33.0% shareholding, and the National Commercial Bank (Saudi Arabia) holding 12.0%.

We commenced operations on 1 April 1976, and in December 1983 became known as Arab-Malaysian Merchant Bank Berhad, a name by which we were known for over three decades until our rebranding in June 2002. Today, we have grown into a Group with a staff strength of more than 12,000. With our extensive nationwide branch network, ATMs, and Internet banking services, we are proud to acknowledge that AmBank Group, as one of the largest financial services group in the country, is only a brick and click away.



AMMB makes it to No. 1 in Asia

ARAB-MALAYSIAN Merchant Bank has made it to the No. 1 position in terms of net profit among the top 20 merchant banks in Asia.

In terms of size of operations, too, Arab-Malaysian is not a bank to be sneezed at — No. 6 by assets, No. 8 by loans and No. 8 again by deposits.

The ranking was given by the Hong Kong-based *Asian Finance* magazine in its annual survey of Asia's top 20 merchant banks.

News item in BUSINESS TIMES — Tuesday March 26, 1985

1976

- The Group commenced operations on 1 April 1976 as a joint venture comprising Arab and Malaysian shareholders.

1977

- The Group acquired a 70.0% shareholding in Malaysian Industrial Finance Company Limited ("MIFCL"), which was later renamed Arab-Malaysian Finance Berhad ("AMFB").

1980

- AMMB co-lead managed the USD200.0 million, 12-Year Syndicated Term Loan for the Government of Malaysia.
- AMMB initiated the formation of Malaysian Kuwaiti Investment Company Sdn Bhd, a joint venture between Perbadanan Nasional Berhad and Kuwait Real Estate Investment Consortium and Public Institution for Social Security, Kuwait.
- AMMB acted as Adviser to Kuwait Real Estate Investment Consortium, Singapore.
- AMFB became the first private sector institution in Malaysia to issue public bonds – RM20.0 million 8.5% Guaranteed Bonds 1987, listed on the Kuala Lumpur Stock Exchange ("KLSE"). The Bonds, guaranteed by the Bank, marked a new chapter in the history of private sector fund raising in the capital markets.

1982

- Y Bhg Tan Sri Azman Hashim acquired 100.0% shareholding in the Group.
- The Group acquired the remaining 30.0% shareholding of AMFB, making it a wholly-owned finance company subsidiary.

1983

- The Group established a credit and leasing company, Arab-Malaysian Credit Berhad.

1984

- The Group launched the first venture capital company to undertake private equity investments – Malaysian Ventures Berhad.
- The Group arranged the first leveraged lease facility in the country for Sistem Televisyen Malaysia Berhad – TV3.
- AMMB completed its Government assigned study on the privatisation of Jabatan Telekom.
- The Group acquired Arab-Malaysian Insurance Berhad, a general insurance company formerly known as Teguh Insurance Company Sdn Bhd.

1985

- The Group acquired Perima Assurance Berhad, a life insurance company. Both the life and general insurance companies were later merged in 1987, holding composite insurance licences, and the entity's name changed to Arab-Malaysian Eagle Assurance Berhad (now known as AmLife Insurance Berhad and AmG Insurance Berhad).

Our History

1986

- The Group acquired a stockbroking firm, Kris Securities Sdn Bhd, later renamed as AmSecurities Sdn Bhd.
- The Group relocated to its corporate headquarters at Jalan Raja Chulan.
- In December 1986, Antah Holdings Berhad and the Tokai Bank Limited, Japan acquired 20.0% shareholding each in the Group.
- Launched Arab-Malaysian Unit Trusts Berhad, to manage unit trust funds.

1987

- On 22 January 1987, AMMB launched the first unit trust to invest 90.0% in Malaysian Government securities, called the Arab-Malaysian Gilts, to provide tax-exempt income to individual investors on their short term funds.
- In July 1987, AMMB launched the AMIGOS (Arab-Malaysian Individuals' Government Securities) programme to enable retail investors to invest in government securities.
- AMMB sponsored the establishment of The Malaysia Fund Inc, a close ended investment fund listed on the New York Stock Exchange, to invest in equities of Malaysian companies listed on the KLSE. The Malaysia Fund raised USD87.0 million.

1988

- AMMB became the first merchant bank to be listed on the KLSE.
- AMMB was appointed as Adviser to the Government to formulate the National Privatisation Masterplan.
- AMMB launched the first equity unit trust fund, called the Arab-Malaysian First Fund.

1989

- On 21 April 1989, AMMB together with the Nikko Securities Co. Ltd Tokyo and the International Finance Corporation, Washington launched a US Dollar denominated unit trust fund, The Malaysia Growth Fund, aimed primarily at Japanese investors.
- On 28 September 1989, the Arab-Malaysian Property Trust became the first property trust to be listed on the KLSE.

1990

- AMMB was appointed as Adviser and Managing Underwriter for the flotation of Telekom Malaysia Berhad.
- AMFB acquired First Malaysia Finance Berhad.

1991

- In July 1991, the Group acquired a 49.0% equity stake in Fraser International Pte Ltd, the holding company of Fraser Securities, Singapore.
- AMMB, in collaboration with The Nikko Securities Co. Ltd. In Japan, sponsored the establishment of Malaysia Fund (Labuan), the first offshore unit trust fund in the Federal Territory of Labuan.
- Incorporation of AMMB Holdings Berhad, as the vehicle for the implementation of a corporate restructuring scheme. Pursuant to the restructuring scheme, AMMB Holdings Berhad became the holding company of the Arab-Malaysian Banking Group, and assumed the listing status of AMMB.
- Arab-Malaysian Finance Berhad, the Group's finance company, was listed on the KLSE.
- Establishment of AMMB Labuan (L) Ltd to provide offshore funds management.

1992

- AMMB Holdings Berhad won the Asian Management Award for Financial Management from Asian Institute of Management.

1993

- AMMB launched Tabung Ittikal Arab-Malaysian, the first Islamic Unit Trust Fund on 12 January 1993.
- AMMB was Co-Manager of General Electric Corporation's USD300.0 million Dragon Bonds Issue.
- AMMB acted as Manager and Arranger for the RM240.0 million Syndicated Credit Facility for the construction of Menara Kuala Lumpur.

1994

- On 1 August 1994, the Group ventured into commercial banking with the acquisition of the Malaysian operations of Security Pacific Asian Bank Limited from Bank of America (Asia) Limited. Commencement of commercial banking operations under Arab-Malaysian Bank Berhad.

1995

- On 1 April 1995, AMMB International (L) Ltd commenced offshore banking operations in Labuan, the first merchant bank to offer offshore banking services.
- AMMB Futures Sdn Bhd commenced futures broking business.

1996

- AMMB Holdings Berhad's annual report won the 'Overall Award for the Most Outstanding Annual Report' for six consecutive years from 1991 to 1996 in the NACRA competition.
- Macquarie Bank Limited, Australia acquired 30.0% shareholding in AMMB Futures Sdn Bhd.
- Macquarie Bank Limited, Australia acquired 30.0% shareholding in AMMB Asset Management Sdn Bhd and Arab-Malaysian Unit Trusts Berhad.
- The 1996 Far Eastern Economic Review Survey of Asia's 200 Leading Companies ranked AMMB first in the overall category of "Innovative in Responding to Customer Needs" and third in terms of "Overall Leadership".
- Visa International awarded the AmBank Al-Taslif VISA Card the "1996 Member Excellence Award for the Most Creative Card Programme in Asia".

1997

- AMMB Securities (HK) Limited commenced stock broking operations in Hong Kong.
- The Group's website was awarded the'Internet Website of the Year' for 1997 by the Association of Computer Industry Malaysia ("PIKOM").

1998

- AMFB acquired the assets and liabilities of Abrar Finance Berhad, in line with the Government's plan to consolidate the industry.
- AMMB received 'Derivatives OTC National Award' from Malaysian Monetary Exchange Berhad.

2000

- CFO Asia selected AMMB Holdings Bhd's Annual Report FY2000 as one of the top three annual reports in Malaysia.

2001

- AMFB acquired MBf Finance Berhad.
- AmBank and AMFB together with the State Government of Selangor Darul Ehsan, launched Tabung Perumahan Ehsan, a special housing loan scheme for the lower income group in the State.

2002

- Merger of Arab-Malaysian Finance Berhad and MBf Finance Berhad, following the vesting of the assets and liabilities of AMFB into MBf Finance Berhad. MBf Finance Berhad changed its name to AmFinance Berhad. AMFB was converted into a holding company.

- Re-branding and changing of the name from "Arab-Malaysian Banking Group" to "AmBank Group" with new Group corporate colours of vibrant red, representing prosperity and good fortune and bright yellow symbolising commitment and unity – reflecting our new corporate identity and heralding the transformation towards a more customer-centric organisation.

Our History

2003

- Bangunan AmFinance, now known as Menara AmBank, was officially launched by the then Prime Minister, YABhg Tun Dr Mahathir Mohamad.

2005

- Completed privatisation of AMFB Holdings Berhad.
- Listed AmInvestment Group Berhad ("AIGB"), the Group's investment banking operations, on Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 18 May 2005.
- On 1 June 2005, the merger of AmBank and AmFinance took place to create AmBank (M) Berhad, the sixth largest domestic bank in the country.

2006

- In January 2006, AmPrivate Equity, a private equity fund, was launched.
- On 10 March 2006, Insurance Australia Group Limited ("IAG"), Australia acquired 30.0% shareholding in AmAssurance Berhad.
- On 20 April 2006, Am ARA REIT Managers Sdn Bhd was incorporated with AIGB holding 70.0% equity and ARA Asset Management (Malaysia) Limited 30.0%, to manage the AmFIRST REIT listing on Bursa Malaysia.
- On 1 June 2006, AmIslamic Bank commenced operations, with the vesting of the Islamic assets and liabilities of AmBank (M) Berhad into a separate subsidiary company.
- On 21 December 2006, AmFIRST REIT listed on Bursa Malaysia.
- The AmInvestment Group was awarded seven RAM League Awards by Rating Agency Malaysia for its outstanding achievements in the domestic bond market.

2007

- The AmBank Group completed the integration exercise of AmSecurities Sdn Bhd into AmInvestment Bank on 3 March 2007. The AmInvestment Bank began operating as a full fledged investment bank effective 5 March 2007, offering both merchant banking and stockbroking services.
- On 18 May 2007, AmBank Group commemorated the entry of Australia and New Zealand Banking Group Limited ("ANZ") as its strategic partner and major investor.

- On 19 June 2007, AMMB Holdings Berhad proposed the privatisation of AIGB and the proposed rights issue of up to 326,887,241 new shares, on the basis of one (1) new share for every eight (8) existing ordinary shares and every eight (8) Converting Preference Share in the company at an issue price of RM3.40 per share.
- A Memorandum of Understanding ("MOU") was signed between AmInvestment Bank Berhad and Woori Investment & Securities Co Ltd, on 29 November 2007 to promote the parties' mutual interests for cooperation in the investment banking business.

2008

- Completed the AMMB Holdings Berhad ("AMMB") rights issue and privatisation of AIGB on 15 January 2008, with AIGB effectively becoming a wholly-owned subsidiary of AMMB.
- Completed the transfer of the Fund Based Activities of AmInvestment Bank to AmBank (M) Berhad and AmIslamic Bank Berhad on 12 April 2008 as part of AMMB's internal corporate restructuring post the AIGB privatisation.
- Establishment of AmG Insurance Berhad to facilitate the separation of the composite insurance business of AmAssurance Berhad into general insurance and life insurance businesses.
- Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI"), the private equity fund management subsidiary of AMMB, entered into a joint venture agreement with Konzen Capital Pte Ltd, a member of Konzen Group, to manage a USD320.0 million Pioneering Water Fund in Asia.
- AmBank and ANZ enter into a technical services agreement to establish the AmBank Group foreign exchange, interest rate and commodities derivatives business.

- Islamic Stockbroking (window service) was launched under the brand of AmIslamic, the universal brand of Islamic products and services across all subsidiaries of the AmBank Group.

- On 9 December 2008, Friends Provident plc (renamed Friends Life FPL Limited from 1 July 2011) acquired 30.0% stake in AmLife Insurance Berhad (formerly known as AmAssurance Berhad).

- IAG increased its stakeholding in AmG Insurance Berhad to 49.0% from 30.0%.

2009

- AmIslamic Funds Management Sdn Bhd obtains licence for Islamic funds management from the Securities Commission to carry out management of offshore and domestic Islamic financial instruments for institutional and retail investors.

- AmCapital (B) Sdn Bhd officially opened on 11 May 2009, bringing expertise in funds management, Islamic finance and investment advisory to Brunei Darussalam.

- Y Bhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia launches the Malaysia Corporate Bond Handbook by AmBank Group, a first-of-its-kind one-stop source of corporate bond information in Malaysia.

- ANZ exchanged its exchangeable bonds into 194,915,254 new ordinary shares, increasing its shareholding to 23.91%.

2010

- AmBank (M) Berhad on 25 March successfully issued RM1.42 billion senior notes under its newly established 30-year RM7.0 billion Senior Notes Issuance Programme, being the first financial institution to issue senior notes in Malaysia.

- AmBank Group continues its rollout of the RM1.0 million AmBank-MyKasih Community Programme in Kuching, Kota Bharu, Subang Jaya, Kota Kinabalu, Klang Valley (Cheras, Klang and Pandan Jaya) and the programme is renewed in Sentul and Pulau Pinang where hard core poor families are provided food allowance through the use of their MyKad.

- AmBank Group launched the Kechara Soup Kitchen ("KSK") building after sponsoring the renovation as well as the cost of furniture and fixtures of the premises with a total amount of RM350,000.

- AmIslamic Bank successfully issued RM550.0 million Senior Sukuk under its newly established 30-year RM3.0 billion Senior Sukuk Musyarakah Programme.

- On 15 December, Standard & Poor's Rating Services ("S&P") raised its foreign currency longterm counterparty credit rating on AmBank (M) Berhad to 'BBB' from 'BBB-' and the short term rating to 'A-2' from'A-3'. S&P also raised the long-term counterparty credit rating on AmInvestment Bank Berhad to 'BBB' from 'BBB-', and its short term rating to 'A-2' from 'A-3'.

- AmInvestment Bank receives two Best Equity House awards, from Finance Asia and Alpha South East Asia.

2011

- The Group continues to be recognised as an industry leader with awards including:
  - Best Domestic Bond House in Malaysia, from The Asset Triple A Country Awards 2010, for second consecutive year.
  - Best Bond Group at The Edge-Lipper Malaysia Fund Awards 2011.
  - Five awards at the RAM League Awards 2011 for excellence in the bond markets.
  - Best Chief Financial Officer for Investor Relations – Large Cap award at the MIRA Inaugural Malaysia Investor Relations Awards.
  - Best of Asia Award at the Corporate Governance Asia Recognition Awards 2011.

- On 8 December, Standard & Poor's Rating Services (S&P) raised its foreigner currency longterm counterparty Credit Rating on both AmBank (M) Berhad and AmInvestment Bank Berhad to BBB+ from BBB.

2012

- AmBank Group and ANZ sign Business Principles Agreement to collaborate in areas of banking businesses including Islamic banking, transaction banking and wealth management across 27 countries, including Australia, China, Indonesia, Singapore and Vietnam.

AmSIGNATURE
PRIORITY BANKING

- AmSignature Priority Banking is launched, delivering personalised banking to affluent segment.

- AmBank-ANZ Get Set solution offers students intending to study in Australia convenience of preopening an account in Malaysia to facilitate fund transfers.

- On 9 January 2012, AmFamily Takaful Berhad commences Family Takaful business.

- The Funds Management Division of AmInvestment Bank celebrates 30 years of milestones with its highest assets under management to date, in excess of RM30.0 billion.

- The Group's new corporate social responsibility platform, AmKasih is launched.

Our History

- AMMB Holdings Berhad changes its stock short name to AMBANK.
- AmBank Group completes acquisition of Kurnia Insurans (Malaysia) Berhad, emerging as Malaysia's No. 1 motor insurer.
- AmBank Group completes acquisition of MBF Cards (M'sia) Sdn Bhd.

2013

- Maiden issuance of Exchange Traded Bonds and Sukuk (ETBS) on Bursa Malaysia by DanaInfra Nasional Berhad, creating new asset class on the Exchange, with AmInvestment Bank as one of the Lead Arrangers.
- AmInvest unveiled its Private Retirement Scheme (PRS) with the AmPRS-Growth Fund, AmPRS-Moderate Fund and AmPRS-Conservative Fund on 2 April 2013.

- Moody's Investor Services upgrades AmBank (M) Berhad's credit rating to Baa1/P-2 from Baa2/P-3.
- AmBank Group clinched the prestigious Bank of the Year in Malaysia 2013 award (The Banker Magazine) in recognition of the Group's strong management, sound business model and prudent risk management.
- AmBank Group launches three coffee table books, featuring the Group's Camel Collection, Art Collection and Collection of Drawings by Datuk Mohd Nor Khalid, better known as Lat. The launch was witnessed by Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia.
- AmBank Group launches brand repositioning on 19 September 2013, marking a new chapter for the Group and its family of companies, with positioning line "Your Bank. Malaysia's Bank. AmBank."

- AmBank Group contributes RM5.0 million to AmBank Financial Services Chair at University of Malaya.
- AmBanCS, the Group's new core banking system succesfully goes live on 18 November 2013.
- RAM Ratings upgrades the financial institution ratings of AmBank (M) Bhd, AmIslamic Bank Bhd and AmInvestment Bank Bhd from AA3/Positive/P1 to AA2/Stable/P1. The corporate rating of AMMB Holdings Bhd has also been upgraded from A1/Positive/P1 to AA3/Stable/P1.

2014

- AmIslamic Bank issued Malaysia's first capital market Basel III-compliant Tier 2 Subordinated Sukuk.
- AmBank unveils new retail banking website, www.ambank.com.my, with more informative access and user friendly navigation.

AmMetLife

AmMetLife Takaful

- AMMB Holdings Berhad's wholly-owned subsidiary, AMAB Holdings Sdn Bhd, and MetLife, Inc.'s subsidiary, MetLife International Holdings, Inc., entered into a share sale agreement on 28 April 2013, which involves the sale of equity interest of AmLife Insurance Bhd and AmFamily Takaful Berhad. The signing was witnessed by YAB Datuk Seri Najib Tun Razak, Prime Minister of Malaysia and President of the United States of America, Barack Obama. This marks the commencement of strategic partnership for our Life Assurance and Family Takaful businesses.
- Unveil the new brand news of AmMetLife and AmMetLife Takaful, reflecting the new strategic partnership between AmBank Group and MetLife Inc.

In Recognition of Outstanding Achievements

For sound financial strategy, stewardship and management acumen in the fields of investor relations, strategic planning and financial practices, AmBank Group is honoured to receive the following awards on behalf of our stellar recipients:

AMMB Holdings Berhad (223035-V)

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AmBank Group

Your Bank. Malaysia's Bank. AmBank.™

Corporate Structure

LIST OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The following are the Company's subsidiaries and associated companies grouped under the major business lines.

COMPANIES	EFFECTIVE SHAREHOLDINGS (%)
Commercial and Retail Banking	
AmBank (M) Berhad	100.00%
AmIslamic Bank Berhad	100.00%
AmInternational (L) Ltd	100.00%
Capital Market	
AmInvestment Bank Berhad	100.00%
AmFutures Sdn Bhd	100.00%
PT AmCapital Indonesia	99.00%
AmFraser Securities Pte Ltd	100.00%
AmResearch Sdn Bhd	100.00%
Life and General Insurance/Takaful Operator	
AmGeneral Insurance Berhad	51.00%
AmLife Insurance Berhad	50.00% - 1 share
AmGeneral Holdings Berhad	51.00%
AmFamily Takaful Berhad	50.00% + 1 share
Asset Management	
AmInvestment Services Berhad	100.00%
AmInvestment Management Sdn Bhd	100.00%
AmIslamic Funds Management Sdn Bhd	100.00%
AmPrivate Equity Sdn Bhd	80.00%
Am ARA REIT Managers Sdn Bhd	70.00%
Malaysian Ventures Management Incorporated Sdn Bhd	100.00%
AmCapital (B) Sdn Bhd	100.00%
AmWater Investments Management Pte Ltd	100.00%
AmAsia Water Management (GP) Limited	100.00%
PT AMCI Manajemen Investasi Indonesia	99.00%
Trustee/Custodian/Investment Services	
AmTrustee Berhad	80.00%
AMMB Nominees (Tempatan) Sdn Bhd	100.00%
AMMB Nominees (Asing) Sdn Bhd	100.00%
AMSEC Nominees (Tempatan) Sdn Bhd	100.00%
AMSEC Nominees (Asing) Sdn Bhd	100.00%
AM Nominees (Tempatan) Sdn Bhd	100.00%
AM Nominees (Asing) Sdn Bhd	100.00%
MBf Trustees Berhad	60.00%
MBf Nominees (Tempatan) Sdn Bhd	100.00%

COMPANIES	EFFECTIVE SHAREHOLDINGS (%)
Investment Holding Companies/Others	
AMFB Holdings Berhad	100.00%
AmInvestment Group Berhad	100.00%
AmSecurities Holding Sdn Bhd	100.00%
Am ARA REIT Holdings Sdn Bhd	70.00%
AMAB Holdings Sdn Bhd	100.00%
AMBB Capital (L) Ltd	100.00%
AmFraser International Pte Ltd	100.00%
AmProperty Holdings Sdn Bhd	100.00%
Bougainvillaea Development Sdn Bhd	100.00%
MBf Information Services Sdn Bhd	100.00%
AmCard Services Berhad [formerly known as Arab-Malaysian Credit Berhad]	100.00%
AmPremier Capital Berhad	100.00%
AmTrade Services Limited	100.00%
AmMortgage One Berhad	100.00%
MBF Cards (M'sia) Sdn Bhd	100.00%
Bonuskad Loyalty Sdn Bhd	33.33%
Dormant	
Malco Properties Sdn Bhd	81.51%
Teras Oak Pembangunan Sendirian Berhad	100.00%
AmSecurities (HK) Limited	100.00%
Economical Enterprises Sendirian Berhad	100.00%
AmGlobal Investments Pte Ltd	100.00%
Under Members' Voluntary Winding-up	
AmFraser Nominees Pte Ltd	100.00%
AmCredit & Leasing Sdn Bhd	100.00%
AmEquities Sdn Bhd	100.00%
AMMB Factors Sdn Bhd	100.00%
AmProperty Trust Management Berhad	100.00%
Everflow Credit & Leasing Corporation Sdn Bhd	100.00%
Komuda Credit & Leasing Sdn Bhd	100.00%
AmCapital (L) Inc	100.00%
AMMB Labuan (L) Ltd	100.00%
AMSEC Holdings Sdn Bhd	100.00%

Corporate Information

BOARD OF DIRECTORS

Y Bhg Tan Sri Azman Hashim
Non-Independent Non-Executive Chairman

Y Bhg Dato' Azlan Hashim
Non-Independent Non-Executive Deputy Chairman

Y A Bhg Tun Mohammed Hanif bin Omar
Non-Independent Non-Executive Director

Y Bhg Tan Sri Datuk Clifford Francis Herbert
Senior Independent Non-Executive Director

Y Bhg Tan Sri Datuk Dr Aris Othman
Independent Non-Executive Director

Y Bhg Dato' Rohana Tan Sri Mahmood
Independent Non-Executive Director

Y Bhg Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
Independent Non-Executive Director

Mr Shayne Cary Elliott
Non-Independent Non-Executive Director

Mr Mark David Whelan
Non-Independent Non-Executive Director

Mr Gilles Planté
Non-Independent Non-Executive Director

Mr Soo Kim Wai
Non-Independent Non-Executive Director

Mr Ashok Ramamurthy
Group Managing Director

Mr Alistair Marshall Bulloch
(Alternate Director to Mr Shayne Cary Elliott, Mr Mark David Whelan and Mr Gilles Planté)

GROUP COMPANY SECRETARY

Ms Koid Phaik Gunn
MAICSA 7007433
Chartered Secretary (ICSA)
Bachelor of Laws (Hons)
Fellow of The Malaysian Institute of Chartered Secretaries and Administrators

REGISTERED OFFICE

22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Telephone No. : 603-2036 2633
Facsimile No. : 603-2032 1914

REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor, Malaysia
Telephone No. : 603-7841 8000
Facsimile No. : 603-7841 8008

AUDITORS

Messrs Ernst & Young
Chartered Accountants

PRINCIPAL BANKER

AmBank (M) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad (13.02.92)

WEBSITE

ambankgroup.com

INVESTOR RELATIONS

ir@ambankgroup.com

Corporate Profile

AmBank Group

AmBank Group is one of Malaysia's premier financial solutions Groups with nearly 40 years of legacy in understanding Malaysian customers and provides a wide range of both conventional and Islamic financial products and services, including retail banking, wholesale banking, as well as the underwriting of general insurance, life assurance and family takaful.

The Group's mission of "Connecting, Growing and Outperforming" accentuates our commitment in *connecting* with customers, people as well as stakeholders and the Group's continuous initiatives in *growing* to further cement our position in the industry as we aspire to exceed expectations by consistently *outperforming*. This mission underpins the Group's vision as Malaysia's preferred diversified, internationally connected financial solutions group. The recent repositioning of our brand – "Your Brand. Malaysia's Bank. AmBank." portrays us as a modern Malaysian diversified financial solutions partner that understands and meets the diverse needs of modern Malaysians.

The Group receives strong support from the Australia and New Zealand Banking Group ("ANZ") (one of Australia's leading banks) particularly in Board and senior management representations, risk and financial governance, products offering and new business development. In the general insurance business, the Group has partnered with Insurance Australia Group Ltd ("IAG"). In the life assurance and family takaful businesses, the Group has on 30 April 2014 sealed a strategic partnership with MetLife International Holdings Inc. ("MetLife"). The Group continues to benefit in terms of expertise transfer from IAG and MetLife.

AMMB Holdings Berhad is a public listed company on the Main Market of Bursa Malaysia.

AmBank (M) Berhad

AmBank (M) Berhad ("AmBank"), part of the AmBank Group, is a one-stop financial hub driven by innovation and a commitment to outstanding customer service. AmBank's customer solutions include deposits, wealth management, auto finance, mortgage, cards, personal financing, small business solutions, corporate banking and transaction banking. Supported by a strong network of 179 branches, over 160 electronic banking centres nationwide, 884 ATMs, internet and mobile banking as well as a 24-hour contact centre, access to AmBank's products, services and solutions is made simple and user-friendly.

AmInvestment Bank

AmInvestment Bank, part of the AmBank Group, is Malaysia's leading investment banking with over 30 years of track record. It provides a full range of investment banking related services that includes Corporate Finance, Equity Markets, Debt Markets, Islamic Capital Markets, Markets, Funds Management, Private Equity and Private Banking.

Our experience and track record in the debt, equity and Islamic capital markets have won us the confidence of a large roster of corporates and other clients, and we have been repeatedly acknowledged by major industry awards in recent years including Best Domestic Bond House and Best Islamic Finance Deal of the Year from the international financial press including The Asset, Alpha Southeast Asia, and Islamic Finance News as well as major rating agencies.

AmInvest

AmInvest is the brand for the funds management business of AmBank Group which manages both conventional and Shariah-compliant funds. It is one of the leading fund management houses in Malaysia and has approximately RM38 billion assets under management ("AUM") as at 31 May 2014.

To date, AmInvest manages 89 funds (unit trust and institutional mandates), two exchange-traded funds ("ETF") and eight Private Retirement Scheme ("PRS") funds (three PRS core funds and five PRS non-core funds) encompassing both conventional and Shariah-compliant funds.

AmInvest has an award-winning track record spanning more than three decades. In 2013 alone, AmInvest received a record 20 local and international wins encompassing company and fund performance awards, out of which nine were dedicated Shariah-compliant acknowledgements.

AmGeneral Insurance Berhad

AmGeneral Insurance Berhad ("AmGeneral") is founded on a combined business of two former entities, AmG Insurance Berhad ("AmG") and Kurnia Insurans (Malaysia) Berhad ("KIMB") with the acquisition of KIMB by AmBank Group and IAG International Pty Ltd ("IAG") in September 2012. With our strengthened market position, AmGeneral stands as a pillar of the industry, representing stability and strength with exceptional product offering, distribution and customer service.

Together, AmAssurance and Kurnia insure around one in every five cars in Malaysia (about 18.4% of market share in Motor) and enjoy 10.7% market share for general insurance by gross written premium. With over four million customers, the company generates business from a comprehensive range of general insurance solutions distributed through a network of 32 AmAssurance and Kurnia branches, servicing 7,000 agents and dealers, as well as through AmBank's 179 branches nationwide.

AmIslamic Bank Berhad

AmIslamic Bank Berhad ("AmIslamic Bank") is the full-fledged Islamic banking subsidiary of AmBank Group. Established in May 2006, AmIslamic Bank has built a solid reputation in serving the banking needs of corporate and individuals since its beginnings as AmBank Group's Islamic Banking Division in 1993.

Being the first-to-market in the region through numerous product innovations, AmIslamic Bank provides a wide range of Shariah-compliant retail banking, business banking and related financial services, which also include investment advisory as well as treasury products. Striving to be the premier Islamic bank of choice, AmIslamic Bank continues to grow while providing our customers a complete range of innovative Shariah-compliant financial solutions.

AmMetLife

AmMetLife is a strategic partnership between AmBank Group and MetLife. AmMetLife offers a comprehensive range of life assurance and wealth protection solutions distributed through a combination of over 200 AmBank and AmMetLife branded branch offices, in addition to the strength of its authorised life insurance agents nationwide.

The strategic partnership combines the international expertise and financial strength of MetLife with the local strength and reach of AmBank Group to create a customer-centric and modern life assurance solutions provider in Malaysia.

AmMetLife Takaful

AmMetLife Takaful is a strategic partnership between AmBank Group and MetLife. The strategic partnership combines the international expertise and financial strength of MetLife with the local strength and reach of AmBank Group.

AmMetLife Takaful offers a comprehensive range of takaful solutions distributed by its authorised takaful agents and AmBank branches nationwide. With our passion for the provision of excellent services, together with a deep and respectful knowledge of Shariah principles and values, we aim to create a customer centric and modern takaful operator in Malaysia.

Profile of Directors

Y BHG TAN SRI AZMAN HASHIM
Non-Independent Non-Executive Chairman

Y Bhg Tan Sri Azman Hashim, a Malaysian, aged 75, was appointed to the Board of AMMB Holdings Berhad on 15 August 1991 and has been the Chairman of the Company since 1991. He is the Non-Independent Non-Executive Chairman of the Company.

Tan Sri Azman is also the Chairman of the board of several subsidiaries of the Company, namely AmBank (M) Berhad, AmInvestment Bank Berhad, AmIslamic Bank Berhad, AmGeneral Insurance Berhad, AmLife Insurance Berhad, AmFamily Takaful Berhad, AmGeneral Holdings Berhad, AmInvestment Group Berhad and AMFB Holdings Berhad.

Tan Sri Azman, a Chartered Accountant (FCPA), a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined Bank Negara Malaysia and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the board of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired AmInvestment Bank Berhad.

Tan Sri Azman is the Executive Chairman of Amcorp Group Berhad and Chairman of RCE Capital Berhad and Malaysian South-South Corporation Berhad. He serves as a member on the board of Pembangunan MasMelayu Berhad and the Asian Institute of Finance Berhad. Tan Sri Azman is also involved in several charitable organisations as Chairman and Trustee of AmGroup Foundation and Perdana Leadership Foundation and Trustee for Yayasan Azman Hashim, Yayasan Perpaduan Nasional, Malaysian Liver Foundation, Yayasan Tuanku Najihah and Yayasan Canselor Open University Malaysia. Tan Sri Azman is also the Founder and Council Member of Azman Hashim (L) Foundation and Azman Hashim Charitable (L) Foundation.

Tan Sri Azman is the Chairman of the Institute of Bankers Malaysia, Malaysian Investment Banking Association and

the Malaysia Productivity Corporation, Chairman Emeritus of Pacific Basin Economic Council (PBEC) International and Co-Chairman of Malaysia - Singapore Roundtable. He is the First Chairman of the Financial Services Professional Board. He is the President of Malaysia South-South Association, Malaysia - Japan Economic Association, Malaysian Prison FRIENDS Club, Non-Aligned Movement's (NAM) Business Council and Treasurer of Malaysia-Australia Foundation. He is a Member of the APEC Business Advisory Council, the Trilateral Commission (Asia-Pacific Group), the Malaysian-British and Malaysia-China Business Councils and East Asia Business Council. He is also the Leader of the ASEAN Japanese Business Meeting (Malaysia Committee, Keizai Doyukai) and is on the Board of Advisors of AIM Centre for Corporate Social Responsibility. He is the Pro-Chancellor of Open University of Malaysia, a member of the Governing Body of Asian Productivity Organisation and the International Advisory Panel of Bank Negara Malaysia International Centre for Education in Islamic Finance (INCEIF) and the Asian Banking School Sdn Bhd.

Y BHG DATO' AZLAN HASHIM
Non-Independent Non-Executive
Deputy Chairman

Y Bhg Dato' Azlan Hashim, a Malaysian, aged 72, was appointed to the Board of AMMB Holdings Berhad on 12 February 1992 and has been the Deputy Chairman of the Company since 1992. He is a Member of the Company's Group Information Technology Committee and Audit and Examination Committee.

Dato' Azlan is currently the Non-Executive Chairman of AmFraser International Pte Ltd, AmFraser Securities Pte Ltd, AmInternational (L) Ltd, PT. AmCapital Indonesia and Am Ara REIT Managers Sdn Bhd. He also serves on the boards of Am Ara REIT Holdings Sdn Bhd, Metrod Holdings Berhad, Paramount Corporation Berhad, Sapura Industrial Berhad and Kesas Holdings Berhad. He is a Trustee of AmGroup Foundation.

Dato' Azlan served the Malayan Railways from 1966 to 1971, where he was the Chief Accountant for two years. In 1972, he became a Partner of a public accounting firm, Azman Wong Salleh & Co., and was a Senior Partner there prior to joining Amcorp Properties Berhad's board from 1982 to July 2007.

Dato' Azlan is a Fellow of the Institute of Chartered Accountants (Ireland), Economic Development Institute, World Bank, Washington D.C., U.S.A. and Institute of Bankers Malaysia. He is also a Certified Public Accountant.

Profile of Directors

Y A BHG TUN MOHAMMED HANIF BIN OMAR
Non-Independent Non-Executive Director

Y A Bhg Tun Mohammed Hanif bin Omar, a Malaysian, aged 75, was appointed to the Board of AMMB Holdings Berhad on 6 May 1994. He is a Member of the Company's Group Nomination and Remuneration Committee.

Tun Mohammed Hanif is also a Board member of the Company's subsidiaries, namely, AmBank (M) Berhad, AmIslamic Bank Berhad, AmInvestment Bank Berhad and AMFB Holdings Berhad. He is currently the Deputy Executive Chairman of Genting Berhad and Genting Malaysia Berhad and a board member of Genting Overseas Holdings Ltd. He was the Inspector-General of the Royal Malaysia Police for 20 years until his retirement in January 1994. He has received honorary awards from Malaysia, Indonesia, Thailand, Singapore, Brunei and the Philippines for his invaluable contribution towards the region's security.

He has been the President of the Malaysian Institute of Management since 2001. He is also the President of the Malaysian Branch of the Royal Asiatic Society. He is a member of the Malaysian Equine Council and a Council Member of the Malaysian Crime Prevention Foundation. In addition, he is the Chairman of the Lembaga Pemegang Amanah Yayasan Tun Razak, a member of the Board of Trustees of the Malaysian Liver Foundation, Yayasan DayaDiri, Yayasan Gagasan Melayu Perak, The MCKK Foundation and The Community Chest, Malaysia.

Tun Mohammed Hanif received his Bachelor of Arts from the then University of Malaya, Singapore in 1959, Bachelor of Laws (Honours) from Buckingham University, United Kingdom in 1986 and Certificate of Legal Practice (Honours) from the Legal Qualifying Board in 1987.

He was conferred the Honorary Doctorate of Law by Universiti Kebangsaan Malaysia in 1992, Honorary Doctorate of Philosophy (Internal Security) by Universiti Pertahanan Nasional Malaysia on 2 October 2011 and Honorary Doctorate of Law by the University of Buckingham on 16 March 2012.

Y BHG TAN SRI DATUK CLIFFORD FRANCIS HERBERT
Senior Independent Non-Executive Director

Y Bhg Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 72, was appointed to the Board of AMMB Holdings Berhad on 16 April 2004. He is the Chairman of the Company's Group Risk Management Committee and Group Nomination and Remuneration Committee and a Member of the Company's Audit and Examination Committee.

Tan Sri Datuk Herbert at present sits on the boards of AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad, Genting Malaysia Berhad, Moet Hennessy Diageo Malaysia Sdn Bhd and FIDE Forum.

Tan Sri Datuk Herbert joined the Malaysian Civil Service in 1964 as Assistant Secretary in the Public Services Department from 1964 to 1968. Subsequently, he served in the Ministry of Finance from 1975 to 1997, culminating as Secretary General to the Treasury. He retired from the civil service in 1997.

As Secretary General in the Ministry of Finance, he was also appointed as alternate Governor of the World Bank. From 1994 to 2000, Tan Sri Datuk Herbert was the Chairman of KL International Airport Berhad which built the Kuala Lumpur International Airport. He had been a board member of numerous statutory bodies and government related public companies among them being Kumpulan Khazanah Nasional Berhad, Malaysian Airline System Berhad, Petroliam Nasional Berhad, Bank Negara Malaysia, the Securities Commission Malaysia and Chairman of Percetakan Nasional Malaysia Berhad. Additionally, Tan Sri Datuk Herbert is also involved in several non-governmental organisations.

Tan Sri Datuk Herbert holds a Master of Public Administration from University of Pittsburgh, U.S.A., and a Bachelor of Arts (Honours) from the University of Malaya.

Profile of Directors

Y BHG TAN SRI DATUK DR ARIS OTHMAN
Independent Non-Executive Director

Y Bhg Tan Sri Datuk Dr Aris Othman, a Malaysian, aged 69, was appointed to the Board of AMMB Holdings Berhad on 1 April 2004. He is the Chairman of the Company's Audit and Examination Committee and a Member of the Group Risk Management Committee and Group Nomination and Remuneration Committee.

Tan Sri Datuk Dr Aris is also a board member of the Company's subsidiary, AmInvestment Bank Berhad. He is currently a Director of YTL Power International Berhad.

Tan Sri Datuk Dr Aris had served in various positions in the Economic Planning Unit, Prime Minister's Department from 1966 to 1986. He was seconded to Bank Bumiputra Malaysia Berhad, Kuala Lumpur as Chief General Manager (Corporate Planning, Financial Subsidiaries, Treasury and Human Resources) from 1986 to 1989. From 1989 to 1999, Tan Sri Datuk Dr Aris was with the Ministry of Finance, during which he had served as Executive Director (South-East Asia Group) of the World Bank, Washington D.C., U.S.A. from 1991 to 1994 and Secretary General to the Treasury from 1998 to mid-1999. This was followed by a career in banking, where he had held the positions of Executive Chairman and Managing Director/Chief Executive Officer of Bank Pembangunan dan Infrastruktur Malaysia Berhad. He was also the Chairman of Malaysia Airports Holdings Berhad, and Malaysia Design and Innovation Centre, Cyberjaya.

Tan Sri Datuk Dr Aris holds a PhD in Development Economics and a Master of Arts in Political Economy both from Boston University, Massachusetts, a Master of Arts in Development Economics from Williams College, Massachusetts, and a Bachelor of Arts (Honours) in Analytical Economics from University of Malaya.

Y BHG DATO' ROHANA TAN SRI MAHMOOD
Independent Non-Executive Director

Y Bhg Dato' Rohana Tan Sri Mahmood, a Malaysian, aged 60, was appointed to the Board of AMMB Holdings Berhad on 8 July 2011. She is a Member of the Company's Group Nomination and Remuneration Committee and Group Information Technology Committee.

Dato' Rohana is also a board member of the Company's subsidiary, AmInvestment Bank Berhad. Dato' Rohana is the Chairman/Partner/Director and Founder of RM Capital Partners, a Malaysian private equity fund. She was the Chairman and co-founder of Ethos Capital, a Malaysian private equity fund since 2007. The fund successfully ended in November 2012.

Dato' Rohana is a member of Global Council of the Asia Society, New York, member of Advisory Board of ACE Limited International, New York, member of APEC Business Advisory Council (ABAC) of Malaysia and a board member of Pacific Basin Economic Council Malaysia (PBECM).

Dato' Rohana is a Director of Sime Darby Berhad and Paramount Corporation Berhad, listed companies and Chairman/Director and Founder of RMCP One Sdn Bhd. She is also a board member of various private companies including Sime Darby Energy & Utilities Sdn Bhd, Sime Darby Industrial Sdn Bhd, KDU University College Sdn Bhd, YIM Technology Resources Sdn Bhd and RM Capital Partners & Associates Sdn Bhd.

Dato' Rohana is the President Emeritus and founding member of the Kuala Lumpur Business Club, an exclusive (by invitation only) networking, and business development organisation limited to 100 members of Malaysia's leading corporate and business leaders. She is a Distinguished Fellow and board member of the Institute of Strategic and International Studies (ISIS) Malaysia. Prior to ISIS, Dato' Rohana was attached to the Ministry of Foreign Affairs Malaysia.

Dato' Rohana holds a Bachelor of Arts (Honours) in Politics, Essex University and Master's degree in International Relations, Sussex University, United Kingdom.

Profile of Directors

Y BHG DATO' LARRY GAN NYAP LIOU @ GAN NYAP LIOW
Independent Non-Executive Director

Y Bhg Dato' Larry Gan Nyap Liou, a Malaysian, aged 59, was appointed to the Board of AMMB Holdings Berhad on 15 March 2012. He is the Chairman of the Company's Group Information Technology Committee and a Member of the Audit and Examination Committee and Group Nomination and Remuneration Committee.

Dato' Larry Gan is currently the Chairman of Cuscapi Berhad, Catcha Media Berhad and the Chief Executive Officer/Managing Director of Formis Resources Berhad. He sits on the boards of AmBank (M) Berhad, AmIslamic Bank Berhad, Tanjong Public Limited Company, Saujana Resort (M) Berhad, Tropicana Corporation Berhad (formerly known as Dijaya Corporation Berhad) and other private limited companies. Dato' Larry Gan is also a director of the Minority Shareholders Watchdog Group and the Chairman of the British Malaysian Chamber of Commerce.

Dato' Larry Gan was with Accenture, a global management and technology consulting firm for 26 years until his retirement in December 2004. He held many global leadership positions including Managing Partner of Asia and Corporate Development Asia Pacific. He was the Chairman of the CEO Advisory Council and a member of the Global Management Council from 1997 to 2004.

He previously served as Chairman of the Association of Computer Industry Malaysia (PIKOM), and as a member of the Ministry of Science and Technology Think Tank, Copyright Tribunal and the Labuan International Financial Exchange Committee.

Dato' Larry Gan is a Certified Management Consultant and a Chartered Accountant.

MR SHAYNE CARY ELLIOTT
Non-Independent Non-Executive Director

Mr Shayne Cary Elliott, a New Zealander, aged 50, was appointed to the Board of AMMB Holdings Berhad on 18 June 2013.

Mr Elliott is currently a director of ANZ Holdings (New Zealand) Limited and ANZ Bank New Zealand Limited. Mr Elliott has been the Chief Financial Officer of Australia and New Zealand Banking Group Limited ("ANZ") since June 2012. He is responsible for all aspects of Finance as well as Legal, Treasury and Investor Relations. In this role, Mr Elliott also has responsibility for Group Strategy and Mergers and Acquisitions.

Prior to this role, Mr Elliott was Chief Executive Officer, Institutional, overseeing all businesses that deal with ANZ's large business, corporate and institutional customers.

Mr Elliott joined ANZ in June 2009. Previously, he was Chief Operating Officer, EFG Hermes, the largest investment bank in the Middle East. He was responsible for corporate strategy, risk, human resources, marketing and implementing governance and business management processes.

Mr Elliott was previously with Citigroup where he held various senior positions across geographies and business sectors over the course of 20 years. Some of the roles he held during his time at Citigroup include: Chief Executive Officer Global Transaction Services Asia Pacific, Chief Executive Officer Corporate Bank Australia/New Zealand and Country Corporate Officer, Vice President Strategic Planning New York, Head of Investor Derivative Sales London and Head of New Zealand Derivatives Sales and Trading.

Mr Elliott holds a Bachelor of Commerce, Management Studies and Finance from the University of Auckland, New Zealand.

Profile of Directors

MR MARK DAVID WHELAN
Non-Independent Non-Executive Director

Mr Mark David Whelan, an Australian, aged 54, was appointed to the Board of AMMB Holdings Berhad on 2 January 2009. He is a Member of the Company's Group Risk Management Committee.

He is currently the Managing Director, Corporate and Commercial Banking (Australia) of Australia and New Zealand Banking Group Limited ("ANZ").

Mr Whelan has held roles across Australia, Singapore and Hong Kong. He joined ANZ in November 2004 as Head of Sales, Markets before taking on the role of Joint Managing Director, Markets in 2005 and then Managing Director, Institutional Asia in 2007. In this role, Mr Whelan was the Managing Director of ANZ's Institutional, Commercial and Private Bank businesses in Asia Pacific, Europe & America (APEA) and was based in Hong Kong. Within this capacity, Mr Whelan's responsibilities included a full range of ANZ corporate, institutional and commercial financial products and services throughout APEA. His duties also included Relationship Banking, Specialised Lending, Markets and Transaction Banking across the region.

In his current role as Managing Director Corporate and Commercial Banking (Australia), Mr Whelan is a key member of the Australia Leadership Team. His team delivers customer solutions for the Corporate and Commercial market through dedicated managers focusing on Corporate Business, Small Business and Agri Business segments. It also includes Esanda Finance, one of Australia's leading asset finance companies.

Prior to joining ANZ, Mr Whelan worked at Westpac Bank where he held several senior roles including General Manager, Global Investor Sales and General Manager, Institutional Banking, Victoria. Within this capacity, his responsibilities included distribution of Markets products into the Commercial segment. Before joining Westpac Bank, Mr Whelan worked for Citibank and Caterpillar.

Mr Whelan holds a Graduate Diploma in Taxation and a Diploma in Accounting from the Royal Melbourne Institute of Technology. He is a Fellow of the Certified Practicing Accountants, and a member of the Financial Treasury Association Limited, the Australian Financial Markets Association and the Australian Institute of Company Directors.

MR GILLES PLANTÉ
Non-Independent Non-Executive Director

Mr Gilles Planté, an Australian/French, aged 50, was appointed to the Board of AMMB Holdings Berhad on 8 October 2012. He is a Member of the Company's Group Nomination and Remuneration Committee and Audit and Examination Committee.

Mr Planté is currently the Deputy Chief Executive Officer ("CEO") International & Institutional Banking ("IIB"), Australia and New Zealand Banking Group Limited ("ANZ") and Chairman, Australia and New Zealand Bank (China) Company Limited (ANZ China). He is also responsible for Treasury for the IIB of ANZ.

In this role, Mr Planté has responsibility to improve delivery to customers across all segments and geographies. This includes direct responsibility for Customer Strategy, Solutions & Execution, Marketing, Communications & Corporate Affairs, Economics & Research, Treasury and Asia Partnerships across the 33 markets where ANZ does business.

Mr Planté joined ANZ in 1997 after 10 years in Paris, Tokyo, New York and Singapore, predominantly with Credit Suisse.

During his time at ANZ, Mr Planté has held a number of roles including CEO Asia Pacific, CEO North East Asia, Europe & America and CEO Asia. He was previously Managing Director, Markets, Head of Trading - Markets, Head of Financial Markets - Europe and America and Global Head of Currency and Commodity Derivatives. He had previously served on the board of Esanda.

Mr Planté holds a Master of Science from Ecole Spéciale de Méchanique et d'Electricité (ESME) in Paris.

Profile of Directors

MR SOO KIM WAI
Non-Independent Non-Executive Director

Mr Soo Kim Wai, a Malaysian, aged 53, was appointed to the Board of AMMB Holdings Berhad on 4 October 2002. He is a Member of the Company's Group Nomination and Remuneration Committee.

Mr Soo is currently the Group Managing Director of Amcorp Group Berhad. He joined Amcorp Group Berhad in 1989 as Senior Manager, Finance, and has since held various positions before he was promoted to his current appointment. Prior to that, he was with Plantation Agencies Sdn Bhd from 1985 to 1989, and in the accounting profession for five years with Deloitte KassimChan from 1980 to 1985.

Mr Soo sits on the boards of RCE Capital Berhad, Amcorp Properties Berhad, ECM Libra Financial Group Berhad and other private limited companies and foreign companies. He is also a board member of the British Malaysian Chamber of Commerce.

Mr Soo is a Chartered Accountant (Malaysian Institute of Accountants), a Certified Public Accountant (Malaysian Institute of Certified Public Accountants), Fellow of the Certified Practising Accountant (CPA), Australia and Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom.

MR ASHOK RAMAMURTHY
Group Managing Director

Mr Ashok Ramamurthy, an Australian, aged 52, was appointed to the Board of AMMB Holdings Berhad on 2 April 2012 and is currently the Group Managing Director ("Group MD") of the Company. He is also the Chief Executive Officer of AmBank (M) Berhad.

Mr Ramamurthy also sits on the board of AmInvestment Bank Berhad, AmIslamic Bank Berhad and AmLife Insurance Berhad.

He joined the Company as the Chief Financial Officer ("CFO") in July 2007 and was subsequently appointed the Deputy Group MD and CFO in October 2008.

Prior to his appointment as Group MD, Mr Ramamurthy has worked with Australia and New Zealand Banking Group Limited ("ANZ") for circa 23 years, across multiple geographies including New Zealand, Australia, India and Malaysia. His functional expertise is built around finance at the core, and blended with risk management, operations and shared services, and strategy and change management. He has direct experience as the CFO and/or Chief Operating Officer in a number of ANZ businesses including Commercial Banking, Markets and Treasury, Funds Management and Insurance, Wealth Management, Banking Products and Transaction Services, and Personal/Retail Banking. He has been successful in developing and executing transformational agendas in his career.

Mr Ramamurthy has a Post Graduate Diploma in Business Administration XLRI, India (MBA equivalent) and Bachelor of Commerce (Accounting), University of Madras. He is a Fellow of the Financial Services Institute of Australasia – Fellowship from FINSIA.

Profile of Directors

MR ALISTAIR MARSHALL BULLOCH
(Alternate Director to Mr Shayne Cary Elliott, Mr Mark David Whelan and Mr Gilles Planté)

Mr Alistair Marshall Bulloch, a British, aged 56, is the Alternate Director to Mr Shayne Cary Elliott, Mr Mark David Whelan and Mr Gilles Planté.

He is currently the Managing Director, Partnerships, International & Institutional of Australia and New Zealand Banking Group Limited ("ANZ").

Mr Bulloch is responsible for developing critical government and other relationships, taking a lead role in management across Asia Pacific, Europe and America on behalf of the group. He is Head of the ANZ Partnership and represents ANZ on all major boards.

Prior to this role, Mr Bulloch was the Deputy Chief Executive Officer of Asia Pacific, Europe and America (APEA) and the Chief Executive Officer of North East Asia of ANZ. He was responsible for driving growth and innovation in ANZ's businesses and partnerships in China, Hong Kong, Taiwan, Japan and Korea.

He is the Chairman and Director of ANZ Bank (Vietnam) Limited, ANZ Insurance Broker Co. Ltd. (Taiwan), ANZ Royal Bank (Cambodia) Ltd, ANZ Bank (Taiwan) Limited, Chongqing Liangping ANZ Rural Bank Co. Ltd (China) and Votraint No.1103 Pty Ltd, a Director of ANZ Asia Limited, ANZ International (Hong Kong) Limited, ANZ IPB Nominees (Hong Kong) Limited, United (Combodia) Land Company Ltd, ANZ Bank (Europe) Limited (United Kingdom), ANZ Bank (Lao) Limited, ANZ Capital (PVT) Limited (India), ANZ Pensions (UK) Limited, ANZ V-Trac International Leasing Company, Bank of Tianjin (China), Jikk Pty Ltd., Saigon Securities Inc. (Vietnam) and Shanghai Rural Commercial Bank (China).

Mr Bulloch was the Head of Wholesale and Commercial Banking in Korea for Standard Chartered First Bank. He has more than 20 years' banking experience and was previously Head of Client Relationships in both China and Taiwan. Mr Bulloch spent his childhood and a considerable part of his earlier career in Hong Kong and has also worked in the Middle East and Ireland.

He holds a Bachelor of Arts (Honours) in Business Studies from Dundee College of Technology, Scotland.

Additional Information:

None of the Directors has any family relationships with other Directors or major shareholders of the Company, except as disclosed herein.

Y Bhg Tan Sri Azman Hashim and Y Bhg Dato' Azlan Hashim are brothers.

Y Bhg Tan Sri Azman Hashim is the Executive Chairman and a substantial shareholder of Amcorp Group Berhad ("Amcorp"), which in turn is a substantial shareholder of AMMB Holdings Berhad ("AMMB").

Y Bhg Tan Sri Azman Hashim is a Director of Clear Goal Sdn Bhd, his family-owned company, which is deemed a substantial shareholder of AMMB by virtue of its interest in Amcorp.

Mr Soo Kim Wai is the Group Managing Director of Amcorp, which is a substantial shareholder of AMMB.

Mr Shayne Cary Elliott, Mr Mark David Whelan and Mr Gilles Planté are Board representatives of Australia and New Zealand Banking Group Limited, which is deemed a substantial shareholder of AMMB by virtue of its interest in ANZ Funds Pty Ltd, a substantial shareholder of AMMB.

None of the Directors has been convicted for offences within the past 10 years. None of the Directors has any conflict of interest with the Company other than as announced or set out in Note 43 to Financial Statements under "Significant Related Party Transactions and Balances".

Group Managing Director and Direct Reports

Ashok Ramamurthy
Group Managing Director
AmBank Group
Chief Executive Officer
AmBank (M) Berhad

Datuk Mohamed Azmi Mahmood
Deputy Group Managing Director
AmBank Group
Acting Chief Executive Officer, Islamic Banking
AmIslamic Bank Berhad

From left to right:

Dato' James Lim Cheng Poh
Managing Director, Group Managing Director's Office
AmBank (M) Berhad

Paul David Lewis
Managing Director, Retail Banking
AmBank (M) Berhad

Kok Tuck Cheong
Managing Director/ Chief Executive Officer, Wholesale Banking Products
AmInvestment Bank Berhad

Pushpa Rajadurai
Managing Director, Wholesale Banking Coverage
AmBank Group

Nigel Christopher William Denby
Chief Risk Officer
AmBank Group

Mandy Jean Simpson
Chief Financial Officer
AmBank Group

Thein Kim Mon
Chief Internal Auditor
AmBank Group

Fauziah Yacob
Chief Human Resource Officer
AmBank Group

Ross Neil Foden
Chief Operations Officer
AmBank Group

Charles Tan Keng Lock
Chief Information Officer
AmBank Group

Chief Executive Officers of other Business Subsidiaries

Travis William Atkinson
Chief Executive Officer
AmGeneral Insurance Berhad

Paul Low Hong Ceong
Chief Executive Officer
AmMetLife

Wan Zamri Wan Zain
Chief Executive Officer
AmMetLife Takaful

Corporate Governance

The Board of Directors of the Company ("Board") is fully committed to ensuring that the Company continues to maintain the highest standards in corporate governance, with a view to continuously enhance the value of stakeholders.

The Board provides guidance and oversight of the Group's strategic agenda and its operations and acknowledges its overriding responsibility to act diligently and responsibly, in accordance with applicable legislations and regulations in serving the interests of shareholders, as well as its customers, employees and the community at large.

The Company subscribes to and conforms to the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), save for the exception to the following recommendations, which are explained further under the caption on Board Composition and Tenure, respectively in this statement hereinbelow –

- the board must comprise a majority of independent directors where the chairman of the board is not an independent director.
- the tenure of an independent director should not exceed a cumulative term of nine (9) years.

BOARD OF DIRECTORS

Roles and Responsibilities of the Board

- Reviewing and approving the strategic business plans of the Group as a whole and that of the individual operating units. This encompasses the annual budget, medium term aspirations, new investments/divestments as well as mergers and acquisitions.
- Overseeing the conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to, credit, financial, market, liquidity, operational, legal and reputational risks.
- Reviewing the adequacy and the integrity of internal controls and management information systems, including systems for compliance with applicable laws, rules, regulations, directives and guidelines.
- Serving as the ultimate approving authority for all significant financial expenditure.

Chairman and Group Managing Director

The roles of the Chairman and Group Managing Director remain separate and are clearly distinct. The Chairman of the Board is non-independent and non-executive.

The Chairman plays an important leadership role within the Group and is involved in:

- Chairing the meetings of Shareholders and the Board;
- Monitoring the performance of the Board and the mix of skills and effectiveness of individual Board members' contribution; and
- Maintaining on-going dialogue with the Chief Executive Officers of the various major subsidiaries and providing appropriate mentoring and guidance.

The Board delegates the authority and responsibility for managing the everyday affairs of the Group to the Group Managing Director and through him and subject to his oversight, to other Senior Management. The Board monitors the management and performance of the Group Managing Director on behalf of the shareholders.

Board Composition

The Board is chaired by a Non-Independent Non-Executive Director and currently comprises twelve (12) Directors, four (4) of whom are Independent Non-Executive Directors. The Board continues to achieve a balance of skills, knowledge, experience and perspective among its Directors.

Recommendation 3.5 of the MCCG 2012 provides that the board should comprise a majority of Independent Directors if the Chairman is not an Independent Director.

Notwithstanding that the Board consists of majority of Non-Independent Non-Executive Directors, the Board strongly believes that all the Directors act in the best interest of all stakeholders.

Selection of Directors:

Board Independence

The Independent Non-Executive Directors are from varied business backgrounds. Their experience enables them to exercise independent judgment and objective participation in the proceedings and decision-making processes of the Board.

Decision-making on key issues regarding the Company and its subsidiaries are fully deliberated by the Directors. Board decisions are made taking into account the views of the Independent Non-Executive Directors, which carry substantial weight.

They fulfill their roles in ensuring that strategies proposed by the Management are fully discussed and examined as well as ensuring that the interest of shareholders and stakeholders of the Company are safeguarded.

Independence

In accordance with the criteria as specified under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Group Nomination and Remuneration Committee and the Board establish whether or not a Non-Executive Director may have a relationship with AmBank Group which could affect their decision-making.

Re-election at Next Annual General Meeting

The Company's Articles of Association permits the Board to appoint a person to be a Director of the Company at any time, but the person must seek re-election by shareholders at the next Annual General Meeting ("AGM").

Tenure

The Articles of Association provides that all Directors must retire at least once in three years and may be re-elected at the AGM.

Recommendation 3.2 of the MCCG 2012 states the tenure of an independent director should not exceed a cumulative term of 9 years. This is in line with the existing policy of the Company which states that an Independent Non-Executive Director shall serve up to a maximum of nine (9) years and any exception to the same will be subject to the recommendation of the Group Nomination Committee and the approval of the Board of Directors.

In this respect, the Board, with the recommendation of the Group Nomination Committee has approved the continuation of the tenure of Y Bhg Tan Sri Datuk Clifford Francis Herbert and Y Bhg Tan Sri Datuk Dr Aris Othman whose service on the Board reached nine (9) years on 15 April 2013 and 31 March 2013 respectively. Both Directors have demonstrated their independence and exercise of objective judgement. The Group Nomination Committee and the Board are confident that both Directors will continue to uphold their independent participation and judgement notwithstanding their length of service.

Selection of Directors

Performance Evaluation

Performance evaluations are conducted annually and cover the Board, each Director and the Board Committees. The framework used to assess the Directors is based on the expectation that they are performing their duties in a manner which should create and continue to build sustainable value for shareholders and in accordance with duties and obligations imposed upon them under the law and guidelines issued by the regulatory authorities.

Directors' Training & Development Needs

The Board recognised the importance of training and development needs of the Directors which play a vital role in helping the Directors to update and enhance their skills and knowledge with the aim for the Directors to discharge their duties effectively and efficiently.

The Group's Learning and Development Centre undertakes the role as the training co-ordinator to manage and co-ordinate the Directors' training requirements, which covers the following:-

- Regulatory
  - Pursuant to the listing requirements of Bursa Malaysia, a newly appointed Director is required to attend the Mandatory Accreditation Programme ("MAP") within four (4) months of his/her appointment.
  - The new Directors participate in the induction programme which allows the Directors to meet with AmBank Group senior executives and other key staff members and be accustomed with the Group's governance framework, financial management and business operations.

Corporate Governance

- The Group has adopted the FIDE programme as a core training for its Directors. The FIDE programme is a governance programme which focus on roles, responsibilities and key issues faced by the boards of financial institutions to ensure effective corporate governance, constructive strategy review, robust risk management, strong internal controls and accurate financial reporting and proactive stakeholder engagement.

- Electives

  Upon completion of the FIDE Core Program, Board Members are eligible to attend Elective Programs organised by ICLIF, as follows –

  - FIDE Electives Programs
    - Technical Programs
    - Governance Programs
    - Soft Skills Programs

  - Non-FIDE half-day programs
    - Compliance & Anti Money Laundering/Anti Terrorism Financing ("AML/ATF")
    - Corporate Governance
    - Risk Management

- Enrichment

  Overall, the training programs are conducted with the objective:-

  - To support continuous learning for Board Members
  - To keep abreast with current development in the marketplace
  - To get updates on new statutory and regulatory requirement

Seminars, conferences and training courses attended by the Directors during the financial year included among others, the following areas –

Board Competency
Mandatory Accreditation Programme

Corporate Governance
FIDE: Core Programme Module A and Module B
FIDE Elective Program – Nomination and Remuneration Committee
Fraud Detection & Prevention – A Necessity, Not a Choice

Risk Management/Legal and Regulatory Framework
Anti-Money Laundering for Board of Directors
Financial Services Act, 2013 and Islamic Financial Services Act, 2013
Operational Risk Management Workshop
Data Protection Act and Competition Act

Level and Make-Up of Remuneration: Remuneration Framework

The remuneration framework is designed to ensure that the Group continues to attract and retain Directors and other Senior Management staff with appropriate skills and experience to manage the Group successfully. The Board determines the remuneration of Non-Executive Directors, Executive Directors, and other Senior Management staff of the Group, with the interested Directors abstaining from discussions with respect to their remuneration.

Access to Directors

The Management is able to consult the Directors as required on a regular basis. Employees and shareholders have access to Directors through the Chairman, the Senior Independent Non-Executive Director and the Group Company Secretary.

Access to Information

In the discharge of their duties, all Directors have complete and unrestricted access to information pertaining to the Group.

The advice and services of the Group Company Secretary are readily available to the Board in matters of governance and in complying with statutory duties, including compliance with the Main Market Listing Requirements of Bursa Malaysia.

In order to assist Directors in fulfilling their responsibilities, each Director has the right to seek independent professional advice regarding his responsibilities at the expense of the Group. In addition, the Board and each Board Committee, at the expense of the Group, may obtain professional advice that they require to assist in their work.

Group Company Secretary

The Group Company Secretary reports directly to the Board and is the source of guidance and advice to the Directors on areas of corporate governance, relevant legislations, regulations and policies, besides ensuring compliance with the Main Market Listing Requirements of Bursa Malaysia and other regulatory requirements.

The Group Company Secretary attends Board and Board Committees meetings and is responsible for the accuracy and adequacy of records of the proceedings of Board and Board Committees meetings and resolutions.

Board Meetings

The Board meets a minimum of ten (10) times per year, wherein Board reports are circulated prior to the meetings, allowing the Directors to review further information that may be required. Additional Board meetings are convened whenever necessary. The Senior Management team of the subsidiaries are invited to attend Board meetings to provide presentations and detailed explanations on matters that have been tabled.

Twelve (12) Board meetings were held during the financial year ended 2014 ("FY2014"). The attendance of every Board member at the meetings of the Board and the various Board Committees is as set out below:

Number of Meetings Attended in FY2014

	Board of Directors	Audit and Examination Committee	Group Risk Management Committee	Group Information Technology Committee	Group Nomination and Remuneration Committee
Tan Sri Azman Hashim	12 (Chairman)	N/A	N/A	N/A	N/A
Dato' Azlan Hashim	9	5	N/A	2	N/A
Tun Mohammed Hanif bin Omar	11	N/A	N/A	N/A	9
Tan Sri Datuk Clifford Francis Herbert	7	5	4 (Chairman)	N/A	7 (Chairman)
Tan Sri Datuk Dr Aris Osman @ Othman	12	7 (Chairman)	7	N/A	10
Dato' Rohana binti Mahmood	12	N/A	N/A	3	10
Dato' Gan Nyap Liou @ Gan Nyap Liow	10	6	N/A	3 (Chairman)	10
Shayne Cary Elliott	8	N/A	N/A	N/A	N/A
Mark David Whelan	11	N/A	7	N/A	N/A
Gilles Planté	11	7	N/A	N/A	9
Soo Kim Wai	12	N/A	N/A	N/A	10
Ashok Ramamurthy	12	N/A	N/A	3	N/A
Number of meetings held in FY2014	**12**	**7**	**7**	**3**	**10**

Notes:
1. All attendances reflect the number of meetings attended during the Directors' tenure of service.
2. N/A represents non-committee member.

Board Committees

The Board delegates certain responsibilities to the Board Committees. The Committees that assist the Board are as follows:

1. Group Nomination and Remuneration Committee
2. Audit and Examination Committee
3. Group Risk Management Committee
4. Group Information Technology Committee

The criteria for the membership are based on a Director's skills and experience, as well as his ability to add value to the Board Committee.

The Group Managing Director, the Chief Executive Officers and other Senior Management staff are invited to attend the relevant Board Committee meetings.

Group Nomination and Remuneration Committee

The Committee comprises seven (7) members, all of whom are Non-Executive Directors with a majority of Independent Directors and chaired by an Independent Non-Executive Director. The Committee is responsible for:

- Regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Company with regard to any changes that are deemed necessary.

- Recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.

Corporate Governance

- On an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board.

- Recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff with the relevant experience and expertise needed to assist in managing the Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

- To implement Executives' Share scheme (the "Scheme") in accordance with the By-Laws of the Scheme as approved by the Shareholders of the Company.

The Committee met ten (10) times during FY2014.

Group Information Technology Committee

Group Information Technology Committee ("GITC") comprises four (4) members, two (2) of whom are Independent Non-Executive Directors. The Committee is responsible to provide governance for Information Technology and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy. GITC's key responsibilities include the following:

- To provide strategic direction for IT development within the Group and ensuring that IT strategic plans are aligned with the Group's business objectives and strategy.

- To ensure the establishment of Groupwide IT policies, procedures and frameworks including IT security and IT risk management.

- To provide oversight of the Group's long term IT strategic plans and budgets.

- To establish and monitor the overall performance, efficiency and effectiveness of IT services including performance metrics.

- To review the adequacy and utilisation of the Group's IT resources including computer hardware, software, personnel and other IT related investments.

- To advise the Board on IT related issues; and

- To review and approve allowed deviations under BNM guidelines.

There were three (3) meetings held during FY2014.

RISK MANAGEMENT

Group Risk Management Committee

The Group Risk Management Committee oversees the adequacy of risk management within the Group.

The membership of the Committee comprises three (3) members, all of whom are Non-Executive Directors and is chaired by an Independent Non-Executive Director. The responsibilities of the Committee include the review and evaluation of:

- Senior Management's activities in managing risk;

- High-level risk exposures and portfolio composition;

- The Company/Group's major risk strategies, policies and risk tolerance standards; and

- The overall effectiveness of the risk management and control infrastructure.

There were seven (7) meetings held during the FY2014.

ACCOUNTABILITY AND AUDIT

Audit and Examination Committee

The Audit and Examination Committee ("AEC") is responsible for the oversight and monitoring of:

- The Group's financial reporting, accounting policies and controls;

- The Group's Internal Audit functions;

- Compliance with regulatory requirements;

- The appointment, performance evaluation, transfer and dismissal of the Chief Internal Auditor; and

- The appointment, scope of work and evaluation of the external auditor.

It is the Board's policy that at least one (1) member of the AEC shall have an accounting qualification or experience in the field of finance. The AEC meets regularly with the external auditor and Group Internal Audit.

The AEC met seven (7) times during the FY2014.

Financial Controls

Responsibility Statement

The Board of Directors is required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the Group and its state of affairs, results and cash flows at the end of the financial year. Following discussions with the statutory external auditors, the Directors are of the view that the appropriate accounting policies are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements.

The Board of Directors is responsible for ensuring that the Group keeps accounting records which are disclosed with reasonable accuracy, and for ensuring that the financial statements comply with the Companies Act, 1965.

The Board and Board Committees have the general responsibility for taking such steps to safeguard the assets of the Group.

The Group's Statement on Risk Management and Internal Control is set out on pages 56 to 57 of this Annual Report.

Audit and Examination Committee ("AEC") Report

Terms of Reference

The functions of the AEC are as follows:

1) To provide independent oversight of the Company/Group's financial reporting and internal control system, and ensuring checks and balances within the Company/Group.

2) To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by the Management to the Board and Shareholders.

3) To review the quarterly results and year-end financial statements of the Company/Group to ensure compliance with accounting standards and legal requirements, and to ensure fair and transparent reporting and prompt publication of the financial accounts.

4) To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct, and protecting the assets of the Company/Group.

5) To evaluate the adequacy and effectiveness of the Management control systems of the Company/Group through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses, and to determine that appropriate corrective actions are being taken by the Management.

6) To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors.

7) To ensure through discussions with the external and internal auditors that no restrictions are being placed by the Management and employees on the scope of their examinations.

8) To ensure that audit of specialised areas is adequate by directing the engagement of external experts to carry out the review, if required and ensure that the terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established.

9) To ensure the adequacy and appropriateness of the scope, functions and resources of the internal audit and that they have the necessary authority to carry out their work.

10) To establish a mechanism to assess the performance and effectiveness of the internal audit function.

11) To direct and supervise any special project or investigation considered necessary.

12) To review any related party transaction and conflict of interest situation that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity.

13) To review and approve the Internal Audit Charter of the Company.

14) To prepare when deemed necessary, periodic reports to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.

15) To review the annual appointment of the external auditors, or resignation or removal of external auditors, to approve the provision of non-audit services by external auditors, to negotiate and approve the annual audit fees or special audit fees and/or non-audit service fees.

16) To review the appointment, performance evaluation, transfer and dismissal, and remuneration of the Chief Internal Auditor.

Summary of Key Activities

The following is a summary of the main activities carried out by the Committee during the year:

Internal Audit

- Reviewed and approved the Group Internal Audit's annual audit plan, including its resource needs, and its assessment of the risk levels of the various auditable areas to ensure that audit emphasis was given on critical risk areas.

- Reviewed Group Internal Audit's achievement of its key strategic initiatives undertaken to improve the efficacy, effectiveness and profile of Group Internal Audit.

- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas.

Corporate Governance

- Reviewed reports of Group Internal Audit (including internal investigations, follow up on resolution of issues raised in reports issued by Regulators, external auditors and other external parties) and considered Management's response and accordingly directed Management to take the necessary remedial action. The Committee also followed-up on resolution of major issues raised in the reports and requested for separate presentations by Management where necessary.

- After each Audit & Examination Committee meeting, a summary of Internal Audit reports deliberated at the meeting is tabled to the Board of Directors.

- Reviewed the progress of Group Internal Audit in completing its audit plan and assessed the performance of Group Internal Audit and the Group Internal Auditor.

- Reviewed and approved the appointment of an external party to conduct a Quality Assurance Review on the Internal Audit function.

External Audit

- Reviewed the appointment of the external auditor and their independence and effectiveness for statutory audit, audit-related and non audit-related services.

- Reviewed/Approved their audit plan, annual audit fees and scope of work for audit and non-audit assignments.

- Reviewed the external auditor's results and report as well as the Management's consequent responses to the findings of the external auditor.

Financial Results

- Reviewed the quarterly results and financial statements of the Group before recommending them to the Board of Directors for approval.

- Reviewed the annual audited financial statements of the Group with the external auditor prior to submission to the Board for approval.

- Compliance with the following regulatory requirements was ensured :
  - Provisions of the Companies Act 1965, Financial Services Act 2013 and the Islamic Financial Services Act 2013
  - Capital Markets And Services Act 2007
  - Securities Commission Act 1993
  - Main Market Listing Requirements of Bursa Malaysia Securities Berhad
  - Applicable accounting standards in Malaysia
  - Other relevant regulatory requirements

- Reviewed the Statement on Risk Management and Internal Control.

Related Party Transactions

- Reviewed related party transactions and the adequacy of the Group's procedures in identifying, monitoring, reporting and reviewing related party transactions.

- Reviewed quarterly reports on recurrent related party transactions of a revenue and trading party transactions of a revenue and trading nature ("RRPTs").

Internal Audit

Internal Audit Function

Group Internal Audit function operates under a charter from the AEC that gives it unrestricted access to review all activities of the Group. The Head of Group Internal Audit reports to the AEC. The internal auditing function is conducted on an AmBank Groupwide basis to ensure consistency in the control environment and the application of policies and procedures.

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all activities undertaken by the Group. The structured risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk-based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment. The AEC reviews and approves Group Internal Audit's annual audit plan.

Group Internal Audit also performs investigations and special review, and participates actively in major system development activities and project committees to advise on risk management and internal control measures.

The AEC approves the annual audit work plan, and a risk-based audit approach is used to ensure that the higher risk activities in each business unit are audited each year.

The audit activities can be summarised as follows:

i) Scheduled and mandatory audits
ii) Systems development life-cycle review of major IT infrastructure projects
iii) Unscheduled and special focus reviews

The main objective of the audit reviews is to assess the adequacy and effectiveness of risk management and systems of internal controls in the following areas:

- Retail Banking
- Islamic Banking
- Wholesale Banking
- Investment Banking
- General Insurance
- Life Insurance

- Family Takaful Business
- Funds & Asset Management
- Asset & Liabilities Management
- Other Non-Financial Institutional and Overseas Operations
- Support Functions

Group Internal Audit plays an active role in ensuring compliance with the requirements of Regulatory Authorities. Group Internal Audit also works collaboratively with the External Auditor, Risk Management Department and Group Regulatory Compliance to ensure maximum reliance and avoid duplication of effort.

There is an effective process for ensuring prompt resolution of audit issues. Group Internal Audit tables regular updates to the AEC on the progress of significant issues until such issues are satisfactorily resolved.

For the financial year, total costs incurred on the Group internal audit function amounted to RM15.9 million (FY2013: RM15.3 million).

Key Risk Areas and Internal Focus

External Audit

Messrs. Ernst & Young ("E & Y") is the Company's external statutory auditor and the auditor of the Company's consolidated accounts for the preparation of this Annual Report. The external auditor performs independent audits in accordance with the approved standards on auditing in Malaysia, and reports directly to the AEC. The AEC additionally:

- Approves all audit and non-audit services;
- Regularly reviews the independence of the external auditor;
- Evaluates the effectiveness of the external auditor; and
- The Independent Directors of AEC meet up with the external statutory auditor.

The external auditor is re-appointed by the shareholders of the Company annually, after review of the services provided by the AEC and the recommendation of the Board.

Non-Audit Services

The external auditor may not provide services that are perceived to be in conflict with the role of the auditor. These include assisting in the preparation of the financial statements and sub-contracting of operational activities normally undertaken by Management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Specifically the Group's policy:

- Limits the non-audit service that may be provided; and
- Requires that audit and permitted non-audit services must be approved by the AEC.

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY2014 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

Audit Fees

The total statutory and non-statutory audit fees for the Group (excluding expenses and service tax) in FY2014 amounted to RM2.88 million (FY2013: RM3.96 million).

Assurance-related and Other Non-audit Fees

Assurance-related and other non-audit fees for FY2014 (excluding expenses and service tax) amounted to RM1.94 million (FY2013: RM1.18 million). These fees are primarily related to assurance services such as limited reviews, review of Financial Reporting Standards compliance, validation of Perbadanan Insurans Deposits Malaysia Returns and risk models validation work.

Strategic Planning and Investor Relations

Mr Ashok Ramamurthy
Group Managing Director
ashok-ramamurthy@ambankgroup.com

Ms Mandy Jean Simpson
Chief Financial Officer
mandy-simpson@ambankgroup.com

Mr Ganesh Kumar Nadarajah
Executive Vice President,
Strategic Planning & Investor Relations
ganesh-kumar@ambankgroup.com

AMMB Holdings Berhad ("AmBank Group" or "the Group") takes timely and fair communication with shareholders and financial market participants seriously in this dynamic operating environment.

A dedicated Strategic Planning & Investor Relations ("stAR") team supports the Group Managing Director and Chief Financial Officer in engaging the investment community via constant and active dialogues to ensure that our existing and potential shareholders receive information on the Group's performance along with developments in the business and industry on a timely basis.

The Group strongly believes in ensuring transparency and equality in dissemination of information to both internal and external stakeholders which may affect their investment decisions.

Senior Management personnel responsible for investor relations activities are:

1. Mr Ashok Ramamurthy, Group Managing Director
2. Ms Mandy Simpson, Chief Financial Officer
3. Mr Ganesh Kumar Nadarajah, Executive Vice President, Strategic Planning & Investor Relations
   (Head of Financial Solutions - effective 1 August 2014)

ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING

The Group's 22nd Annual General Meeting ("AGM") and 28th Extraordinary General Meeting ("EGM") were held on 22 August 2013. Both the AGM and EGM are the main open sessions for direct interaction between the Board of Directors, Senior Management and the external auditors with our investors, in particular retail shareholders. During these meetings, our shareholders are able to put forth their opinion and feedback to the Senior Management.

ANALYST BRIEFINGS AND INVESTORS MEETINGS

Quarterly results

Analysts and media briefing sessions are conducted when the Group's quarterly results are released or when required during corporate exercises, via live briefings, conference calls and video webcast. Replays of the live briefings are also available on the Group's corporate website for public viewing. All quarterly financial statements and press releases are published on Bursa Malaysia Securities Berhad, whilst the financial statements together with investors' presentations and press statements are available on the Group's corporate website.

Results Announcement Dates	Mode of Communication with Analysts & Media			
	Analyst Briefing Sessions		Publications on Group's Corporate Website	
	Teleconference	Video Webcast	IR Presentation & Financial Statements	Press Release
16 August 2013 – Q1 FY2014 Results	√	√	√	√
14 November 2013 – H1 FY2014 Results	√*	√	√	√
17 February 2014 – 9M FY2014 Results	√	√	√	√
20 May 2014 – FY2014 Results	√*	√	√	√

* Includes live briefing

Analyst coverage & investor meetings

Senior Management engages both domestic and international analysts as well as institutional investors through one-on-one and group meetings, conference calls, conferences as well as road shows in Malaysia and internationally to ensure dissemination of sound information to the investment community.

Strategic Planning and Investor Relations

Our analyst coverage, roadshows and conferences as well as meetings participated are as below:

Research Houses	
• Affin Investment Bank	• Kenanga Investment Bank
• Alliance DBS Research Sdn Bhd	• Macquarie
• Bank of America Merrill Lynch	• Maybank Investment Bank
• BNP Paribas	• MIDF Amanah Investment Bank
• CIMB Investment Bank Berhad	• Morgan Stanley
• Citi Investment Research	• Nomura
• CLSA	• Public Investment Bank
• Deutsche Bank	• RHB Research
• Goldman Sachs	• Standard Chartered
• Hong Leong Investment Bank	• TA Securities
• HSBC	• UBS Securities Malaysia
• J.P. Morgan	• UOB Kay Hian
• KAF - Seagroatt & Campbell Securities	

Participation in Conferences/Roadshows By Countries/Cities in FY2014		
Asia Pacific	**Europe**	**Canada/North America**
• Hong Kong	• Amsterdam	• Boston
• Kuala Lumpur	• Edinburgh	• Los Angeles
• Melbourne	• Frankfurt	• New York
• Singapore	• Glassgow	• San Francisco
• Sydney	• London	• Toronto
	• Paris	

FOREIGN SHAREHOLDINGS

The Group's foreign shareholdings (excluding the Australia and New Zealand Banking Group Limited) have been increasing gradually across the last two (2) financial years, despite a downturn in investors' appetite towards the general emerging markets. This signifies the confidence of the investment community in the Group's overall performance.

Foreign Shareholdings in AMMB Holdings Berhad (Excluding ANZ's Shareholding)		
FY2012	FY2013	FY2014
26%	29%	31%

CREDIT RATING

The stAR department also supports the Group's credit rating initiatives and has been engaging with both local and foreign rating agencies.

RECOGNITION

The Group's investor relations initiatives have been recognised with the winning of these awards at the Asian Recognition Awards 2014 by Corporate Governance Asia:

- Asia's Best CEO (Investor Relations), Ashok Ramamurthy
- Best Investor Relations Professional (Malaysia), Ganesh Kumar Nadarajah
- Best Investor Relations by Company (Malaysia) – third consecutive win

The Group's excellence in the financial industry is further recognised as Mandy Simpson, has been named CFO of the Year, Financial Institutions, Malaysia at The Asset Triple A Transaction Banking Treasury, Trade and Risk Management Awards 2014.

The Group was also awarded "Bank of the Year" by The Banker, an established international publication for good progress in executing FY2014 strategic themes, delivering consistent financial performance and business progress.

INVESTOR AND ANALYST FEEDBACK/ENQUIRIES

The Group appreciates and welcomes feedback or enquiries relating to investor relations and can be contacted at ir@ambankgroup.com.

Statement on Risk Management and Internal Control

RESPONSIBILITY

The Board of Directors ("Board") is responsible for the Group's risk management and internal control system and for reviewing its adequacy and integrity. The Board has instituted an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This process is regularly reviewed by the Board and accords with the guidance on internal control, Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

In establishing and reviewing the risk management and internal control system, the Directors have considered the materiality of relevant risks, the likelihood of losses being incurred and the cost of control. Accordingly, the purpose of the risk management and internal control system is to manage and minimise rather than eliminate the risk of failure to achieve the policies and objectives of the Group and can only provide reasonable but not absolute assurance against risk of material misstatement or losses.

The management assists the Board in the implementation of the Board's policies on risk management and internal control by identifying and evaluating the risks faced by the Group for consideration by the Board and design, operate and monitor the system of risk management and internal control to mitigate and control the risks.

CONCLUSION

For the year under review, the Board has received the reports of the Audit and Examination Committee and Risk Management Committee of Directors. An annual assessment of the effectiveness of risk and internal control processes has been conducted and the Board has also received the assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The Group has adopted a coordinated and formalised approach to risk management and internal control, which includes the following:

- The Board has formed Risk Management Committee of Directors ("RMCD") to assist in oversight of overall risk management structure. Senior Management has also established a group level risk committee (named as Group CEOs Committee) to assist it to holistically manage the risks and businesses of the Group. This committee address all classes of risk within Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, shariah risk, compliance risk, regulatory compliance risk, reputational risk, product risk and business and IT project risk.

- Risk management principles, policies, practices, methodologies and procedures are made available to appropriate staff in the Group. These are regularly updated to ensure they remain relevant and in compliance with regulatory requirements. The policies, methodologies and procedures are enhanced whenever required to meet the changes in operating environment and/or for continuous improvement in risk management.

- Organisation structure is designed to clearly define the accountability, reporting lines and approving authorities to build an appropriate system of checks and balances, corresponding to the business and operations activities' needs. This includes the empowerment and setting of authority limits for proper segregation of duties.

- The Audit and Examination Committees ("AECs") of the Company and its major subsidiaries assist the Board to evaluate the adequacy and effectiveness of the Group's internal controls systems. The AECs review the Group's financial statements, and reports issued by Group Internal Audit, the external auditors and regulatory authorities and follow-up on corrective action taken to address issues raised in the reports.

- Group Internal Audit conducts independent risk-based audits and provides assurance that the design and operation of the risk and control framework across the Group is effective. The AECs review the work of the Group Internal Audit Department, including reviewing its audit plans, progress and reports issued.

- The Group focus is on achieving sustainable and profitable growth within its risk management framework. Annual business plans and budgets are prepared by the Group's business divisions and submitted to the Board for approval. Actual performances are reviewed against the budget with explanation of major variances on a monthly basis, allowing for timely responses and corrective actions to be taken to mitigate risks.

- The Group emphasises human resource development and training as it recognises the value of its staff in contributing to its growth. There are proper guidelines within the Group for staff recruitment, promotion and performance appraisals to promote a high performance culture by rewarding high performers and counseling poor performers. Our Short Term Incentive ("STI") and Long Term Incentive ("LTI") are used primarily to reward and encourage outstanding individuals for their contribution to value creation while protecting the shareholders' interest. Structured talent management and training programmes are developed to ensure staff are adequately trained and competent in discharging their responsibilities and to identify future leaders for succession planning.

- A code of ethics has been formulated to protect and enhance the Group's reputation for honesty and integrity. The Code of Ethics is based on the following principles: observance of laws both in letter and in spirit; upholding the reputation of integrity throughout the organisation; avoiding possible conflicts of interest; ensuring completeness and accuracy of relevant records; ensuring fair and equitable treatment of all customers; avoiding misuse of position and information and ensuring confidentiality of information and transactions.

- The Group has established policies and procedures to ensure compliance with the relevant laws and regulations. Compliance systems have been implemented that enable regular self-assessment by staff and reporting that provides management and Board with assurance that staff are aware and comply with regulatory requirements. A process is in place to standardise this practice across AmBank Group. Compliance training is conducted on a periodic basis to ensure that staff keeps abreast of banking, insurance, securities and anti-money laundering laws as well as other regulatory developments. The training programmes assist staff to develop their skills to address compliance issues as well as cultivate good corporate ethics.

Compliance with Bursa Securities Listing Requirements

1. SHARE BUY-BACK

The Company has not purchased any of its own shares during the financial year ended 31 March 2014.

2. MATERIAL CONTRACTS

There were no material contracts (not being a contract entered into in the ordinary course of business) entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

3. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 March 2013.

4. SANCTIONS AND/OR PENALTIES

AMMB Holdings Berhad
No sanctions/reprimands imposed.

AmInvestment Bank Berhad
The following penalty and reprimands were issued against the bank for the following reasons:

i. Allowing unlicensed persons to carry out activities of a licensed person in soliciting fund management clients, including receiving trading orders directly from fund management clients.
Penalty of RM100,000 issued by Securities Commission

ii. Failed to put in place the Price Limit filter which must be established to screen every Direct Market Access ("DMA") order.
Reprimand issued by Bursa Malaysia

iii. Failed to ensure that:
- monies in its clients' trust accounts were strictly for clients and that there was no co-mingling with monies for other purposes; and
- withdrawal of monies from the said trust accounts were within the circumstances permitted under the Capital Markets and Services Act 2007.

Private reprimand and penalty of RM30,000 issued by Bursa Malaysia

AmBank (M) Berhad and AmIslamic Bank Berhad
i. Non-Compliance to Anti-Money Laundering and Anti-Terrorism Financing Act and Standard Guidelines on Anti-Money Laundering and Counter Financing of Terrorism, as the banks did not adequately capture information on the person conducting cash transactions exceeding RM50,000.
Total Compound amount: RM400,000 issued by Bank Negara Malaysia

All matters highlighted above have since been satisfactorily addressed.

5. PROFIT GUARANTEES

During the financial year, there were no profit guarantees given by the Company.

6. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(a) During the financial year, AMMB issued the fourth (4) and fifth (5) tranches of senior medium term notes amounting to RM700 million under a RM2.0 billion nominal value of medium term notes ("**MTNs**") programme. The fourth tranche amounting to RM300 million was issued on 27 August 2013, while the fifth tranche amounting to RM400 million was issued on 5 September 2013. The proceeds were utilised by AMMB for general working capital.

(b) AmIslamic obtained approvals from Bank Negara Malaysia and SC on 21 October 2013 and 11 February 2014 respectively for the establishment of a Subordinated Sukuk Murabahah Programme of up to RM3.0 billion.

During the financial year, AmIslamic has issued two (2) tranches of the Subordinated Sukuk Murabahah amounting to RM350 million.

The proceeds were utilised by AmIslamic as follows:

Description	(RM'000)
Working Capital	349,301
Payment of issuance expenses	699
Total Proceeds	350,000

(c) AmBank obtained approvals from Bank Negara Malaysia and SC on 21 October 2013 and 4 December 2013 respectively for the establishment of the Basel III-Compliant Tier 2 Subordinated Notes under a Subordinated Notes Programme of up to RM4.0 billion.

During the financial year, AmBank has issued the first tranche of the Subordinated Notes amounting to RM400 million.

The proceeds were utilised by AmBank as follows:

Description	(RM'000)
Working Capital	399,248
Payment of issuance expenses	752
Total Proceeds	400,000

7. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

As at 31 March 2014, there were no options, warrants or convertible securities outstanding.

8. VARIATION IN RESULTS

The Company has not made or published any profit forecast or projection in respect of the financial year ended 31 March 2014.

9. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Pursuant to paragraph 10.09(2)(b), Part E, Chapter 10 of the Listing Requirements of Bursa Malaysia, the details of the recurrent related party transactions conducted with the Related Parties and their subsidiaries and associated companies, where applicable during the financial year ended 31 March 2014 pursuant to the Shareholders' Mandate are set out in the table below.

The Transacting Parties for all the Related Parties comprise AMMB and its subsidiaries.

Details of Recurrent Related Party Transactions Conducted in Financial Year Ended 31 March 2014 Pursuant to Shareholders' Mandate

Related Parties	Nature of Transaction	Actual Value (RM'000)	Relationship with the Company
AmCorp Group Berhad	Provision of software and hardware equipment, and provision of IT consultancy related services and including provision of lighting hardware[1]	2,378	Companies in which a Director and major shareholder were deemed to have an interest
	Provision of travelling arrangement	6,288	
	Provision of restaurant and hospitality services	13	
Australia and New Zealand Banking Group Limited ("**ANZ**")	Provision of technical services and business collaboration, technical systems capability, sales capabilities and products on foreign exchange, interest rate and commodities derivatives business[2]	8,511	
Modular Corp (M) Sdn Bhd Group	Provision of electronic card technologies and services	Nil	
Cuscapi Berhad Group	Provision of technology systems integration solutions and services	422	
Yakimbi Sdn Bhd Group	Provision of secure private cloud collaboration, storage and mobility solutions	105	

Note:

1. IT consultancy related services consist of, but are not limited to, the following services:
   (a) design, development and customisation of software;
   (b) integration, installation, implementation, testing and commissioning of software on the designated systems;
   (c) provision of maintenance services and upgrades to the existing mainframe related applications and systems;
   (d) development, optimisation and implementation of the website; and
   (e) provision of project management services.

2. The provision of technical services includes but are not limited to the following services:
   (a) strategic business leadership, experience and know how;
   (b) secondment of key ANZ resources to AMMB Group;
   (c) technology and systems capabilities;
   (d) foreign exchange, interest rate and commodities derivatives trading and sales solutions / products;
   (e) distribution platform and processes documentation;
   (f) market risk management tools, models, processes, procedures and policies;
   (g) credit and risk management process and tools;
   (h) international business transformation experience and skills; and
   (i) global research capacity.

Group Financial Review

Management Discussion and Analysis of Financial Statements
Seventh consecutive year of record performance for the Group.

INCOME STATEMENT

For the year ended 31 March 2014 ("FY2014"), the Group delivered a seventh consecutive year of record performance. It posted a pre-tax profit of RM2,448.2 million (+14.5%), whilst profit attributable to shareholders grew by 10.0% to RM1,782.4 million. Return on equity improved by 0.2% to 14.1% and earnings per share (basic) lifted from 54.0 sen in FY2013 to 59.3 sen.

The growth in profit is mainly attributable to growth in net fund income, higher contributions from insurance business coupled with lower allowances for impairment on loans and financing.

Simplified Income Statement

RM Million	FY2014	FY2013	+/- RM Million	+/- %
Net interest income	2,271.9	2,218.4	+ 53.5	+ 2.4
Net finance income from Islamic banking business*	856.7	800.8	+ 55.9	+ 7.0
Net fund income	**3,128.6**	**3,019.2**	**+ 109.4**	**+ 3.6**
Other income from Islamic banking business*	83.3	83.1	+ 0.2	+ 0.2
Net income from insurance business	471.9	250.2	+ 221.7	+ 88.6
Other income	1,047.5	1,016.7	+ 30.8	+ 3.0
Total income	**4,731.4**	**4,369.3**	**+ 362.1**	**+ 8.3**
Overheads	(2,121.6)	(2,041.6)	- 80.1	- 3.9
Acquisition and business efficiency expenses	(29.3)	(45.4)	+ 16.1	+ 35.5
Operating profit	**2,580.4**	**2,282.3**	**+ 298.1**	**+ 13.1**
Allowance for impairment on loans and financing	(67.8)	(173.3)	+ 105.5	+ 60.9
Writeback of other provisions	19.8	42.1	- 22.4	- 53.1
Other impairment loss	(84.2)	(12.2)	- 72.1	>- 100.0
Profit before taxation and zakat	**2,448.2**	**2,139.0**	**+ 309.3**	**+ 14.5**
Taxation and zakat	(577.2)	(475.5)	- 101.7	- 21.4
Profit after taxation	**1,871.1**	**1,663.5**	**+ 207.6**	**+ 12.5**
Non-controlling interests	(88.7)	(42.8)	- 45.9	>- 100.0
Profit attributable to shareholders	**1,782.4**	**1,620.7**	**+ 161.7**	**+ 10.0**

Islamic Banking Business*

RM Million	FY2014	FY2013	+/- RM Million	+/- %
Net finance income	856.7	800.8	+ 55.9	+ 7.0
Other income	83.3	83.1	+ 0.2	+ 0.2
Net income from Islamic banking business	**940.0**	**883.9**	**+ 56.1**	**+ 6.3**

TOTAL INCOME – REVENUE GROWTH

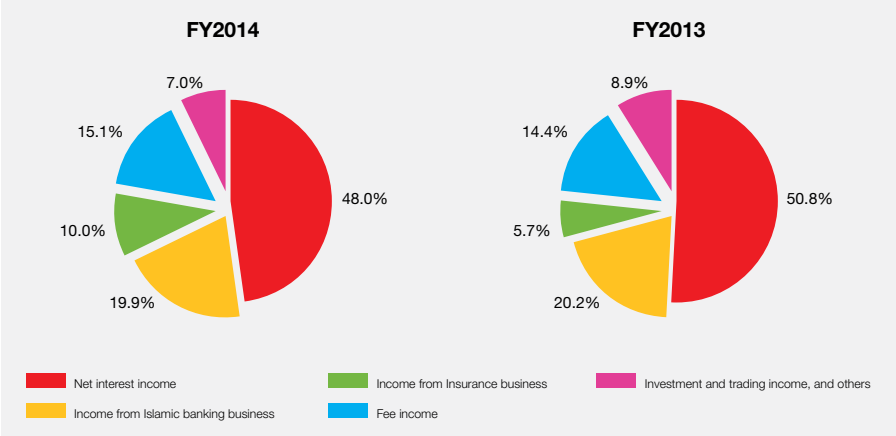
The major components of revenue are net fund income (net interest income and net finance income from Islamic banking business), other income from Islamic banking business, net income from insurance business and other operating income.

Total income for FY2014 grew 8.3% to RM4,731.4 million, spurred by higher net fund income (+3.6%) to RM3,128.6 million and growth in non-interest income (+18.7%) to RM1,602.7 million. This reflects the Group's ability to execute its strategy in a disciplined manner, namely on increasing our share of wallet from existing customers, winning new clientele through product innovation and superior service delivery, diversifying into new income streams and cross selling across the Group's diversified portfolio.

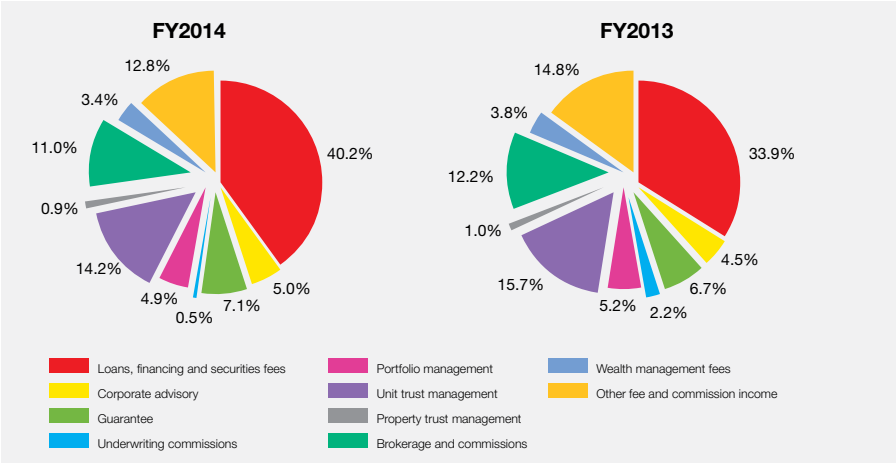
To support revenue generation, the Group continues to invest in operational efficiency, delivery of quality service experience and expansion of our distribution footprint.

The Group's distribution network comprises 179 commercial bank branches, 4 regional business centres, 14 investment bank offices, 50 insurance offices, 26 MBF Cards branches, 884 automated teller machines and 167 electronic banking centres nationwide. Of these, 401 ATM's are placed at 7-Eleven stores to provide customers with 24-hour banking convenience.

Composition of Income



Fee Income



Net fund income: RM3,128.6 million (+3.6% or +RM109.4 million)

- Net Interest income grew by RM53.5 million (+2.4%) to RM2,271.9 million whilst net finance income from Islamic banking grew 7.0% to RM856.7 million. This reflects moderating funds asset growth and continued margin compression.

- Growth in fund assets was driven by increase in net loans and financing (+RM4.6 billion or 5.6%). Expansion in loans and financing was mainly driven by growth in lending to the household sector, mining and quarrying sector, electricity, gas and water sector and construction sector.

Net income from insurance business: RM471.9 million (+88.6% or +RM221.7 million)

- During the second half year of FY2013, the Group completed the acquisition of AmGeneral Insurance Berhad ("AGIB"), formerly known as Kurnia Insurans (Malaysia) Berhad. With this acquisition, the Group is now Malaysia's leading motor and general insurer.

- Premium income from the combined general, life and takaful insurance businesses increased by RM554.0 million to RM2,290.0 million. This was offset by increases in insurance commissions and claims of RM355.4 million.

- Contribution from insurance business made up 10.0% of total income and 29.4% of non-interest income respectively.

Other Income: RM1,047.5 million (+3.0% or +RM30.8 million)

Other income, which comprises mainly income from investment and trading activities, share in results of associates as well as ancillary services connected to the Group's lending activities, was partly affected by slower equity market activities and lack of significant primary issuance in the bond market.

Group Financial Review

For FY2014:

- Fee income increased by RM83.0 million (+13.2%) mainly attributable to higher fees from financing and securities, corporate advisory services, provision of guarantees and unit trust management. The higher fee income is partly attributed to contributions from MBF Cards (M'sia) Sdn. Bhd. ("MBF Cards") which was acquired towards the last quarter of FY2013.

- Investment and trading activities recorded a lower contribution of RM238.1 million compared to RM341.3 million in the preceding year. This was mainly due to losses from trading of securities and net loss on revaluation of financial assets held-for trading, attributable to tough trading environment arising from uncertainties in the local and global financial markets.

OPERATING EXPENSES

The Group will continuously invest to sustainably grow our business whilst prudently managing its cost via improving productivity and efficiency. The cost-to-income ratio expresses the Group's operating expenses as a percentage of income and is one of the most widely used measures of efficiency in the banking industry.

In FY2014, the cost-to-income ratio, including business efficiency expenses, stood at 45.5% (FY2013: 47.8%). The decrease reflects a disciplined approach to cost management with income growing at a faster pace than expenses despite acquisition related expenses and planned investment in infrastructure to support growth plans and deliver synergies.

Operating expenses

RM Million	FY2014	FY2013	+ / - RM Million		%
Personnel	1,255.5	1,216.9	+	38.6	3.2
Establishment	513.2	499.2	+	14.0	2.8
Marketing and communication	179.6	164.8	+	14.8	9.0
Administration and general	215.4	187.3	+	28.1	15.0
Expenses capitalised	(42.0)	(26.6)	-	15.5	58.3
Total	**2,121.6**	**2,041.6**	**+**	**80.1**	**3.9**

Overheads: RM2,121.6 million (+3.9% or +RM80.1 million)

- Personnel expenses were 3.2% or RM38.6 million higher, partly attributable to the full year staff costs impact of AGIB and MBf Cards acquired last year, as well as mutual separation scheme payments under the "Save to Invest" programme to achieve cost synergies. As at 31 March 2014, the number of employees of the Group stood at 12,270 (FY2013:12,770).

- Establishment expenses were 2.8% or RM14.0 million higher due to full year impact of costs attributable to AGIB and MBF Cards with increase in depreciation of property and equipment and increased rentals and utilities of branch premises.

- Marketing and communication expenses increased by RM14.8 million largely due to higher advertising and promotional costs coupled with higher commission and sales incentive expenses.

- Administration expenses increased by RM28.1 million largely due to full year impact of costs attributable to AGIB and MBF Cards coupled with higher donations from increased corporate social responsibility activities, and professional fees to support various strategic and compliance initiatives such as Save to Invest programme, GST programme, Talent Management profiling, outsourced ATM replenishment,etc.

- Expenses capitalised RM42.0 million relates to internal resources incurred in the development of core banking system in accordance with MFRS 138, Intangible Assets. Phase 1 of core banking system was successfully rolled out in November 2013 and it won the Asian Banker Award for best single country core banking implementation.

Asset Quality

Loan/Financing Impairment Allowance

RM Million	FY2014	FY2013	FY2014 vs FY2013
Individual allowance - net	216.7	287.7	- 71.0
Collective allowance - net	602.5	455.2	+ 147.3
Bad debts recovered - net	(751.4)	(569.7)	- 181.8
Total	**67.8**	**173.2**	**- 105.5**

ASSET QUALITY AND LOAN/FINANCING IMPAIRMENT ALLOWANCE

In accordance with MFRS 139, a loan/financing is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more incurred loss event(s) that has occurred and the incurred loss event has an impact on the estimated future cash flows of the loan/financing that can be reliably measured. Collective impairment allowance is made based on estimated loan loss rates arising from the shortfall between the discounted value of the collateral and the exposure at default.

Loan/financing quality continued to improve throughout the year with gross impaired loan/financing ratio trending down to 1.9% (FY2013: 2.0%).

The net loan/financing impairment charge fell by RM105.5 million to RM67.8 million, with improvement in bad debt recoveries of RM181.8 million and lower individual allowances by RM71.0 million, offset by RM147.3 million increases in collective allowances.

The Group continues to proactively manage its asset quality by enhancing its asset writing and collection strategies, investing in new and enhanced risk models and infrastructure supported by the Group's specialist risk management team.

OTHER PROVISIONS AND IMPAIRMENT LOSS

Other provisions recorded a net write back of RM19.8 million arising mainly from write back of provision for commitment and contingencies. The write back is attributable to reduction in exposures and improvement in borrowers' ratings.

Other impairment loss increased by RM72.1 million mainly due to impairment charge for trade receivables from exposure to margin and contra losses of the Group's Singapore stock-broking arm.

BALANCE SHEET

As at 31 March 2014, the Group's total assets stood at RM132.3 billion, an increase of RM4.8 billion (+3.7%), represented by 5.6% growth in net loans and financing focusing on our targeted segments.

The increase is funded mainly by growth in customer deposits and shareholders' funds.

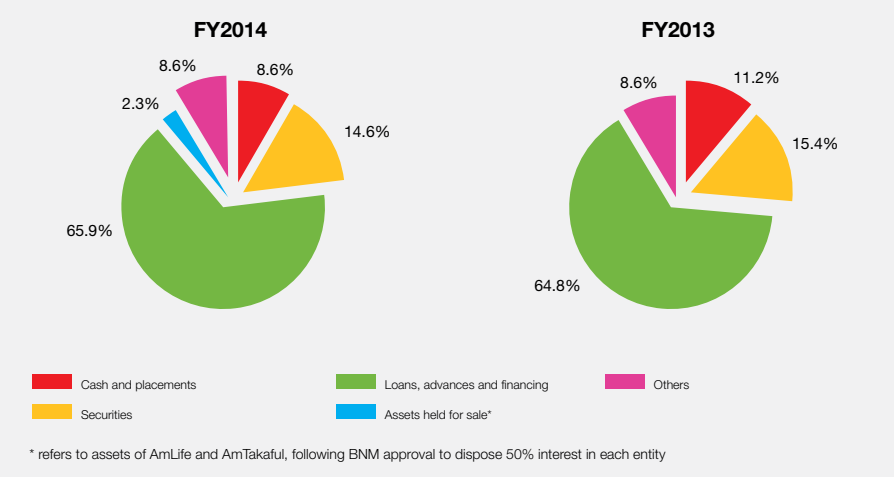
Following Bank Negara Malaysia's approval for the Group to dispose approximately 50% interest each in AmLife Insurance Berhad ("AmLife") and AmFamily Takaful Berhad ("AmTakaful"), the assets and liabilities of both companies (part of the insurance segment) have been presented as assets held for sale RM3.1 billion and liabilities associated with assets held for sale RM2.8 billion.

Under the strategic partnership arrangement with MetLife International Holdings Inc. ("MetLife"):

- MetLife will own 50% plus one share in AmLife, remaining shares owned by AMAB Holdings Sdn Bhd ("AMAB"), a wholly-owned subsidiary of the Company.
- AMAB to own 50% plus one share in AmTakaful, remaining shares owned by MetLife.

Group Financial Review

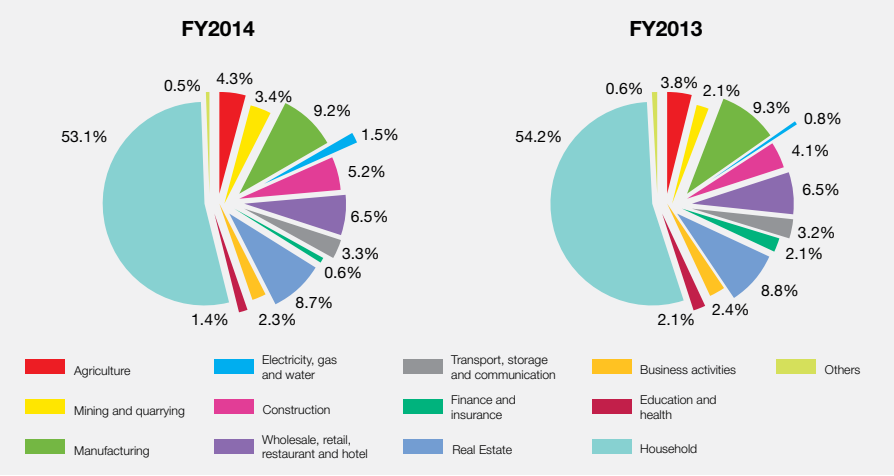
Asset Mix Analysis



Loans By Type Of Customers

	FY2014		FY2013	
	RM Million	%	RM Million	%
Individuals	46,823.4	52.5	45,592.2	53.8
SME	12,358.8	13.8	10,890.4	12.8
Corporate	28,386.5	31.8	25,179.0	29.7
Others	1,719.9	1.9	3,097.6	3.7
Total	**89,288.5**	**100.0**	**84,759.2**	**100.0**

Gross loans - Sectors



LOANS AND FINANCING

- The Group's net loans and financing expanded RM4.6 billion (+5.6%) to reach RM87.2 billion compared to RM82.6 billion for the preceding year. The Group continues its strategy to grow in preferred customer segments and economic sectors.

- Retail lending focuses on good quality and profitable segments. Business and small and medium enterprise ("SME") lending target stable and preferred growth sectors while corporate and institutional lending focuses on project financing with government support, government-linked corporations and large multi-national corporations particularly in prime sectors of the Government's Economic Transformation Programme ("ETP").

- The expansion in loans and advances was mainly attributed to strong loans demand in the SME segment which grew RM1.5 billion or 13.5% followed by lending to the corporate segment which grew RM3.2 billion or 12.7% through acquisition of new customers and capitalizing on opportunities provided by the ETP. Both these segments now make up 45.6% (FY2013: 42.6%) of the total loan/financing portfolio.

- Loans to individuals grew 2.7% to reach RM46.8 billion, driven by lending for purchase of residential properties.

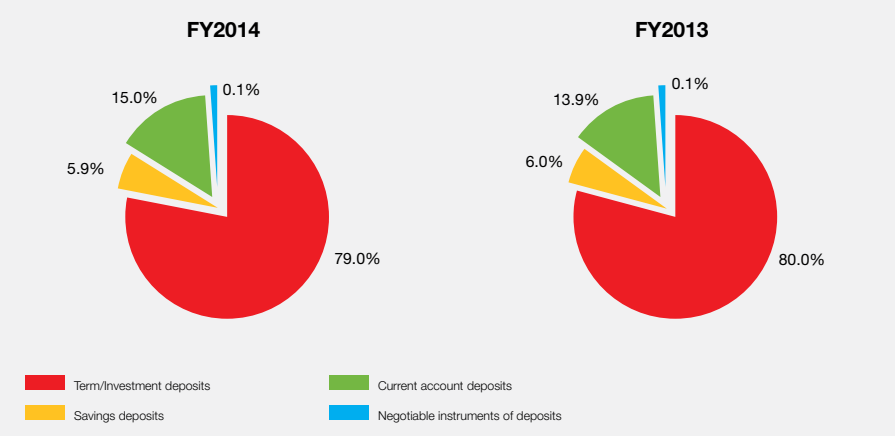
SECURITIES

- Securities held for trading ("HFT") are acquired for purpose of benefitting from short term price movements or to lock in arbitrage profits. HFT contracted by RM3.5 billion to settle at RM3.8 billion at end of FY2014.
  - Holdings of unquoted securities decreased by RM2.6 billion mainly in private debt securities ("PDS"). The sell down is driven mainly by defensive strategy in response to global sell down following announcements of US Quantitative Easing tapering.
  - Holdings of Money Market instruments drop RM0.8 billion mainly in BNM Monetary Notes. The Group's banking subsidiaries as Principal Dealers for issuances of Malaysian Government and BNM securities will subscribe and sell down these securities in the secondary market. Movement in these securities is dependent on the timing of issuances by BNM.

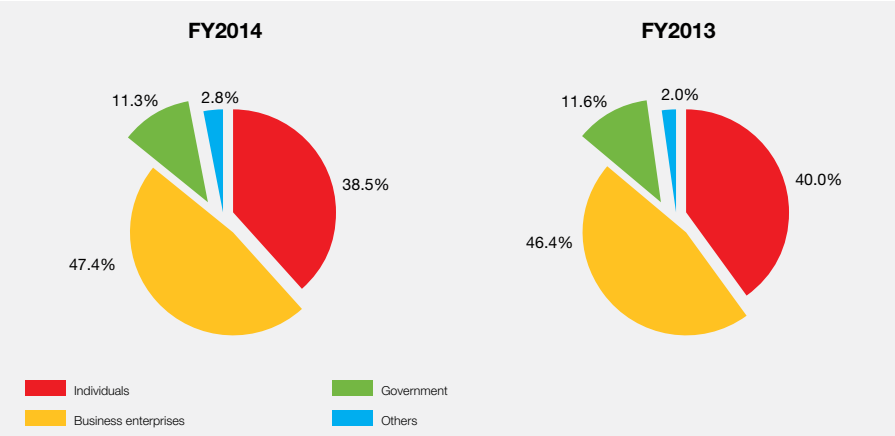
- Securities available for sale ("AFS") are acquired for yield and liquidity purposes. AFS increased by RM5.5 billion mainly in shorter tenor Money Market instruments. In line with the Group's defensive strategy, proceeds from disposal of HFT and maturity of HTM securities are reinvested in AFS securities for income generation.

- Securities held to maturity ("HTM") are securities with fixed or determinable payments and fixed maturity that the Group has positive intent and ability to hold to maturity. HTM decreased by RM2.3 billion to hit RM3.9 billion as at 31 March 2014, mainly from maturity of BNM Monetary Notes.

Deposits From Customers - Type



Deposits From Customers - Source



DEPOSITS AND FUNDING

- The Group's primary source of funding is from customer deposits, comprising term/investment deposits, savings account deposits, current account deposits, and negotiable instruments of deposits. Other major sources of funds include shareholders' funds, debt capital, term funding, interbank and other borrowings.

- As at 31 March 2014, deposits from customers increased by RM4.9 billion (+5.7 %) to reach RM89.7 billion, whilst low cost deposits comprising current accounts and savings accounts ("CASA") grew 11.2%. CASA as a proportion to total customer deposits is now at 20.9% compared to 19.9% a year ago. Term/Investment deposits continued to make up the majority of customer deposits by type constituting 79.0% (FY2013: 80.0%) of total customer deposits.

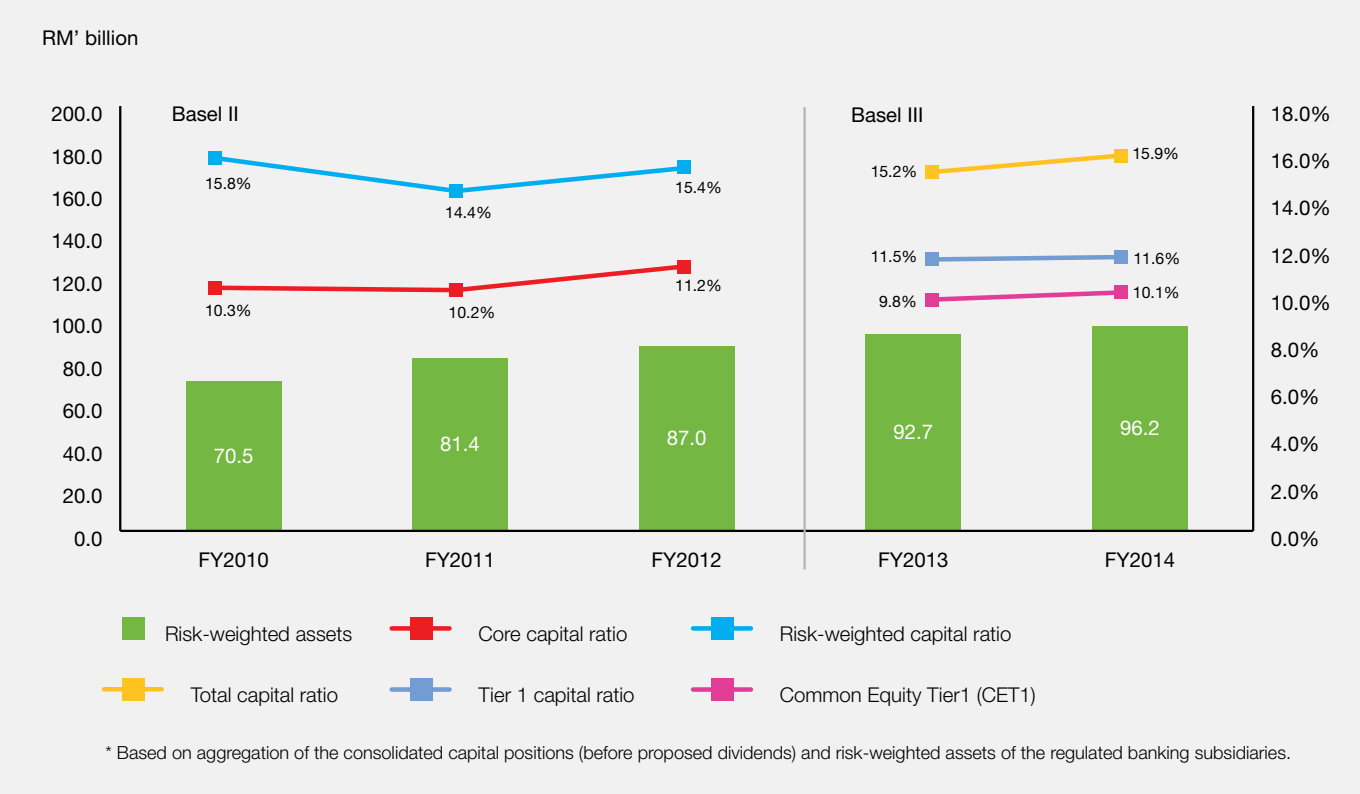
- Term funding initiatives included senior notes, sukuk and credit-link notes issuances. As at 31 March 2014, term funding of the Group stood at RM6.6 billion (+6.2%), comprising term loans and revolving credit of RM1.6 billion, senior notes and sukuk of RM4.7 billion and credit-link notes of RM0.3 billion.

- Loans sold to Cagamas Berhad with recourse remained stable at RM3.3 billion compared to last year.

- The Group stresses the importance of customer deposits as a source of funds to finance lending /financing to customers. They are monitored using adjusted loan/financing to deposit ratio ("LDR") which compares net loans/financing to customers as a percentage of adjusted customer deposits (inclusive of loans/financing sold to Cagamas Berhad and term funding with original maturity of 3 years and above). The Group aims for a LDR of approximately 90% with emphasis placed on supporting loans growth through stable funding sources. As at 31 March 2014, the LDR of the Group remained stable at 88.7% compared to last year.

Group Financial Review

Capital Ratios*



* Based on aggregation of the consolidated capital positions (before proposed dividends) and risk-weighted assets of the regulated banking subsidiaries.

EFFICIENT CAPITAL LEVELS

The Group's Capital Management Plan is driven by its desire to maintain strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings. This encompasses optimising capital profile and buffer, enhancing scenario modelling, streamlining corporate structures, developing dynamic dividend policy and proactively managing Basel III requirements.

The Group's banking subsidiaries to which BNM's Risk Weighted Capital Adequacy Framework apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank"). With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with BNM's guideline on Capital Adequacy Framework (Capital Components), which is based on the Basel III capital accord.

During the year, the following debt capital was raised:

- AmIslamic Bank implemented a new Subordinated Sukuk Murabahah programme of RM3.0 billion of which RM350 million was raised by 31 March 2014.
- AmBank established a Subordinated Notes programme of RM4.0 billion of which RM400 million was raised by 31 March 2014.

The securities issued under these programmes are fully Basel III compliant and qualified for recognition as Tier 2 Capital for capital adequacy computation purposes.

Our capital levels remain sound, with the Group's aggregated banking entities' total capital ratio, before proposed dividend, at 15.9% (FY2013: 15.2%) and Tier 1 capital ratio of 11.6% (FY2013: 11.5%). Our CET1 levels continue to strengthen organically through capital retention strategies, and remain significantly in excess of minimum regulatory requirements at 10.1% before proposed dividends (FY 2013: 9.8%).

CREDIT RATINGS

During the year, RAM Rating Services upgraded the ratings of the Company to AA3 and its banking subsidiaries to AA2 premised on the continued strengthening of the Group's credit metrics, underscored by its asset quality, balance sheet strength and profitability.

As a consequence of Standards and Poor's revision of its view of Malaysia's economic trend on its "Banking Industry Country Risk Assessment" to Negative, AmBank's credit rating outlook was also revised to Negative. Nevertheless, its credit ratings were reaffirmed.

Moody's rating on AmBank was reaffirmed.

The credit ratings of the Company and its principal subsidiaries are as follows:

Rating Agency	Rating Classification	Ratings
AmBank (M) Berhad		
Moody's Investors Service ("Moody's")	Long-term foreign currency deposit rating	Baa1/Stable
	Short-term foreign currency deposit rating	P-2/Stable
	Bank financial strength rating	D+
Standard & Poor's Ratings Services ("S&P")	Foreign long-term issuer credit rating	BBB+/Negative
	Foreign short-term issuer credit rating	A-2
RAM Rating Services ("RAM")	Long-term financial institution rating	AA2/Stable
	Short-term financial institution rating	P1
AmInvestment Bank Berhad		
RAM	Long-term financial institution rating	AA2/Stable
	Short-term financial institution rating	P1
AmIslamic Bank Berhad		
RAM	Long-term financial institution rating	AA2/Stable
	Short-term financial institution rating	P1
AMMB Holdings Berhad		
RAM	Long-term corporate credit rating	AA3/Stable
	Short-term corporate credit rating	P1

DIVIDEND

Reflecting the better financial performance in FY2014, the Directors are recommending a final single-tier dividend payment of 16.9%, which together with the interim dividend of 7.2% amounts to a cumulative total dividend of 24.1%, up 2.1% compared to FY2013.

Note: The totals of the components in the tables in this section are based on actual summation method and then rounded up to the nearest million.

Group Financial Highlights

	YEAR ENDED 31 MARCH				HALF-YEAR ENDED 30 SEPTEMBER			
	RM Million		Growth Rate +/(-)%		RM Million		Growth Rate +/(-)%	
	2014	2013@	2014	2013	2013	2012@	2013	2012
Operating revenue	9,606.0	8,705.9	10.3	9.0	4,780.0	4,014.3	19.1	4.9
Profit before tax and allowances for impairment on loans and financing	2,516.0	2,312.3	8.8	(4.3)	1,206.7	1,179.0	2.3	(10.9)
Impairment (allowances)/ writeback on loans and financing	(67.8)	(173.3)	(60.9)	(54.6)	31.0	(28.3)	(>100)	(83.4)
Profit before tax and zakat	2,448.2	2,139.0	14.5	5.2	1,237.7	1,150.7	7.6	(0.1)
Profit attributable to shareholders	1,782.4	1,620.7	10.0	9.2	902.8	823.2	9.7	(1.7)
Total assets	132,353.3	127,572.3	3.7	13.0	129,470.2	124,895.8	3.7	15.0
Loans, advances and financing (net)	87,170.6	82,586.3	5.6	9.1	83,607.3	80,170.2	4.3	10.4
Customer deposits	89,698.9	84,830.0	5.7	9.7	88,223.8	83,133.3	6.1	11.7
Commitment and contingencies	103,478.9	102,467.5	1.0	2.9	101,259.2	104,452.0	(3.1)	4.4
Shareholders' equity	13,142.9	12,067.7	8.9	8.6	12,509.4	11.590.3	7.9	9.1
Post-tax return on average shareholders' equity (%)^	14.1	13.9	0.2	0.1	14.5**	14.3**	0.2	(1.5)
Post-tax return on average total assets (%)	1.5	1.4	0.1	(0.0)	1.5**	1.4**	0.0	(0.1)
Earnings per share (sen)								
Basic	59.3	54.0	9.7	8.9	60.1**	54.9**	9.4	(1.9)
Fully diluted	59.3	54.0	9.7	8.9	59.9**	54.8**	9.3	(2.0)
Single tier dividend per share (sen)	24.1	22.0	9.5	9.5	7.2	7.0	2.9	6.1
Net assets per share (RM)	4.36	4.00	8.9	8.6	4.15	3.85	7.9	9.1
Cost to income (%)	45.5	47.8	(2.3)	6.1	47.6	43.9	3.7	4.4
Number of employees	12,270	12,770	(3.9)	16.8	12,764	10,966	16.4	0.1
Assets per employee (RM Million)	10.8	10.0	8.0	(3.3)	10.14	11.39	(10.9)	14.9
Pre-tax profit per employee (RM'000)	199.5	167.5	19.1	(9.9)	193.9**	209.9**	(7.6)	(0.2)

Refer to page 69 for explanation of legend

Five-Year Group Financial Highlights

		FINANCIAL YEAR ENDED 31 MARCH				
		2014	2013 @	2012#	2011#	2010#
1	**REVENUE (RM MILLION)**					
	i Operating revenue	9,606.0	8,705.9	7,983.6	6,784.7	6,060.7
	ii Profit before tax and allowances for impairment on loans and financing	2,516.0	2,312.3	2,415.6	2,340.6	1,945.6
	iii Impairment allowances on loans and financing	(67.8)	(173.3)	(381.9)	(475.4)	(568.9)
	iv Profit before tax and zakat	2,448.2	2,139.0	2,033.6	1,865.1	1,376.7
	v Profit attributable to shareholders	1,782.4	1,620.7	1,484.4	1,342.8	1,008.6
2	**BALANCE SHEET (RM MILLION)**					
	Assets					
	i Total assets	132,353.3	127,572.3	112,922.8	108,236.2	96,480.3
	ii Loans, advances and financing (net)	87,170.6	82,586.3	75,683.4	71,078.9	64,771.7
	Liabilities and Shareholders' Equity					
	i Customer deposits	89,698.9	84,830.0	77,307.2	74,567.0	68,874.1
	ii Adjusted customer deposits[1]	98,267.6	93,057.7	84,587.8	81,495.9	70,653.5
	iii Paid-up share capital	3,014.2	3,014.2	3,014.2	3,014.2	3,014.2
	iv Shareholders' equity	13,142.9	12,067.7	11,111.1	10,308.9	9,637.7
	Commitment and Contingencies	103,478.9	102,467.5	99,615.0	100,195.3	62,260.7
3	**PER SHARE (SEN)**					
	i Basic net earnings	59.3	54.0	49.6	44.7	34.7
	ii Fully diluted net earnings	59.3	54.0	49.6	44.7	34.7
	iii Net assets	436.0	400.4	368.6	342.0	319.7
	iv Single tier/gross dividend	24.1	22.0	20.1	18.0	10.5
4	**FINANCIAL RATIOS (%)**					
	i Post-tax return on average shareholders' equity ^	14.1	13.9	13.8	13.6	11.5
	ii Post-tax return on average total assets	1.5	1.4	1.4	1.4	1.1
	iii Net loans to customer deposits	97.2	97.4	97.9	95.3	94.0
	iv Net loans to adjusted customer deposits	88.7	88.7	89.5	87.2	91.7
	v Cost to income	45.5	47.8	41.6	39.9	42.0
5	**SHARE PRICE (RM)**					
	i High	8.08	6.80	6.71	7.15	5.36
	ii Low	6.44	6.13	5.38	4.65	2.58
	iii As at 31 March	7.18	6.55	6.31	6.49	5.00

1 Inclusive of recourse obligation on loans and financing sold to Cagamas and term funding with original maturity of 3 years and above
** Annualised
^ Adjusted for non-controlling interests
@ After adjusting for adoption of
- Malaysian Financial Reporting Standard 10- Consolidated Financial Statements
- Finalisation of the Purchase Price Allocation exercise in relation to the acquisition of AmGeneral Insurance Berhad that have been applied retrospectively for one financial year

Comparative figures were reclassified to conform with current year presentation

Financial Calendar

2013

16 August
Announcement of unaudited consolidated results for the financial first quarter ended 30 June 2013

22 August
22nd Annual General Meeting

12 September
Payment of final single tier dividend of 15.0% for the financial year ended 31 March 2013

14 November
Announcement of unaudited consolidated results for the financial half year ended 30 September 2013

12 December
Payment of interim single tier dividend of 7.2% for the financial year ending 31 March 2014

2014

17 February
Announcement of unaudited consolidated results for the financial third quarter ended 31 December 2013

20 May
Announcement of audited consolidated results for the financial year ended 31 March 2014

30 July
Notice of 23rd Annual General Meeting

21 August
23rd Annual General Meeting

Group Risk Management

OVERVIEW

Risk Management is focused on ensuring that risk taking activities across the Group are aligned to the Group's risk appetite and strategies. The overall strategy for Risk is driven mainly by the initiatives formulated earlier under our Advanced Risk Recognition Programme ("ARRP"):

- Enhancing risk governance
- Upgrading risk infrastructure
- Developing more comprehensive risk appetite strategy, execution and monitoring framework
- Improving funding and liquidity risk management
- Improving underlying asset quality and enhancing portfolio diversification
- Materially lowering loan loss provisions
- Developing robust risk/reward pricing models
- Ensuring International Financial Reporting Standard ("IFRS") readiness; and
- Positioning AmBank for advanced status under Basel II

A strong risk culture across the Group is being driven through the "Three Lines of Defense" framework, in which "risk is everyone's responsibility" to manage. Supporting this framework are policies and procedures to enforce core standards.

Key highlights of progress made under the programme this year are as follows:

1. Better diversification of income across the Group (Retail, Wholesale and Insurance) without over dependence on a single business.

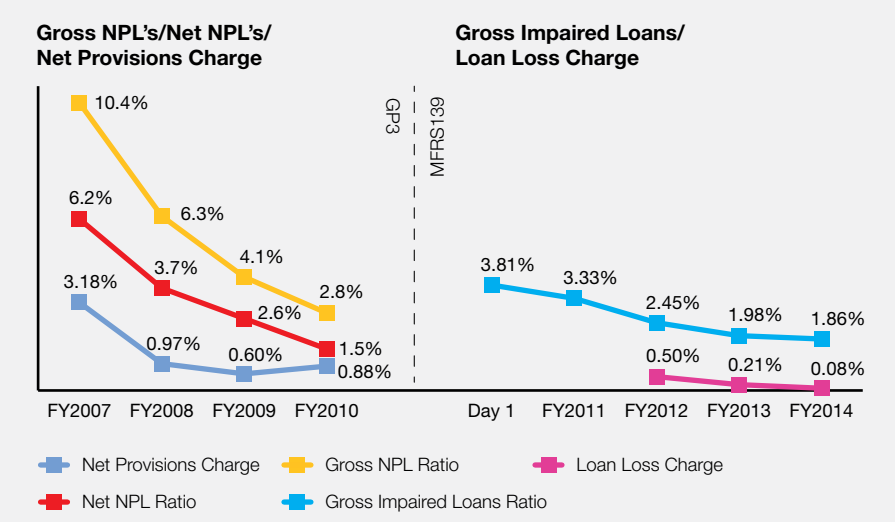
2. Sound asset quality with stable Impaired Loans Ratio, lower Loan Loss Charge and above industry Loan Loss Coverage Ratio. The Group has one of the highest Collective Provisioning rates amongst industry peers.

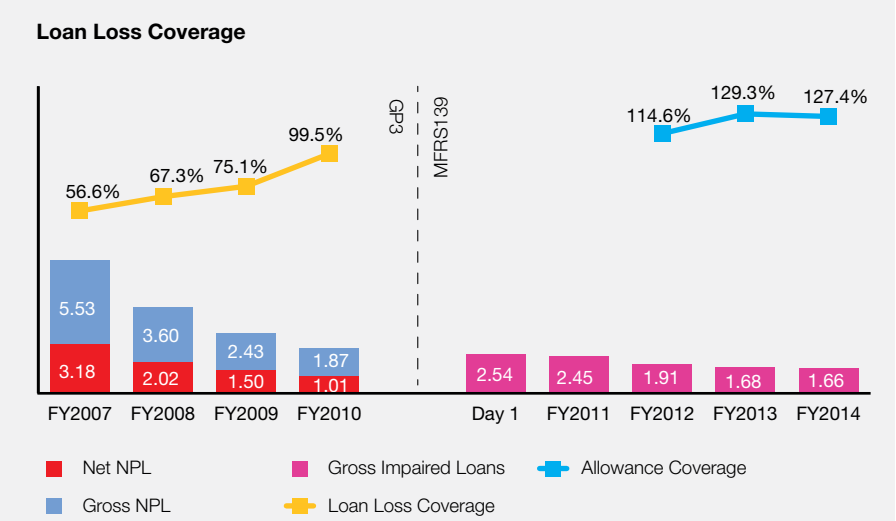
3. Group Risk Appetite Framework ("GRAF") refined to include statements on Reputational Risk, Compliance Risk and Shariah Risk.

4. Infrastructure enhanced to position the Group towards attaining Basel Internal Rating Based ("IRB") status.

5. Streamlined risk management processes by simplifying risk policies and practices across the Group. Turnaround time for risk assessment (credit, new product, market etc) has improved and potential problem credits (accounts) are proactively identified and monitored earlier.

6. Initiated and implemented various risk system projects to increase the Group's robustness in risk taking capabilities for example the implementation of the new Market Risk Engine, and the imminent roll-out of Single Counterparty Exposure Limit (SCEL) System.





7. Implemented Retail Behavioral Scoring models and rebuilt and recalibrated several retail and non-retail credit risk models to enhance our capability to quantify risk and manage accounts. To facilitate this, a new model governance framework has been established to improve the development and validation of credit risk models.

8. Operational Risk controls have been enhanced by rolling out the Key Risk Indicators and Key Control Testing tools to major business units. This enables faster identification and escalation of high risk issues.

Beaming with the Brightest Stars

World Finance Investment Management Awards 2014

- Investment Management Company of the Year, Malaysia *(3 consecutive years)*

The Edge Lipper Malaysia Fund Awards 2014

- Best Mixed Asset Fund Group
- Best Fund Over 10 Years, Bond MYR

Morningstar Fund Awards 2014

- Best Islamic MYR Allocation Fund

Asia Asset Management Best of the Best Awards 2013

- Best Pension Fund Manager, Malaysia
- Best Institutional House, Malaysia
- Best Sukuk House, Malaysia *(2 consecutive years)*

Islamic Business & Finance Awards 2013

- Best Asset Manager, Asia

Global Islamic Finance Awards (GIFA) 2013

- Best Islamic Fund Manager

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Growing your investments in a changing world

Business Operations Review

The seventh consecutive year of record performance with positive return on equity ("ROE") trend for AmBank Group reflects the Group's consistent discipline in executing its strategic themes and delivering sustainable performance. AmBank Group's strategies are conscripted to anchor our position as a modern Malaysian diversified financial solutions group that understands and meets the diverse needs of modern Malaysians.

The Group offers a comprehensive range of both conventional and Islamic financial solutions, and covers activities across retail banking, the new wholesale banking which includes all non-retail banking products and services, general insurance, life assurance and family takaful businesses. With this diverse composition of businesses across the Group, we are able to provide one-stop solutions as well as customisation to meet our customers' sophisticated requirements. This also allows greater cross-selling opportunities across the Group and greater customer share of wallet.

The Group continues to deliver on focused organic growth while leveraging on strategic partnerships and delivering synergies from integrations of acquisitions. Our strategic partnership with the Australia and New Zealand Banking Group ("ANZ") continues to contribute positively as the Group benefits from the joint initiatives to develop and roll out innovative products and solutions, provision of technical expertise, joint account planning, two-way customer referrals and ANZ's regional network and connectivity to meet our customers' needs.

We are committed to drive sustainable growth moving forward as we have refined our strategic priorities in response to the changing business environment in order to drive the Group's agenda to achieve our vision - As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.

Retail Banking

Retail Banking offers a full suite of products and financial solutions which includes loans and financing (auto financing, mortgage and personal loans), deposits, small business, credit cards, priority banking services, wealth management (including unit trust and bancassurance) as well as remittance services.

As part of our aspiration to become a high quality retail bank which is relevant to our customers, we have launched a new retail banking website, rolled-out a new branch concept supported by enhanced services and embarked upon customer engagement initiatives aimed at improving customer experience. We will also leverage on the robust functionalities of our new core banking system to continuously improve upon our capabilities and services.

Post-acquisition of MBF Cards, we have strengthened our market presence with a larger customer base and enlarged merchant pool. For FY2015, we aim to build new value segments targeting the emerging affluent and small business segments, while continuing to grow our core mass market customers by leveraging on existing value strengths. We will continue to transform by focusing on simplification of processes and solutions, digital enablement and building a service-oriented culture and people capability.

Wholesale Banking

During the year, we restructured our non-retail banking divisions, which involved the consolidation of five (5) divisions namely Business Banking, Corporate & Institutional Banking, Transaction Banking, Investment Banking and Markets into two (2) divisions, Wholesale Banking Coverage and Wholesale Banking Product. These two (2) divisions fall under the ambit of the newly created Wholesale Banking ("WB") which has been in operation since 1 April 2014.

The new WB operating model aims to increase customer centricity through the new coverage and segmentation models where the Relationship Management teams will be the single point of contact to enhance customer experience across sales, product solutions and servicing; achieve product excellence and clear segregation between product strategy and distribution; and remove any duplicated functions in the business and support areas across the Group.

"Wholesale Banking Coverage" consolidates the Business Banking and Corporate & Institutional Banking Divisions with exciting new industry-focused portfolios created. The Investment Banking, Markets and Transaction Banking forming the "Wholesale Banking Product" will ensure provision of innovative products and solutions to the wholesale client segment.

Transaction Banking offers a full suite of trade finance products, cash management services, e-Commerce solutions and gross payroll solutions.

Investment Banking offers a full range of investment banking solutions and services, encompassing capital markets and asset management activities, equity derivatives, broking, AmInvest (our rebranded Funds Management) and private banking services. Our Corporate Finance ("CF") provides full spectrum of corporate advisory and fund raising services while Equity Capital Markets supports the CF team and deals with the origination of primary market transactions, and also manages structuring, syndication, marketing and distribution in both primary and secondary markets. Equity Derivatives provides investors a broader range of investment and hedging instruments to suit their risk profiles. Stock Broking and Futures offer securities and futures trading services to our customers in both local bourse, the Malaysian futures market and selected major foreign futures markets. AmInvest provides investment management services and solutions for both institutional and retail market segments, covering both conventional and Islamic mandates and specialising in Asian equities as well as global bonds. Private Banking manages the private wealth of high net worth individuals, family groups and companies by offering comprehensive wealth management solutions and integrated access to expertise and resources of the Group.

Markets specialises in providing foreign exchange, derivatives, fixed income and structured solutions. Our Debt Markets ("DM") covers a comprehensive range of customised debt financing solutions. Islamic Capital Markets compliments DM by offering Islamic offering solutions as well as customised products and services including sukuk origination, Islamic equity capital markets, Islamic private equity and Islamic syndication that uphold Shariah integrity.

Islamic Banking

Islamic Banking offers a comprehensive range of Shariah compliant products and services, with its business embedded within Retail Banking and Wholesale Banking. Our aspiration is to be the preferred bank in the domestic Islamic banking industry with strong market share by providing wide range of products and services through various channels including our extensive network of AmBank branches, AmIslamic Bank branches, and e-Banking centres nationwide. We also offer mobile banking and internet banking services which allow customers to make online transactions including payment of zakat. Moving forward, we will continue to develop a full suite of Islamic financial solutions to serve the needs of the targeted segments.

General Insurance

AmGeneral Insurance Berhad ("AmGeneral") is the number one motor insurer and a leading general insurer in Malaysia. It is backed by a strong strategic partnership between AmBank Group and Insurance Australia Group Limited ("IAG") - Australia's largest general insurance group. AmGeneral was established following the acquisition of Kurnia Insurans (Malaysia) Berhad ("Kurnia") by AmG Insurance Berhad ("AmG") on 26 September 2012 and comprises the combined business of two (2) former entities, namely AmG and Kurnia. Operating under its two (2) well-known and trusted brands, "Kurnia" and "AmAssurance", AmGeneral offers a comprehensive range of general insurance solutions distributed through a nationwide network of 32 branches, servicing approximately 7,000 agents and dealers, as well as through AmBank branches.

Life Assurance

AmLife Insurance Berhad ("AmLife") provides various solutions in life insurance, wealth protection/savings, health and medical protection as well as employee benefit schemes. Our investment-linked protection solution comes in regular and single premium options with a choice to invest domestically and internationally.

On 30 April 2014, we sealed a strategic partnership with MetLife International Holdings, Inc. ("MetLife"), which entails MetLife owning 50% plus one share in AmLife with the remaining shares to be owned by the Group and the Group owns 50% plus one share in AmFamily Takaful Berhad ("AmTakaful" – details set out in the below section) with the remaining shares owned by MetLife.

This long-term strategic partnership leverages on the Group and MetLife's combined strength to create a customer-centric and modern life assurance solutions for Malaysia. The new brand name AmMetLife arising from this partnership reflects the coming together of two (2) renowned and strong organisation with shared core values of integrity, partnership and innovation.

Family Takaful

AmFamily Takaful Berhad ("AmTakaful"), a licensed family takaful operator which commenced business over a year ago provides a range of Shariah compliant Family Takaful products that offer comprehensive coverage and investment.

Arising from the strategic partnership with MetLife, the new brand name, AmMetLife Takaful was launched and this leverages on the combined strengths to create customer-centric family takaful solutions for Malaysia.

Moving forward, we will work together to identify best practices and standards to grow the business and increase our penetration into the market, enrooting us to be the Takaful Centre of Excellence in the long run.

Business Operations Review

RETAIL BANKING

FY2014 Performance Review

Retail Banking continues our transformation agenda and search for new growth drivers to support our underlying business. Our efforts delivered another year of stable growth, with Profit Before Tax ("PBT") of RM859 million. This represented a 9% growth year-on-year despite the tough operating environment. Total income increased by 6% to RM2 billion underpinned by stronger growth in our non-interest income.

We also remain steadfast and committed to delivering results in our key retail priorities. On our priority of growing deposits aggressively, we recorded a growth of 9% to RM40.5 billion during the year. This was driven by a stronger growth in our current account balances as we continuously focused on enhancing our funding mix.

To deliver on our second priority of growing loans with better returns, we reviewed our underwriting strategies and reinforced the risk quality framework to rebalance growth towards preferred segments to maintain better asset quality. Retail loans grew by RM525 million to RM49.6 billion with mortgages anchoring the growth.

Total loan impairment charge during the year was 7% lower than prior year. Recoveries were 7% higher year-on-year due to the rigorous debt recovery initiatives executed in FY2014. Loan loss charge (loan loss allowance as a proportion of average net loans) improved to 0.51% whilst gross impaired loans ratio was 2.7%.

Besides satisfying our shareholders, we were also conscious of our priority to deliver a better banking experience for our customers. As customer centricity rapidly gains momentum within Retail Banking, we reviewed key internal processes to improve operational effectiveness, reduce cost inefficiencies and entrench customer centricity within our operating framework and work culture. A number of pilot initiatives were rolled out to improve on customer experience based on customer feedback received in our focus group sessions and customer journey mapping initiatives.

Apart from our Retail priorities, we also continue to support the Group's strategic agenda for the medium term.

In (1) *Integrate acquisitions and deliver synergies*, the integration of MBf Cards ("MBFC") is progressing on track. Legal Day 1 was achieved on 3 December 2012 and MBFC was fully vested into AMMB Holdings Berhad on 1 July 2013. Our plan to converge both the cards and merchant systems into a common platform for greater efficiency is scheduled for realisation in Q3/Q4 of FY2015.

As part of (2) *Simplify business model and streamline processes*, our business and operational transformation agenda introduced two years ago continues to deliver operational efficiencies across the division and Group.

November 2013 was another key milestone in our calendar as we successfully rolled out Phase 1 of our new core banking system. This large and complex implementation which replaces our core banking platform, teller front end system and a new Enterprise Data Warehouse was built within two years. Its functionalities are anticipated to pave the way for further operational improvements and enhance overall customer experience.

In our efforts to (3) *Accelerate organic growth with focus on cross-sell, flow business, small business and emerging affluent customers*, we have undertaken segmentation studies and activities to develop strategies to grow our emerging affluent and affluent segments. We have also leveraged on our partnership with ANZ to improve our customer value propositions to the small business segments.

As we close our chapter on an eventful FY2014 and move into FY2015, we have set ourselves a purpose of growing the future of modern Malaysians by becoming relevant to our customers, being easy to bank with and serving with willing and capable staff. Internally, we have also set up a Strategy & Transformation ("S&T") team as a strategic arm of Retail Banking. S&T will formulate and facilitate the development and delivery of Retail Bank's strategic agenda.

Upon the successful execution of our planned initiatives, we strongly believe we are well-positioned to become **"Your Bank. Malaysia's Bank. AmBank."**

Deposits

- Current account and savings account ("CASA") balances recorded a y-o-y growth of 13% and 4%
- Fixed deposits ("FD") balances grew by RM2.3 billion
- CASA ratio at 27.7%

Growing deposits remain a key priority of the Group's strategic agenda and Retail Banking remains committed to supporting that agenda. Our growth during the year was achieved via

(1) New funds garnered from tactical and thematic campaigns rolled out during the year. The strong volumes amassed from our "Top Rate FD" campaigns confirm that they are a perennial market favourite

(2) Embedding a stronger deposit culture across our lending business by encouraging higher take-up of our CASA accounts with our lending customers

(3) Maintaining and growing our existing deposits base with below-the-line ("BTL") deposit programmes to increase retention rates

With the successful implementation of our new core banking system, we are poised to deliver key new products aimed at diversifying our deposit offerings to our customers in FY2015.

Wealth Management

- Overall Investment assets under management ("AUM") grew by more than 10% y-o-y
- Placed third amongst local banks in National Insurance Association of Malaysia ("NIAM") Bijak Malaysia/ Ceria Malaysia campaign

The year in review saw us launching four new bancassurance products and seven new Investment funds mainly with our award winning Funds Management Division, AmInvest. We are also establishing new business relationships with two other reputable asset

management companies in Malaysia to provide our customers with access to world-class investment solutions in both the conventional and Shariah-compliant space.

Consistent with our Retail segmentation strategy roadmap, we are focused in growing our wealth business in the emerging affluent and affluent segments. On this note, AmScholar, an education Bancassurance savings plan was introduced to specifically target the young family segment.

Additionally, AmBank has also expanded the Private Retirement Scheme ("PRS") investment offering to eight funds to cater to the various risk appetites of our customers. This is in line with the government's aspiration to encourage greater awareness on retirement savings.

On the affluent front, we introduced complementary products and services such as the collateralised share trading services and estate planning services which were tailored specifically for our AmSignature Priority Banking customers.

We will continue to expand and innovate on our product and service offerings into FY2015. We will also leverage on our new partnership with MetLife and we look forward to gaining further traction in our life insurance business through the new brand of AmMetLife.

Auto Finance

- Gross loans of RM26 billion contributed to 52% of overall Retail loans
- Top 3 market ranking with a 16% market share

To ensure we deliver consistent profitability, we shifted our growth in auto finance loans to focus on better quality segments via our hire purchase ("HP") portfolio rebalancing strategy. Our new acquisition volumes were concentrated towards growing our emerging affluent segment to ensure alignment with our Retail segmentation strategic blueprint.

In Q3 FY2014, we introduced a pilot customer on-boarding programme for new customers. The objective of the programme was to enable the bank to pro-actively engage with our customers for the development of a more meaningful banking relationship. It is also aimed at reducing the customer's effort to bank with us.

We also continued to invest in our Dealer Management Programme to maintain and sustain business support from our wide network of dealers and enhance existing relationships. Apart from participating in business-to-business ("B2B") activities and initiatives to generate higher business referrals, we also held events to recognise our business partners for their contributions towards achieving our business growth.

Mortgage

- Mortgage gross loans grew by 9% to RM17.5 billion
- Gross impaired loans ("GIL") improved from 3.7% to 3.1%

Mortgage receivables grew by RM1.4 billion in FY2014 despite intense market competition, narrowing margins, a stricter lending framework and cooling measures imposed by the government to curb increasing household debt.

Whilst pursuing growth, our effort in recent years to strengthen our asset quality has paid off as our GIL ratio improved in FY2014. This is attributable to our stringent risk based pricing framework and business underwriting strategies as we target growing in good quality and profitable segments.

In September 2013, we implemented the End-to-End ("E2E") Mortgages Work Cell project to review and reinvent key mortgage processes to improve our service quality. Phase 1 of the project involved collaboration across multiple business units in a strategic work-cell environment to process a tenth of mortgage loan applications. Results from the test environment were encouraging as the approval turnaround time improved by 80% and reworks were reduced by more than half.

Our mortgage process re-engineering will continue into FY2015 as we strive to scale up on the E2E project to improve the speed of processing and simplify the acceptance process. Another area of focus will be on new sales channels and tie-ups to ensure our upward growth trend continues.

Credit Cards

- Top 3 merchant acquirer with total merchants-in-force ("MIF") of 55,000
- Annual merchant volumes above RM12 billion
- Annual card spend in excess of RM5 billion, receivables of RM2 billion
- Awarded "Highest Payment Volume Growth in GOLD card category" for 2013 from VISA Worldwide

It was a year of consolidation for the cards division following our successful acquisition of MBF Cards (M'sia) Sdn Bhd in 2012. One of our key priorities was to focus on extracting revenue and cost synergies from the acquisition and on that note, we have achieved our target for the financial year.

The acquisition also brought about a larger fee income composition for the business through the various legacy programmes and services such as the Corporate Bill Payment Services, Insurance telesales and Xtremedeals. We are now able to offer these dynamic services to our enlarged customer base.

The tighter credit card lending guidelines remains an industry challenge but we continue to reinforce growth in receivables within our chosen segments of the emerging affluent and Small Medium Enterprises ("SME"). Our Islamic portfolio is also deeply entrenched as a key agenda of our segmentation strategy roadmap. With our large retail customer base, cross-sell remains the main thrust in new customer acquisition in cognisance of its lower acquisition cost and better quality asset.

Our focus for FY2015 will be to consolidate our card and merchant systems into a common platform for greater efficiency by Q3/Q4. Acquiring will continue to grow its footprint with its Merchant Business Solutions, incorporating Current Account, Small Business Solutions, and technology propositions via contactless and mobile point-of-sale. Dynamic Currency Conversion ("DCC") will also be rolled out as part of the new proposition for merchants with high sales ratio from the tourist market. DCC allows foreign cardmembers to hedge against forex fluctuations as purchases are transacted in their home currency. DCC will also benefit both the merchant and Bank through additional forex income.

Business Operations Review

Personal Financing

During the year, we slowed down our personal financing loans to government employees which contracted by RM121 million to RM1.5 billion in line with new regulations designed to reign in increasing household debt.

To support our Retail agenda to grow loans with better returns, we introduced a VIP pricing package for the emerging affluent segment. We also saw further improvements in our gross impaired loans ("GIL") ratio which improved to 0.8% from 1.4%.

In recent years, new policies and guidelines introduced have continued to impact the personal financing landscape which has forced us to constantly review our business model and search for new growth drivers. For the coming year, the business will concentrate on expanding its strategic alliances to diversify its income and to drive better business results.

Asset Financing & Small Business ("AFSB")

Retail Banking has embarked on establishing a Small Business Banking ("SBB") model to focus on serving a specific niche within the small and medium enterprise ("SME") segment.

Significant groundwork and resources were invested to pave the way for a pilot launch of the SBB programme in FY2014. The pilot programme covered 45 branches within the Klang Valley for eight months with dedicated support from ANZ. ANZ has successfully capitalised on this segment in Australia and we hope to mirror that success in a Malaysian context.

We are poised to launch our business proposition in Q2 FY2015, with a major focus on supporting SMEs by providing them with a needs-based customer centric solution accompanied with a market-leading customer experience. The nationwide model will be rolled out in two phases and is expected to have coverage across all our branches by the end of FY2015. SBB will be fully aligned with our Retail Distribution network to ensure stronger collaboration through the branch network which will be important for our business customers.

Distribution Channels

Our branch network stands at 179 branches. We continued to review our branch footprint to gain a better customer reach which leads to higher customer engagement and satisfaction.

We opened three new branches in Bandar Utama, Cheng (Melaka), Kota Kemuning, Shah Alam (Selangor) and Lagenda Heights, Sg Petani (Kedah). Six branches were relocated to more strategic locations, and three branches had their premises expanded to cater for the increase in business volumes. All these branches were renovated with the new "Connected" AmBank branding and design for better customer experience. Weekend banking has been streamlined to open on the first and last weekend of the month. We now have 68 branches that provide Sunday Banking and five branches for Saturday Banking.

We also continued to grow the Self Service Machines and now operate 884 Automated Teller Machines ("ATM"), 282 Cash Deposit Machines ("CDM"), and 212 Cheque Deposit Machines ("CQM"). Eight new Electronic Banking Centres ("EBC") were added bringing the total to 167 EBCs nationwide to serve our customers better.

Our strategic focus for FY2014 was on ensuring cost effectiveness through branch consolidation and relocation without compromising on customer experience and satisfaction. We also focused on maximising staff productivity through the use of the Workforce Management System.

Apart from the traditional distribution channels, our award-winning contact centre introduced Web Chat as an alternative channel of communication in FY2013. This channel recorded an increase of 100% in annual interaction volumes from 6,000 to 12,000 in FY2014.

Internet & Mobile Banking

- Ranked fifth in the market with an internet banking subscriber base of 0.5 million
- Mobile banking subscriber base of 0.2 million
- Online transactions increased 8% year-on-year

In January 2014, we launched our new website www.ambank.com.my. The new website is fresh, easy to navigate and its mobile responsive concept appeals to the new target segments i.e. emerging affluent and affluent. Moreover, the new website has an easy-to-use leads generation form which enables customers to drop their details for their interested products in the website on a 24/7 basis.

During the year, we also focused on increasing AmBank's presence in the digital space and social media. There were digital marketing collaborations with partners such as Zalora and Firefly to mark our foray into the digital sphere. We also launched our first full scale social media campaign through the "What's Your Social Milleage" campaign. Our official AmBank facebook page has also garnered more than 80,000 likes and with the right resources, skills and tools, we foresee that this channel has the potential to be the fastest growing interaction channel for AmBank.

We are cognisant of the importance of security in any digital strategy. With this, we focused on enhancing our cyber security elements which are crucial for peace-of-mind online banking experience. Anti-Phishing services were implemented on 1 October 2013 in order to combat email phishing attacks which became more prominent in recent years. As a result, the number of cases and monetary losses reduced by 58.3% and 55.2% respectively. In addition, we implemented Unique TAC and Post Transaction Alerts for added security of online transactions.

As we step forward into a modern digital era, we will be modernising our internet and mobile banking platforms. We are also looking to develop innovative applications via mobile banking and tablet technology to support our new segment focus.

WHOLESALE BANKING COVERAGE

A restructuring exercise involving Business Banking and Corporate & Institutional Banking was launched in Q3 FY2014. With this restructuring, the two divisions were consolidated to form Wholesale Banking Coverage with the objective of improving client centricity, efficiency and productivity. This new structure is fully operational effective 1 April 2014.

Business Banking

Business Banking continued to achieve good growth in FY2014 amidst stiff competition in the banking industry. Gross loans and advances grew by 8.3% year-on-year while deposits expanded by 22.6%. Total income reported an increase of 2.8% mainly on higher contribution from interest income.

Small & Medium Enterprise ("SME") customers remain our main focus. This segment grew by 21.8% during the year and accounts for 52.1% of the Business Banking portfolio.

Regional Business Centres ("RBCs"), including Commercial Business Centres, continue to play a key role in Business Banking's growth. The RBCs' total portfolio expanded by 18.3% and accounted for 28.1% of the total Business Banking portfolio, up from 25.8% a year ago.

Corporate & Institutional Banking

The Corporate & Institutional Banking ("CIB") Division is involved in providing wholesale banking services for the large corporate and financial institutions client segment supported by a wide spectrum of commercial banking and investment banking products and services. This holistic platform services clients with end-to-end financial solutions from origination to execution.

This division focuses on building and developing strong relationships with government-linked corporations ("GLCs"), government and state-owned public entities, foreign and local multinational companies, financial institutional groups, privately held conglomerates and public listed corporates. CIB works closely with other divisions within the Group to structure value-added and high quality comprehensive financial solutions, which include but are not limited to lending, deposit taking, liability management solutions, transaction banking covering cash and trade, foreign exchange and derivatives, offshore banking, debt and equity capital markets, as well as advisory and investment products.

The Division is staffed with various teams with diversified experience, concentrating on niche client groups and specific industry sectors in the Klang Valley and Selangor. The division is further supported by four Regional Business Centres ("RBCs") in Pulau Pinang, Johor, Kota Kinabalu, Kuching and an offshore Branch in Labuan to ensure that the Group has a footprint across Malaysia as well as the Labuan International Business and Financial Centre.

The division continues to acquire new clients, while diversifying and differentiating itself in the market place, in line with the Group's strategic objectives. Our strategic partnership with ANZ has enabled CIB to capitalise on ANZ's network for international connectivity and cross border business.

For FY2014, CIB reported total revenue of RM539 million while profit before provision increased to RM461 million. Gross loans grew 12% to RM19.2 billion while wholesale deposit balances expanded by 9% to RM41.1 billion.

Offshore Banking

The Group's offshore banking business is primarily undertaken by AmBank (M) Berhad, Labuan Offshore Branch, and to a lesser extent, AmInternational (L) Ltd. Both offshore banking units are licensed by the Labuan Financial Services Authority to carry on Labuan banking business in the Labuan International Business & Financial Centre.

As in the previous year, we continued to focus on core sectors in the oil & gas and manufacturing segments, including providing financing solutions for cross-border acquisitions. We also continued to grow our offshore trade finance business which included the issuances of non-financial guarantees on behalf of clients venturing overseas.

For FY2014, profit before tax improved 127% to USD26.1 million from USD11.5 million on the back of a 75% increase in operating revenue from USD19.2 million to USD33.5 million. Interest income increased 47% to USD24.7 million while non-interest income jumped 251% to USD8.4 million due to one off large transactions. Loan assets grew 57% to USD712.7 million with no impaired assets.

Trustee Services

AmTrustee Berhad ("AmTB") has been in operation for over 20 years and is 80% owned by AmBank Group. It provides comprehensive conventional and Islamic corporate trust services. The services offered include acting as trustee for unit trust funds, Real Estate Investment Trusts ("REITs"), bonds, stakeholders, custodial services and retirement funds.

For FY2014, AmTB registered a 9.5% growth in assets under trust to RM23 billion while turnover grew by 14% to RM8.9 million. Profit after tax increased by 250% to RM2.8 million.

Private Equity Business

Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") is a wholly-owned subsidiary of AmInvestment Group Berhad ("AIGB"). MVMI is the country's first venture capital/private equity fund and was setup in 1984. MVMI currently manages a RM100 million country fund called AmPrivate Equity ("AmPE"). During the financial year under review, AmPE successfully divested its investment in CDS Freight Holdings Limited and Soon Soon Oilmills Sdn. Bhd. The remaining investee companies are involved in energy services, biomass engineering, and OEM contract manufacturing. MVMI will refer strategic investments in infrastructure projects to AIGB or its clients.

Real Estate Investment Trusts ("REITs") Business

Am ARA REIT Managers Sdn Bhd ("AmARA"), the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST") manages nine investment properties with Assets Under Management of RM1.4 billion as at 31 March 2014. These properties, namely Bangunan AmBank Group, Menara AmBank, AmBank Group Leadership Centre, Menara AmFIRST, Wisma AmFIRST, The Summit Subang USJ, Prima 9, Prima 10, Cyberjaya and Kompleks Tun Sri Lanang (also known as Jaya 99) are strategically located in Klang Valley, Cyberjaya and Melaka.

Business Operations Review

AmFIRST is currently one of the largest Malaysian-based commercial real estate investment trust managing approximately 2.78 million sq ft of net lettable area as well as 5,536 car park bays. The investment objective of AmFIRST is to own and invest in real estate and real-estate related assets whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise of real estate and real-estate related assets.

Am ARA is wholly-owned by Am ARA REIT Holdings Sdn Bhd, and in turn is 70% owned by AmInvestment Group Berhad ("AIGB") and 30% owned by ARA Asset Management (Malaysia) Limited ("ARA"). ARA is a wholly owned subsidiary of Singapore-based ARA AmFIRST (Singapore) Pte Ltd, which in turn is a wholly owned subsidiary of ARA Asset Management Limited ("ARA Group"), which is listed on the Main Board of the Singapore Exchange Securities Trading Limited.

For FY2014, Am ARA registered a turnover of RM6.3 million and profit after tax of RM1.8 million.

For the financial year ended 31 March 2014, AmFIRST recorded gross revenue and net property income of RM112.8 million and RM76.5 million respectively, up by 3% as compared to the preceding corresponding year. Net realisable income available for distribution came in higher by 7% at RM50.3 million compared with the RM46.9 in FY 2013, which translates into a realiszed EPU of 7.32 sen per unit.

WHOLESALE BANKING PRODUCTS

Wholesale Banking Products consolidates the Investment Banking, Markets and Transaction Banking Divisions and continues to strive for excellence in offering innovative, quality and differentiated products and services to the wholesale customers.

With a long-standing track record in structuring award-winning transactions, we provide and deliver a wide range of innovative and integrated solutions via the following key product teams:

1) Corporate Finance
2) Equity Markets
3) Debt Markets
4) Islamic Capital Markets
5) Markets
6) Transaction Banking
7) Funds Management
8) Private Banking

For the year under review, Wholesale Banking Products delivered strong fee income driven by notable deals from Debt Markets, Islamic Capital Markets and Corporate Finance as well as stronger volumes from Stock Broking, partially offset by subdued fixed income business performance, particularly in Markets and Funds Management due to the quantitative easing tapering effect and Fitch Rating's outlook downgrade of Malaysia's sovereign debt to negative.

Despite a challenging year in a competitive environment, we were able to defend our market positions in the debt and Islamic capital markets and funds management space and improved our market position in corporate finance areas.

Corporate Finance

The Corporate Finance Division provides our wide-ranging clients from various industries with an extensive range of corporate finance and advisory services which include mergers and acquisitions ("M&A"), divestitures, take-overs, initial public offerings ("IPO"), restructuring, privatisations, issuance of equity and equity-linked instruments as well as valuations. We service a diverse spectrum of clientele from various sectors such as oil and gas, plantations, property development, infrastructure, retail and financial institutions.

We provide high quality advisory services to facilitate seamless origination and execution of equity capital market transactions, including the stages of structuring, negotiation, announcement, procurement of approvals, issuance of offering documents and implementation.

In FY2014, the capital markets saw the listing of 17 new companies on Bursa Malaysia Securities Berhad, and AmInvestment Bank was involved in three (3) of the issues in various roles. We were the Joint Principal Adviser and Joint Global Coordinators for the RM8.13 billion demerger and IPO of IOI Properties Group Berhad; the Principal Adviser, Sole Underwriter and Sole Placement Agent for ABM Fujiya Berhad's RM108 million IPO with an oversubscription of 9.77 times. We were also one of the underwriters for the IPO of Berjaya Auto Berhad, which raised a total of approximately RM58 million.

On the M&A front, notable deals include acting as Principal Adviser to Felda Global Ventures Holdings Berhad for the RM1.20 billion acquisition of Pontian United Plantations Berhad via a take-over offer which was completed with 100% acceptance of the offer; Principal Adviser to Yinson Holdings Berhad for the cross-border take-over offer to acquire Fred Olsen Production ASA at a transaction value of approximately RM551 million. We also advised Khazanah Holdings Berhad on its divestment of 45% equity interest in Time Engineering Berhad via an open tender. Based on the M&A league table compiled by Bloomberg, our Bank garnered a market share of approximately 9.5% (more than USD1.5 billion) out of the total transaction value of approximately USD29.6 billion during the calendar year of 2013.

We also acted as independent adviser for a number of acquisitions, including the RM2.9 billion acquisition of the remaining equity interest in Bank Islam Malaysia Berhad and RM93 million privatisation of Nadayu Properties Berhad. In terms of secondary fund raising, amongst others, we advised the rights issue undertaken by Malaysia Building Society Berhad, raising a total of RM1.44 billion and Formis Resources Berhad's rights issue with warrants which raised total proceeds of RM139 million.

Our commitment in delivering quality products and services via in-depth undertaking of both our clients' requirements and corporate climate resulted in us being awarded the **Best IPO Deal of the Year in Southeast Asia and Best IPO of the Year for Retail Investors in Southeast Asia** (Joint Underwriters for the IPO of UMW Oil & Gas Corporation Berhad) together with several other investment banks at the 7th Annual Alpha Southeast Asia Deal & Solution Awards 2013.

Moving forward, the Corporate Finance Division will continue our effort in providing top notch quality advisory services that will create value for our clients in their respective areas of business. We will continue to build upon our proven track record of advising, structuring and implementing successful transactions for our clients in the area of equity capital markets.

Notable IPOs for FY2014

IOI Properties Group Berhad	Berjaya Auto Berhad	ABM Fujiya Berhad
RM8.13 billion	**RM562 million**	**RM108 million**
Joint Principal Advisor and Joint Global Coordinators	Underwriter	Adviser, Sole Underwriter & Sole Placement Agent
January 2014	**November 2013**	**July 2013**

Notable M&A Deals in FY2014

Felda Global Ventures Holdings Berhad	Yinson Holdings Berhad	Lion Corporation Berhad
RM1.20 billion	**RM551 million**	**RM265 million**
Acquisition of 100% Equity Interest in Pontian United Plantations Berhad	Acquisition of Fred Olsen Production ASA	Disposal of equity interest
October 2013	**November 2013**	**April 2013**

Business Operations Review

Notable M&A Deals in FY2014

Ogawa World Berhad

RM134 million

Conditional Take-over offer

December 2013

Latitude Tree Holdings Berhad

RM118 million

Proposed Acquisition of subsidiaries of Latitude Tree International Group Ltd

January 2014

Time Engineering Berhad

RM69.82 million

Divestment of equity interest by Khazanah National Berhad

November 2013

Green Packet Berhad

RM49 million

Proposed Disposal of Land and Building

January 2014

Scope Industries Berhad

RM32 million

Acquisition of 100% equity interest in Benua Mutiara Sdn Bhd

June 2013

Ya Horng Electronic (M) Berhad

RM25.43 million

Selective Capital Reduction and Repayment Exercise

July 2013

Notable Independent Adviser Roles in FY2014

BIMB Holdings Berhad

RM2.9 billion

Independent Adviser: Proposed acquisition of remaining equity interest in Bank Islam Malaysia Bhd

December 2013

Nadayu Properties Berhad

RM93 million

Independent Adviser: Selective capital reduction

February 2014

Latexx Partners Berhad

RM81 million

Independent Adviser: Take-over offer

May 2013

Notable Secondary Offerings in FY2014

Malaysia Building Society Berhad **RM1.44 billion** Rights issue **December 2013**	**Formis Resources Berhad** **RM139 million** Rights issue with warrants **May 2013**	**Ahmad Zaki Resources Berhad** **RM103 million** Rights issue with warrants **March 2014**
TH Heavy Engineering Berhad **RM42 million** Private Placement **May 2013**	**Boon Koon Group Berhad** **RM28 million** Rights Issue **June 2013**	

Equity Markets

Equity Capital Markets

Equity Capital Markets ("ECM") deals mainly with the marketing, sales and distribution of equities in the primary and secondary equity and equity-linked markets. It leverages on its established distribution network and close relationships with fund managers, investors and research analysts to provide timely market intelligence in the origination of primary market transactions and in the structuring and managing of the marketing and distribution of both primary and secondary equity offerings. Through ECM's close collaboration with Corporate Finance and Corporate & Institutional Banking, we strive to provide clients with value added equity solutions. As successful equity offerings are a function of accurate pricing, effective distribution and market awareness of both the issuer's industry and investor demand, we place a strong priority on tracking closely the pulse of the market and market developments.

Equity Derivatives

Equity Derivatives ("ED") is one of the leading providers of exchange traded Structured Warrants on Bursa Malaysia, as well as principal participating dealer of several Exchange Traded Funds ("ETF"). As at 31 March 2014, ED has 66 outstanding Structured Warrants listed on Bursa Malaysia Securities Berhad. ED also offers customised equity linked solutions, for high net worth individuals and corporate clients, to cater for their unique investment management strategy.

Stock Broking

After the long awaited 13th General Election held on 5 May 2013, Bursa Malaysia has performed fairly well despite the tapering of the quantitative easing programme by the Federal Reserve. As at 31 March 2014, the FBMKLCI closed at 1,849.21, and recorded a 10.6% gain year-on-year. On the other hand, thanks to the post-election pent-up demand,

Business Operations Review

Bursa Malaysia's total value traded for the 12 months ending 31 March 2014 has leapt pass the RM1,000 billion mark, which is RM1,040 billion in exact figures or a 32.8% increase from the previous corresponding period. AmInvestment Bank managed to maintain the market share at 6.0% and ranked No. 7 in the Bursa Malaysia Broker Ranking, both in terms of value traded.

On the institutional front, we continue to strengthen our relationship with the fund managers to complement ECM with better distribution network and capability. On the retail front, we aim to be differentiated amongst the competitors by building a strong brand name, equipping the retail business with excellent helpdesk services as well as improved products. We have made available multiple distribution channels, including remisiers, Bank Branch Broking, salaried dealers, Direct Market Access and the internet trading platform, offering clients the flexibility to trade both online and offline.

Futures

AmFutures continues to be one of the top bank-backed derivatives brokers in the Malaysian futures market. Our core product offerings to our clients include all derivatives products traded in Bursa Malaysia Derivatives ("BMD") and selected major foreign futures products.

Our business strategy is to grow and to achieve a balanced mix, in terms of revenue contribution, of both institutional and retail segments. On the institutional front, we are building up the business by putting in place the necessary infrastructure, the Direct Market Access ("DMA"). On the retail front, our objectives are basically to progressively widen our offerings to introduce more foreign derivatives products and to cross-sell into the Stock Broking client base.

Debt Markets

Awards and Accolades Financial Year 2014	
	The Banker Deals of the Year 2014 Islamic Finance Deal of the Year in Asia-Pacific Cagamas Berhad RM3.8 Billion Issuance
	10th KLIFF Islamic Finance Awards Most Outstanding Islamic Investment Bank
	The Asset Triple A Awards 2013 Islamic Finance Best Bank Capital Sukuk/Most Innovative Deal Cagamas Berhad
	The Asset Triple A Awards 2013 Islamic Finance Best Local Currency Sukuk DanaInfra Nasional Berhad
	The Asset Triple A Awards 2013 Islamic Finance Best Islamic Finance Deal – Kazakhstan Development Bank of Kazakhstan
	Islamic Finance News Awards Deal of the Year 2013 Malaysia Deal of the Year DanaInfra Nasional Berhad ETBS
	7th Annual Alpha Southeast Asia Deal & Solution Awards 2013 Best Islamic Finance Deal & Best Bond Deal for Retail Investors DanaInfra Nasional Berhad ETBS
	RAM Deals of the Year 2014 Market Maker of the Year – ORIX Leasing Malaysia
	Bloomberg Underwriter Rankings 2013 RM-denominated PDS and Sukuk – No. 3 with 16.5% market share Malaysian Ringgit Islamic Bonds – No. 3 with 18.3% market share Malaysia Loans Mandated Arranger – No. 4 with 9.7% market share

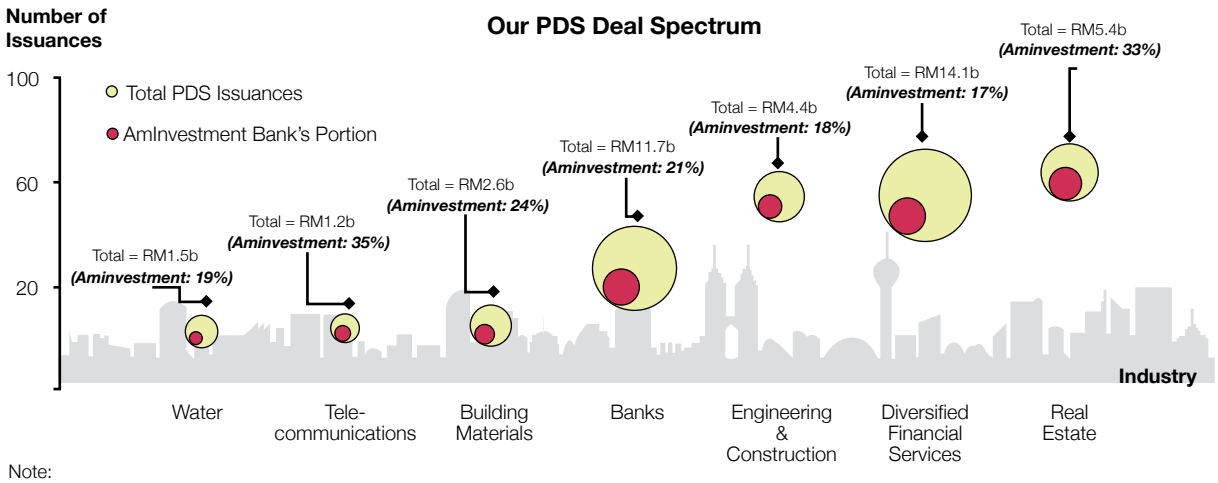
The Bank's Debt Markets Division continues to place amongst the Top 3 on the Bloomberg Underwriter Rankings for RM-denominated Private Debt Securities ("PDS") for the eleventh consecutive year in 2013. As a prominent capital markets player providing integrated debt and capital financing, the Division asserted its leadership position in the local capital markets as the market leader in managing Government-Guaranteed Sukuk issuances in 2013, garnering a strong market share of 30% of all Government-Guaranteed Sukuk transactions by issuance volume done in 2013.

The Division's strategic focus in building a sustainable high-growth business model with a diversified product base is evident through its wide array of products, which include conventional and Islamic PDS, loan syndication, capital and project advisory as well as structured finance and securitisation. Over the years, the Division has shown its commitment to client centricity in providing financing solutions and has built a strong and long-standing market reputation for innovation and creativity, leading to various award-winning transactions and accolades.

The year 2013 had seen the US Treasury yields spike as a result of the US Fed announcement in May 2013 that it would consider tapering its quantitative easing programme, with knock-on effects observed in capital markets across the globe. Although it was not until December 2013 when the US Fed finally committed to begin tapering in January 2014, the Malaysian fixed income landscape has weathered much volatility in interest rate movement for much of the year, with 10-year Malaysian Government Securities having risen more than 100 basis points between May 2013 and March 2014.

Malaysia recorded a GDP growth for 2013 of 4.7% compared to 2012 GDP growth of 5.6%. Gross domestic PDS issuance volume for the year ended 31 December 2013 totalled RM68.6 billion, which was lower when compared to RM117.75 billion for the year ended 31 December 2012 which could be attributed to a single jumbo issuance in 2012 by Projek Lebuhraya Usahasama Berhad totalling RM30.6 billion. Nevertheless, the liquidity of the market remained strong with the total outstanding public and PDS increasing from RM1,011 billion as at 31 December 2012 to RM1,037 billion as at 31 December 2013.

In the current financial year (1 April 2013 – 31 March 2014), the Division completed 34 PDS/Sukuk transactions amounting to RM11.6 billion.

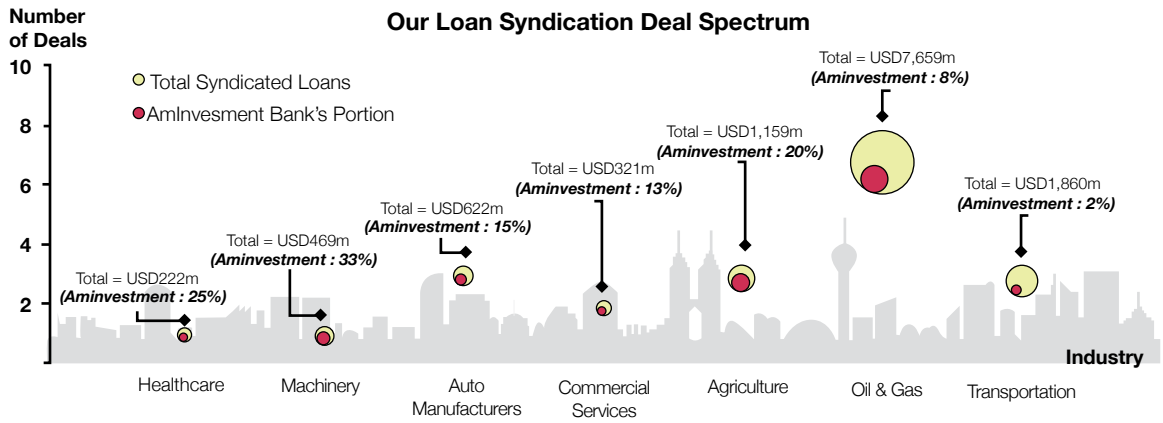


Note:
1. Source: Bloomberg (1 Apr 2013 - 31 Mar 2014)
2. Total PDS Issuances amounts to RM75.7 billion with 145 deals arranged, which comprise 466 issuances
3. Chart excludes other industries (Holding Companies, Electric, Commercial Services, etc)

Business Operations Review

In the Malaysian loan syndication market, the Division was placed amongst the Top 4 on the Bloomberg Underwriter Rankings for Malaysian Syndicated Loans Mandated Arranger for the second consecutive year in 2013. For the year ended 31 December 2013, loan syndication transactions totalling USD12.5 billion were closed as compared to USD18.3 billion closed for the year ended 2012. Most of the loan syndication activities in 2013 were for the purpose of financing mergers and acquisition exercises. In terms of sector, oil and gas and transportation were the largest sectors to tap the loan syndication market to meet their funding requirements.

In the current financial year (1 April 2013 – 31 March 2014), the Division completed 14 syndicated loan transactions amounting to RM3.2 billion.



Note:
1. Source: Bloomberg (1 Apr 2013 - 31 Mar 2014)
2. Total Loan Syndication amounts to USD17.9 billion with 47 deals arranged
3. Chart excludes other industries (Real Estate, Banks, Retail, etc)

The Division continues to originate landmark transactions, which include advising, arranging and managing on a sole basis Malaysia's first Basel-III compliant Subordinated Sukuk which was issued by AmIslamic Bank Berhad, jointly managing the largest Sukuk issuance in Asia-Pacific in 2013 by Cagamas Berhad, and acting as the Financial Advisor to Mongolian Mortgage Corporation in setting up an Inaugural Residential Mortgage Backed Securitisation transaction in Mongolia.

Moving forward, the Malaysian GDP is expected to range from 5.0% to 5.5% in 2014, and we estimate the PDS issuance volume to range between RM70 billion and RM80 billion. As inflation is expected to remain above its long run average, leading to a period of sustained negative interest rates, we expect that the degree of monetary accommodation would see the need for adjustment especially in 2H 2014 to ensure that the risks arising from the accumulation of these imbalances would not undermine the growth prospects of the Malaysian economy.

Financial Year 2014 Transaction Highlights

Private Debt Securities & Sukuk

AmIslamic Bank PA LA LM

RM3.0b Subordinated Sukuk Murabahah Programme

- Malaysia's First Basel III-compliant ("B3") Tier 2 Subordinated Sukuk issuance.
- A significant milestone for the Malaysian Sukuk market given unprecedented challenges in incorporating characteristics of Basel III capital instruments into an Islamic context.

AmBank PA LA LM

RM4.0b Subordinated Notes Programme

- Malaysia's First AA3-rated B3 Subordinated Notes.
- First B3 Subordinated capital instrument in Malaysia which carried only the full write-off clause at Point of Non-Viability but not conversion to equity.
- Amid uncertainties with B3 instruments, the notes were priced tightly – a mere 10bps higher than the two-notch higher rated (AA1) Public Bank Subordinated Notes.

Mongolian Mortgage Corporation FA

RMBS

- Inaugural Residential Mortgage Backed Securitisation ("RMBS") transaction in Mongolia on a limited recourse basis to the Originators, supportive of the Government of Mongolia's initiative to promote medium-income housing mortgages and MIK's ongoing efforts to develop the RMBS and secondary mortgage markets in Mongolia.

BGSM Management Sdn Bhd JLM

RM1.119b Sukuk Musharakah Programme

- Joint Lead Manager for the issuance of RM1.119 billion Sukuk under its RM10.0 billion Sukuk Musharakah Programme to refinance existing debts of Maxis Berhad.

DanaInfra Nasional Berhad PA LA LM

RM100.0m Retail Sukuk Issuance

- To raise funding for Malaysia's Mass Rapid Transit Project.
- Second retail Sukuk and fixed income asset listed and tradable on Bursa Malaysia.
- Facilitated greater retail participation in the Malaysian bond and Sukuk market.
- A brand new Exchange Traded Bonds and Sukuk-specific platform was built taking into account the retail Sukuk's unique features.
- Oversubscription for both tranches of the retail Sukuk.

Cagamas JLM

RM3.8b Sukuk Issuance

- Cagamas - National Mortgage Corporation of Malaysia; owned by a consortium of Malaysian banks and Bank Negara Malaysia.
- Largest Sukuk issuance in Asia Pacific solidifies Malaysia's foothold as the global Sukuk hub.
- The largest PDS order book (RM7.9 billion) in Malaysia for 2013.
- Gained investors' confidence to extend their investment horizon up to 20 years.
- Brought back liquidity to the bond market despite challenging and uncertain market conditions.

Orix Leasing Malaysia PA LA LM

RM500.0m MTN Programme

- First non-bank guaranteed debt financing by Orix.
- Diversified the single A curve in the Malaysian market with sufficient investors for placement.
- AmInvestment Bank devised a strategy for Orix to issue bonds based on its standalone rating and create its own benchmark yield curve.

Kapar Energy Ventures PA LA LM

RM2.0b Sukuk Ijarah Issuance

- Single largest AA+ rated issue in Malaysia in 2013.
- To extend the original Sukuk (2004) maturity profile to match the tenor of its Power Purchase Agreement.
- Aimed at enhancing shareholder value via extending the Sukuk maturity profile and achieving a lower overall funding cost.

Business Operations Review

Syarikat Prasarana Negara Berhad JLA JLM JBR
RM2.0b GG Sukuk Ijarah Programme

- Sukuk Ijarah issuance to fund the capital expenditure and working capital requirements for the LRT line extension.
- Offered via book-building, bid-to-cover ratio achieved for tranche 1 and 2 are 3.27 times and 3.1 times respectively.
- Tax and stamp duty remission enhanced its attractiveness thereby achieving optimum pricing.

Perbadanan Kemajuan Neg. Selangor PA LA LM
RM700m ICP & IMTN Programmes

- PKNS's fourth and fifth established Islamic facilities since 1996, reasserting PKNS as a credible and frequent issuer in the Malaysian Sukuk market.
- PKNS' rating upgrade to AA3/P1 reflects:
  - Consistently sturdy balance sheet
  - Considerable financial flexibility from RM1.23 billion unencumbered assets
  - Strategic importance to Selangor State Government

Loan Syndication

SapuraKencana TMC Sdn Bhd MLA
USD4.777b Senior Multi-Currency Term Facilities

- Mandated Lead Arranger for the largest syndicated transaction in the Asia Pacific ex-Japan region for Q1 2014.
- Loan proceeds were used to fund SapuraKencana's acquisition and refinancing exercises.

SapuraKencana Drilling Pte Ltd MLA
USD1.85b Syndicated Bridging Term Loan

- Named as Bloomberg's Top Syndicated Loan Deal in ASEAN (April 2013).
- Loan proceeds were used to part finance the acquisition by SapuraKencana of Seadrill's tender-rig operations. The loans will be refinanced via long term bonds.

Hicom Automotive Manufacturers (Malaysia) S/B MLA
RM480m Syndicated Term Loan

- Mandated Lead Arranger for Syndicated Term Loan in November 2013 for the acquisition of plant and machinery under the Collaboration and Licence Agreement between DRB-Hicom Berhad, Volkswagen AG and Volkswagen Group Malaysia Sdn Bhd.

Yinson Production Ltd MLA
USD223m Syndicated Term Loans

- Mandated Lead Arranger for the USD113 million and USD110 million syndicated term loans in December 2013 for the acquisition of Fred Olsen Production and refinancing exercise.

Pengerang Independent Terminals Sdn Bhd MLA
RM350m & SGD437.5m Syndicated Term Loan

- Mandated Lead Arranger for Syndicated Term Loan in April 2013 to finance the development/construction of Oil Storage Terminals for Petroleum products.

DRB-Hicom Defence Technologies Sdn Bhd MLA
RM398m Syndicated Term Loan

- Mandated Lead Arranger for Syndicated Term Loan in October 2013 for merger and acquisition exercise.

PA Principal Adviser
LA Lead Arranger
LM Lead Manager
FA Financial Adviser
MLA Mandated Lead Arranger
JLA Joint Lead Arranger
JLM Joint Lead Manager
JBR Joint Bookrunner

Islamic Capital Markets

The Islamic Capital Markets Division aspires "To be the leading solutions provider in Islamic investment banking in both local and regional markets, backed by a strong tradition of innovative, customised products and services that uphold Shariah integrity". In order to achieve these targets, the team has placed plans, targets and mechanisms which continue to be monitored and governed by best industry practices to ensure the utmost compliance, transparency and above all, being ethically in-line with the demands of Shariah.

Since its commencement in 1994, through the Islamic Capital Markets Division, AmInvestment Bank continues to be recognised in the Malaysian Islamic capital markets by consistently maintaining its position amongst the Top 3 market leaders for the past 18 years. The Division offers clients innovative Islamic financial solutions, including sukuk origination, Islamic equity or equity-related capital markets offerings, Islamic private equity, structured funds, and Islamic syndication. We also provide Shariah advisory and other technical support to the other divisions within the Bank, and work closely with the Debt Markets division. As a leader in the local Islamic capital markets, the Division stays abreast with the latest global developments in both Islamic finance and the Islamic capital markets. We set high criteria to ensure that we are able to deliver solutions of the highest quality rooted in diversified expertise in the area of Islamic finance that is experiencing exponential growth throughout the world. We inculcate a culture of work excellence, strong teamwork and responsible practices to ensure that we consistently deliver to client solutions that are optimum in terms of cost efficiency, structure, appropriateness and flexibility with no compromise on Shariah requirements.

The Division remains a strong promoter of the Islamic capital markets and, through selective sponsorship and industry training, supports the profiling efforts initiated by both the Securities Commission and Bank Negara Malaysia as well under the MIFC initiatives. As a demonstration of this commitment, in 2013, we sponsored some of the significant events in the Islamic capital markets fraternity including the 4th OIC World Biz - Business & Investment Zone 2013 and 10th Kuala Lumpur Islamic Finance Forum ("KLIFF") 2013.

Market Review

Global sukuk issuance decreased by 23% compared to last year mainly due to lower sukuk issuance from the largest country issuer i.e. Malaysia and also due to quantitative easing tapering measures in the US which have taken a toll on the sukuk or bond market in general. Malaysia remains the largest sukuk issuer for the year 2013, with a total issuance amount of USD16.8 billion. That represents approximately 39% of sukuk issuances globally (at USD43.0 billion) in 2013.

In the Malaysian Ringgit market, the year 2013 also witnessed much lower sukuk issuances by nearly 50% from last year due to a few factors i.e. the general election in May which caused uncertainty in the market, coupled with indirect impact from QE tapering measures. The absence of a super-size issuance from a single name such as PLUS in the previous year that amounted to RM30.6 billion also contributed to the slower sukuk issuance in comparison. In February 2013, DanaInfra issued its second issuance of RM1.5 billion from its existing Sukuk programme, with a portion of the issuance entailing Malaysia's first ever retail sukuk issuance of RM300 million. The retail sukuk marked another milestone for the development of sukuk in Malaysia, further cementing Malaysia's role as the world's leading sukuk marketplace.

Islamic Capital Markets Performance Review

For the year ended March 2014, the Division showed a commendable performance having successfully completed eight new Islamic deals, comprising seven sukuk deals and one Islamic syndication. Sukuk no doubt represented a significant 74% of the total new private debt securities ("PDS") originations by AmInvestment Bank for the financial year, surpassing conventional issues. From 1996 to date, the Division has running data of total completed sukuk deals worth RM156.5 billion.

Amongst the current year's notable sukuk issuances lead-arranged or lead-managed by the Bank were the RM10.0 billion Sukuk Musharakah Programme issued by BGSM Management Sdn Bhd, jointly lead-managed, RM2.0 billion Sukuk Ijarah issued by Kapar Energy Ventures Sdn Bhd, solely arranged and lead-managed, RM2.0 billion Sukuk Ijarah Programme issued by Syarikat Prasarana Negara Berhad, jointly lead arranged and lead-managed and the RM2.4 billion Sukuk Murabahah Programme issued by Bandar Malaysia Sdn Bhd, also sole lead-arranged and lead-managed. These sizable deals had contributed towards the Bank maintaining its market share in the Islamic capital market sector.

Innovation is another element that sets the Bank on another level amongst its competitors. The AmBank Group, known for achieveing many "Firsts" in the past has again recorded a recent first. In February 2014, AmIslamic Bank Berhad issued the notable RM3.0 billion Subordinated Sukuk Murabahah Programme which is the first-rated Tier-2 Basel III-compliant sukuk from Malaysia.

Business Operations Review

Awards and Accolades

AmInvestment Bank ranked third in RAM Lead Managers Awards 2013 (Islamic) in the "Number of Issues" category. The Bank captured third placing in the MARC Lead Manager's League Table for Sukuk for 2013 for the "Programme Value" category. AmInvestment Bank also ranked No. 3 in Bloomberg's 2013 MYR Sukuk Underwriter League Table, underwriting a total of RM8.9 billion worth of sukuk issues. We garnered a significant 18% of the local market share in sukuk underwriting in 2013 and have consistently maintained our Top 3 position in Bloomberg's Sukuk Underwriter League Table for the past nine years.

In the global arena, AmInvestment Bank has managed to secure 6.2% of the global market share in Bloomberg's 2013 Global Sukuk Underwriter League Table. Other regional awards in 2013 include "Best Islamic Finance Deal" and "Best Local Currency Sukuk" from The Asset Triple A Islamic Finance Awards, "Best Bond Deal of the Year for Retail Investors in Southeast Asia" and "Best Islamic Finance Deal of the Year in Southeast Asia" from the Alpha Southeast Asia Deal and Solution Awards 2013.

In the domestic market, the Bank was awarded amongst others, "Malaysia Deal of the Year" at the Islamic Finance News Awards 2013. The Bank has received the award for "Most Outstanding Islamic Investment Bank" from the Kuala Lumpur Islamic Finance Forum Awards 2013. A list of the Division's awards is tabulated at the end of this section.

Going Forward

For Q1 2014, there has been a "noteworthy slowdown" in GCC sukuk issuances which led to the overall drop in global sukuk market for the said period by 13% to USD11.1 billion compared to the same period last year. The commencement of QE tapering since January 2014 was also the critical factor which led to higher funding costs for issuers, particularly in the emerging markets. Malaysia's market share in turn has increased to 60% with a total issuance of USD6.7 billion in 1Q 2014, which appears unaffected thus far by the global financial markets.

Contrary to the GCC market, the Malaysian market has shown some positive momentum in the growth of sukuk issuances in 1Q 2014, which increased significantly by 85% to RM18.7 billion compared to the same period last year. This is driven by several government guaranteed papers in the first quarter period.

Sovereign sukuk issues from new and emerging markets are expected to continue the global momentum of sukuk development in 2014. A number of high profile issuances are already in the pipeline for 2014 including amongst others debut sovereign issuances from United Kingdom, Luxembourg, South Africa, Senegal, Oman and Tunisia. These sovereign issuances shall be the leading drivers in the development of the Islamic capital market industry, creating new opportunities and eventually encouraging corporates to follow suit in tapping the sukuk market as an alternative source of funding.

The GCC region will also be a critical driver for sukuk issuances on the back of vast infrastructure and capital expenditure plans in the region over the next ten years. Saudi Arabia, United Arab Emirates and Qatar have laid out several large infrastructure, oil & gas and construction projects which will be seeking new Shariah-compliant funds. The substantial upswing in public spending is due to high oil prices coupled with a more upbeat investor sentiment.

AmInvestment Bank has also been working on its "International Connectivity" agenda with ANZ to grow their mutual engagement footprint in the region. The aim is to boost organic growth and expansion activities throughout the region by leveraging on strategic ties with ANZ and other foreign financial institutions. This initiative is in line with the Government of Malaysia's policy of liberalisation and internationalisation (under MIFC initiatives) with the intention of bringing in more foreign issuers on-shore by leveraging on a multi-currency sukuk issuance platform. Investors on the other hand, will benefit from tax exemptions on investing in these non-Ringgit sukuk. Names like Electricity Supply Board, Ireland, and Japan Bank for International Cooperation have expressed their interest and plan to raise sukuk funding out of Malaysia, taking advantage of the abundant liquidity here. Funding requirements may include funding project developments locally or abroad. These potential offerings showcase more foreign entities tapping into the Ringgit market, which reinforces confidence in Malaysian Islamic finance to meet issuers' requirements.

Malaysia is expected to maintain its market leadership in the sukuk market for the year 2014 on the back of a better outlook for the country's overall economy and sukuk funds will likely be the source of funding to support the infrastructure developments currently on-going or commencing this year. In addition, the influx of foreign issuers tapping the Ringgit liquidity bodes well for boosting the local sukuk market to greater heights. 2014 may well be another record year for sukuk in terms of issuance value, surpassing yet again the levels of previous years.

Islamic Capital Markets Awards and Accolades 2013

RAM Lead Manager Award Islamic 2013: No. 3 (Number of Issues)

MARC Lead Manager's League Table 2013 for Islamic: No. 3 (Programme Value)

Bloomberg's Sukuk Underwriter League Table 2013: No. 3 (Value of Malaysian Ringgit Islamic Bonds)

Islamic Capital Markets Division Awards and Accolades in 2013

10th RAM League Awards 2013 - RAM Awards of Distinction 2012
FIRST RAM-RATED FOREIGN ENTITIES - HONG KONG

The Asset Triple A Islamic Finance Awards 2013
Best Islamic Finance Deal

The Asset Triple A Country Awards 2013
Best Local Currency Sukuk

The Asset Triple A Country Awards 2013
Best Bank Capital Sukuk/Most Innovative Deal
Highly Commended/Most Innovative Deal

7th Annual Alpha Southeast Asia Deal & Solution Awards 2013
Best Islamic Finance Deal of the Year in South East Asia

7th Annual Alpha Southeast Asia Deal & Solution Awards 2013
Best Bond Deal of the Year for Retail Investors in South East Asia

The Islamic Finance News Awards 2013
IFN Malaysia Deal of the Year

10th Kuala Lumpur Islamic Finance Forum Awards
Most Outstanding Islamic Investment Bank

Business Operations Review

Markets

The Markets Division, being the financial markets gateway for AmBank, AmInvestment Bank and AmIslamic Bank, continues to make inroads into the Malaysian financial markets with increased traction in delivery of client-led treasury solutions. The strategic partnership with ANZ has enabled Markets to continue to make groundbreaking progress in offering a diverse range of innovative and client-led financial products in Currencies, Rates, Credits and Derivatives, be it in the vanilla or structured solutions space. Additionally, Markets continues to develop innovative Islamic FX and derivatives products to support the Malaysian Government's initiative to become a leading Islamic financial hub.

The Markets' teams were further streamlined to increase efficiency, reduce operational risk and provide value-added services to both the organisation and our clients. Continued investments in technology have been given top priority to ensure success in this business, especially when our operating environment is changing, challenging and competitive.

Markets' strategic initiatives for sustainable growth include paradigm shift to a client solution focus to meet the evolving and diversity in clients' investment and hedging requirements. This is further supported by our multi-product Sales team, a strong Structured Solutions and Quantitative Analytics team, which uses financial engineering to model market uncertainties and thus allows Markets to deliver bespoke solutions, which is customised to the desired risk/reward appetite of various clients. The Research team provides clients the advantage of superior market research ranging from daily updates to various thematic research and strategies to aid clients in making informed risk management and investment decisions. The Business and Project Management team is tasked to ensure timely launch of new products and implementation of various projects/initiatives across the division.

The continuous transformation efforts undertaken by Markets to improve performance and operational efficiencies to deliver client-led and innovative solutions is evidenced by the accolades received which have placed AmBank Group in the frontline for FX, derivatives and fixed income business.

Award Won in Financial Year 2014

Alpha Southeast Asia has awarded AmBank for the second consecutive year at the 7th Annual Alpha Southeast Asia Best Financial Institution Awards 2013 ceremony in recognition of our ability to provide efficient and effective FX solutions and services for the needs of our wide-ranging customer segments.

- Best FX Bank for Corporates & Financial Institutions

Going forward, Markets will continue to build on the earlier momentum from the Group-wide cross-selling effort as well as further enhance the collaboration with ANZ to provide substantive, integrated and client-led business underpinned by a full suite of Currencies, Rates, Derivatives and Fixed Income offerings.

Transaction Banking

Transaction Banking offers a full suite of trade finance and cash management services, implementing customised and value added end-to-end solutions to improve working capital cycles and process efficiency for our business/corporate clients.

Trade services include domestic sales and purchase financing, import and export financing, structured trade, and trade advisory.

Our cash management services are specifically designed to relieve clients from the routine business of receivables and payables, freeing them to focus on growing their business. Solutions offered include domestic and international electronic payment solutions, liquidity management, collection solutions, as well as electronic invoice presentment and payment.

Both services are supported by an extensive suite of 24x7 web-based business channels capable of both enquiry and transaction functions. These include e-AmBiz for cash management, e-AmPayDay for payroll solutions and the AmTrade platform for trade services.

Additionally, we continuously leverage ANZ to adopt best practices and enhance technological platforms for better client experience and to increase cross-border transaction flows.

Funds Management

The Funds Management Division, branded as AmInvest has over 32 years of funds management experience, covering both conventional and Shariah-compliant funds and mandates, specialising in active Asian equities, active global sukuk and smart beta global equities.

It has been a stellar and busy year – we have reached a new high in assets under management ("AUM"), received 19 awards over the financial year and started a new business in private pension called Private Retirement Scheme ("PRS") offering PRS funds to the public.

In our bid to be prepared for global business, we have appointed State Street Corporation for our middle office and custodian services.

Growth

AmInvest achieved its highest AUM of RM38 billion (April 2014) in the history of our funds management and is ranked Top 3 largest asset managers in Malaysia. We still presided as the largest bond manager with a market share of 21% (end December 2013). Our AUM one-year growth was a healthy 9% and the three-year CAGR was 13% p.a.

Accolades and Fund Performance

We have cemented our place as a multiple award winning fund house with 19 awards over the financial year, encompassing 13 company-wide awards and six performance specific wins (nine of them Shariah-compliant).

For the third time in a row, World Finance (London) honoured us with "Investment Management Company of the Year" (Malaysia), we are the only company in their history of awards having this acclaim.

Other notable company awards were "Best Pension Fund Manager" (Malaysia), "Best Institutional House" (Malaysia) and "Best Sukuk House" Malaysia, from Asia Asset Management's 2013 Best of the Best Awards in Hong Kong.

In recognition for fund performance, we were named "Best Domestic Fixed Income Portfolio Manager" by Employees Provident Fund, twice in a row and continuing our reign as the top Fixed Income Manager in the country.

The recognition as "Best Mixed Asset Fund Group" by The Edge-Lipper Malaysia has underscored our equity expertise as well as our fixed income, boding well for our capabilities across asset classes.

Over and above these awards, our latest award from Morningstar, "Best Islamic MYR Allocation Fund" for AmIslamic Balanced underlined our skills for Shariah-compliant and asset allocation capabilities in the funds management context.

Innovation and New Products

AmInvest launched 20 new funds (six Shariah-compliant and 14 conventional), the highest number of funds in the industry. We now manage 89 institutional mandates, 85 unit trust funds and opened up a new category of eight PRS funds.

Going Forward

The Division shall be kept busy pursuing domestic business and continuing our leadership in the domestic funds management marketplace as well as growing our new PRS funds.

As for the global business, in the coming financial year and together with our strategic partner, we will launch a new fund domiciled in Europe and develop a global funds platform for funds distribution.

Awards and Accolades Financial Year 2014	
	Employees Provident Fund Best Domestic Fixed Income Portfolio Manager Year 2013
	Morningstar Fund Awards 2014 Best Islamic MYR Allocation Fund: AmIslamic Balanced
	The Edge Lipper Malaysia Fund Awards 2014 Best Fund Over 10 Years, Bond Malaysian Ringgit: AmDynamic Bond
	The Edge Lipper Malaysia Fund Awards 2014 Best Mixed Asset Fund Group
	World Finance Investment Management Awards 2013 Investment Management Company of the Year, Malaysia (3 consecutive years)
	Asia Asset Management, Best of the Best Awards 2013 Best Pension Fund Manager, Malaysia

Business Operations Review

	Asia Asset Management, Best of the Best Awards 2013 Best Institutional House, Malaysia
	Asia Asset Management, Best of the Best Awards 2013 Best Sukuk House, Malaysia (2 consecutive years)
	Islamic Business & Finance Awards 2013 Best Asset Manager, Asia
	Global Islamic Finance Awards 2013 Best Islamic Fund Manager 2013
	Islamic Finance News 2013 Islamic Investor Poll Best Investor Relations by an Asset Management Company
	International Finance Magazine Awards 2013 Best Islamic Asset Management Company, Malaysia
	International Finance Magazine Awards 2013 Best Sukuk House, Malaysia
	London 2013 Sukuk Summit Awards Best Islamic Fund Manager
	The Asset Triple A Awards for Islamic Finance 2013 Islamic Asset Management House, Malaysia
	The Asset Triple A Investor and Fund Management Awards 2013 Asset Management Company of the Year (4th consecutive year)
	AsianInvestor Investment Performance Awards 2013 Best Fund House, Malaysia

Private Banking

AmPrivate Banking caters mainly to Malaysian individuals of high net worth, offering one-stop wealth-management solutions for our high net worth clients by positioning us as an integrated access point to the expertise and resources of the entire AmBank Group. Towards this end, we work closely with the rest of the banking group to offer a premier level of service to these valued clients.

AmPrivate Banking offers customers a comprehensive and diversified range of products and services from a globally linked platform that includes:

- Cash management solutions
- Asset allocation and security selection
- Advisory and discretionary mandates
- Wealth protection
- Financing facilities

We assist our clients to customise their investment portfolios according to their individual risk profiles through our dedicated team of private client managers. Clients may choose to self manage their investment portfolio (with advisory support) or elect a discretionary mandate to leave the management of their portfolio to an appointed investment manager.

We adopt an open architecture product philosophy and work with multiple counterparties to secure the best-of-breed products for our clients. The banks and fund managers that we work with include the most highly regarded names in the global investment industry. Through AmPrivate Banking, clients have invested regionally and globally across Singapore, Asia, Australia, America and Europe.

AmPrivate Banking branches are currently located in Kuala Lumpur, Pulau Pinang, Johor Bahru, Kuching and Kota Kinabalu.

ISLAMIC BANKING

The Islamic finance industry continues to grow and diversify amidst the challenging global economic environment. Increasingly resilient, Islamic banking is gaining even more ground in the overall Malaysian banking industry.

At AmIslamic Bank Berhad ("AmIslamic Bank"), we continue to live up to our aspiration of becoming the preferred Islamic bank in the domestic Islamic banking industry with strong market share, which clearly reflects AmIslamic Bank's years of in-depth expertise in Islamic financial products and services.

AmIslamic Bank continues to show that it remains as the core component of the Group's business by posting a net profit of RM236.3 million with a pre-tax profit of RM300.4 million. Our customer deposits increased by 9.7% from the previous year

whilst total assets is RM35.2 billion as at 31 March 2014. Total gross financing was reported at RM25.0 billion, which accounted for 71.0% of total assets, due to the pivotal demand for financing, mainly from retail segments as well as other businesses. AmIslamic Bank's total deposits have increased by 11.7% and stood at RM28.7 billion for the year ended 31 March 2014.

Motivated to contribute towards the further development of the Malaysian Islamic finance industry, AmIslamic Bank has geared itself up to be one of the leading local Islamic banks by competing in a challenging market place, with product and business development being the main focus of the bank. Amongst the new products and initiatives launched by AmIslamic Bank during the financial year were:

i. The issuance of RM200 million Basel III-compliant Tier 2 Subordinated Sukuk Murabahah which is also Malaysia's first Basel III-compliant Tier 2 Subordinated Sukuk issued under the Shariah principle of Murabahah based on a Tawarruq arrangement

ii. Launched five new term deposit products based on Commodity Murabahah concept which provides fixed profit rate and principal guaranteed features. These new term deposit products are in compliance with the Islamic Financial Services Act 2013 ("IFSA") where it requires the reclassification of deposit and investment products

AmIslamic Bank has also embarked on ongoing comprehensive and integrated marketing initiatives to position itself in the market by playing a significant role in improving the awareness level of the public in an effort to promote the consumption of Islamic banking's products and services by all. We have conducted our annual campaign as well as participated in various national and international forums and events as follows:

i. Jointly conducted *How I Met MY Car* and *A New Me* campaigns with the objectives of increasing the customer base for all retail products namely Deposits, Credit Cards and Personal Financing

ii. 10th Kuala Lumpur Islamic Finance Forum ("KLIFF") 2013, Small & Medium Industries Development Exhibition ("SMIDEX") 2013 and Minggu Perusahaan Kecil & Sederhana ("PKS") in an effort to reach non-individual segments

iii. Being the official bank of the 4th OIC World BIZ 2013 to promote AmIslamic as a solutions provider in Islamic retail banking, wholesale banking, funds management and related products and services from the AmBank Group

Apart from all the activities conducted above, AmIslamic Bank has been the main player and actively participated in industry development through the Association of Islamic Banking Institutions Malaysia ("AIBIM"). AmIslamic Bank has also further strengthened the governance structure to elevate the level of consumers' acceptance and awareness, and the transparency of our products and services. This is in line with several guidelines and standards issued by Bank Negara Malaysia including the IFSA and Personal Data Protection Act ("PDPA").

Due to the diverse nature of the Group's business and its widespread operations, AmIslamic Bank continuously strives to inculcate and embed corporate social responsibility ("CSR") into its value chain and this continues to expand. We also have fulfilled our obligations as a business organisation through our business zakat distribution for the financial year ended March 2013 ("FY2013"). Total zakat funds of RM1,726,500, an increase of 31% from FY2012, were distributed to 14 state zakat collection centres as well as 25 homes and charity organisations across the country. AmIslamic Bank also continues with its Student Adoption Programme with Yayasan Pelajaran MARA under AmKasih, the AmBank Group's umbrella CSR programme.

The Bank has always played a role in building upon the Malaysian Government's thrust to transform Malaysia into a global hub for Islamic Financial Services and is geared towards becoming a preferred Islamic Bank in Malaysia. Our efforts were recognised with the "Best Corporate Account in Asia" award at the 2013 Islamic Business & Financial Awards organised by CPI Financial, the most important annual event for the global Islamic financial community.

Moving forward to FY2015, AmIslamic Bank will undertake major initiatives which include:

- Strengthening our core capabilities/ existing channels to be ranked among the Top 3 Islamic banks in Malaysia for financing and Top 4 Islamic banks in Malaysia for total assets and deposits by 2017

- Developing a full suite of Islamic financial solutions to serve the needs of the targeted segments whilst complying with continuous enhancement of requirements by regulators

- Strengthening Shariah governance in line with regulatory policies and requirements, including issuing guides on Shariah contracts and parameters of underlying assets

Business Operations Review

- Continue enhancing branding presence of Islamic products through continuous effort in promotion and investment in our people and capability
- Strategic business alliances or partnerships

GENERAL INSURANCE

AmGeneral Insurance Berhad

Financial Performance Highlights

AmGeneral Insurance Berhad ("AmGeneral") continues to deliver strong financial results for the Group, with a net profit after tax of RM217.6 million for FY2014. This denotes an increase of 45.6% over the prior year, with a combined operating ratio of 90.9%.

This strong performance in profit before tax was on the back of fully integrating Kurnia Insurans (M) Berhad ("Kurnia") and strong underwriting results.

Moving Forward

The outlook on AmGeneral is positive as the company makes a solid footing with the strategic initiatives.

The acquisition of Kurnia has positioned AmGeneral as one of the largest general insurers in Malaysia, with a network of over 7,000 agents and a customer base of four million policyholders nationwide.

Backed by the strong partnership between AmBank Group and Insurance Australia Group ("IAG"), AmGeneral continues to trade under its two well-known, trusted brands, AmAssurance and Kurnia. Together, AmAssurance and Kurnia insure around one in every five cars in Malaysia (about 18% Market share) and command a market share of nearly 11% for general insurance by gross written premiums*.

The strategic agenda is also proceeding with a number of investments in technology and operations. These are intended to strengthen the company's back end operations and delivery processes, providing employees, agents and customers with a more efficient service experience.

As a leading market participant in the insurance industry, AmGeneral will continue to distribute a comprehensive range of motor, personal and commercial products through the AmBank network and agents.

* Insurance Services Malaysia Berhad Report 2013.

LIFE ASSURANCE

AmLife Insurance Berhad

Financial Performance Highlights

On the overall, AmLife Insurance Berhad ("AmLife") posted a growth in net profit of RM28.4 million as opposed to a net loss of RM51.5 million in the previous year. AmLife's gross premium earned registered RM467 million as compared to RM453 million the year before, marking a 6% growth. This was achieved on the back of growth in corporate business premiums which registered 31% or RM15.1 million increase from RM48.2 million in the previous year to RM63.3 million in the current year.

Key Initiatives

Transforming Operations
A transformational project drive, SALT (STRATEGIC, ACTION, LEARNING, TRANSFORMATIONAL) was developed as part of the evolution process to put AmLife back on track. 11 teams were formed to cover Synergy, Internal Communication, Branding & External Communication, Staff Engagement, Staff Development, Product Development, Bancassurance Sales, Agency Sales, Operational Efficiency, Customer Touch Point and Payment.

Each of the project teams formulates new initiatives to improve operations effectiveness and strengthen staff engagement.

AmLife also implemented a customer retention and conservation programme to secure as many policies with unsuccessful failed billing, lapsed and pre-lapsed policies, orphan policies, replacement of policy and cancellations to increase persistency rates.

Distribution Channels
The 2013/2014 financial year saw a mindset shift amongst the agency force, in which their focus moved from distributing traditional products to investment-linked products. The shift intended to keep the force abreast with the current industrial trends and growing consumer needs. AmLife now has a total of almost 1300 agency members spanning 18 branches nationwide. It continues to step up its agency recruitment initiatives via a myriad of aggressive campaigns.

AmLife also garners strong support from the Bancaassurance channel with 179 AmBank branches throughout Malaysia. The AmBank Bancassurance team also emerged second runner up at the 2013 NIAM 5th Bijak Malaysia and 2nd Ceria Malaysia Combined Convention in Rome and Florence, Italy.

New Products

Two new products were launched for the agency: AmLife SecureGuard Plus and AmLife SecureCash and three new products were rolled out for the Bancaassurance channel namely AmScholar, AmMega, and AmPower Cash.

Moving Forward

The partnership between AmBank Group and US insurer MetLife is anticipated to re-energise the current life assurance business through the new brand of AmMetLife. It is hoped that the combined strengths of the two reputable institutions will develop cutting edge insurance products that help meet the fast growing insurance and protection needs of Malaysian consumers.

FAMILY TAKAFUL

AmFamily Takaful Berhad

Since its inception in early 2012, AmFamily Takaful Berhad ("AmTakaful") continues to offer a diverse range of Shariah-compliant family takaful solutions, with coverage and benefits to suit customer's financial needs.

All AmTakaful solutions leverage on two key Shariah principles; Wakalah (agency) and Tabarru' (donation), both of which are incorporated in AmTakaful's core business model.

AmTakaful's business is backed by an expert panel of Shariah Committee comprising of renowned Shariah scholars. The strength of the Shariah Committee together with the senior management team enables AmTakaful to develop and deliver innovative Takaful solutions within Shariah principles to an increasingly sophisticated market segment.

FY2014 Highlights

AmTakaful has charted significant growth since it began operations in January 2012. The major highlights for the financial year is venturing into Group Term Takaful ("GTT") and Group Hospital and Surgical Takaful ("GHST") businesses offering comprehensive Takaful benefits. Since 1 June 2013, AmTakaful is proud to provide GTT protection to approximately 245,000 members of the uniformed bodies of Malaysia, covering death and total permanent disability ("TPD").

AmTakaful also launched a new fund-of-funds, AmTakaful Balanced Plus Fund, for its investment-linked plan on 1 October 2013. The fund aims to provide certificate holder with an opportunity to gain potentially higher returns than Islamic term deposits/ general investment accounts, over a medium to long term investment horizon, through investing in Shariah-compliant collective investment schemes.

As at 31 March 2014, AmTakaful completed FY2014 with a strong growth compared to the previous financial year result with an increase of 80% in collected contributions.

Distribution and Business Development

AmTakaful kicked off its telemarketing initiative to distribute its first endowment plan - AmTakaful Protector on 15 July 2013 via a third party telemarketing provider and via Ambank Group Outbound Telemarketing team on 2 September 2013.

The Agency production grew by 62% and Bancatakaful contribution grew by 138% over last year.

The Group and Employee Benefit business started in March 2013 and recorded a contribution of RM19.0 million in the first year of business.

New Product

Two new plans were added into the AmTakaful suite of solutions in FY2014:

- AmTakaful Protector is an endowment plan that provides death/TPD benefits and pays five times the sum covered if death/ TPD is due to an accident. It also provides two additional benefits i.e. auto-withdrawal (provides payout every 3 years) and hospital benefit (due to accident).

- Critical Illness Payor Waiver Rider which provides benefit to waive future contributions of the basic plan, should the Certificate Holder suffer from any one of the 36 critical illnesses before attaining the age of 65.

Moving Forward

In light of the new strategic partnership between AmBank Group and MetLife, Inc., AmTakaful looks forward to leverage the strengths of two exceptional institutions and create a customer centric, modern and trusted Takaful provider in Malaysia through the new brand of AmMetLife Takaful. With MetLife's global expertise and AmBank Group's stature in the Malaysian financial services industry, AmMetLife Takaful customers will have easier access to financial reliability and a wide range of innovative solutions in the future.

Group Information Services

With the successful implementation of our new core banking system and enterprise datawarehouse towards the end of 2013, Group Information Services ("GIS") will now shift to leveraging on our capabilities to focus on our customers with new value propositions. At the same time, our IT facilities will be upgraded to support business growth and our applications will be enhanced to achieve GST readiness.

Our new core banking system went live successfully in November 2013 and transitioned smoothly to support in March 2014, as scheduled. We now have a scalable and robust platform for growth as well as improved customer service and business transformation initiatives.

DIGITAL STRATEGY

The new core banking system will give a boost to the Group's Digital Strategy and our efforts to provide a more engaging digital experience to our customers through a modern multi-device frontend platform.

RELIABILITY

The reliability of our systems is of paramount importance to the Group. Our plans to renew and relocate our data centres are at an advanced stage and execution will start in 2014.

As part of this modernisation exercise, we will be accelerating the consolidation and virtualisation of our infrastructure to reduce cost, improve agility and enhance reliability.

SIMPLIFICATION

The consolidation of systems with our acquired entities achieved several milestones and will be completed in 2014. This has enabled better integration of processes and data, and enabled greater efficiency.

There are ongoing activities to review and simplify business processes throughout the Group and GIS will provide this enablement through workflow, collaboration and document management solutions.

INSIGHTS

With the successful implementation of the first phase of our enterprise datawarehouse, we are now in a strong position to support business decision making processes that require deeper insights in a shorter time-frame. We will continue to improve the quality and scope of the data in the warehouse and simplify the data analysis process for end-users.

RISK AND COMPLIANCE

GIS plays a significant role in supporting the business to achieve regulatory compliance and enhance risk management. In 2014, we will be enhancing a large number of applications to achieve GST readiness by 1 April 2015.

We achieved a renewal of our ISO/IEC 27001:2005 standard for Information Security Management Systems certification and will extend the scope of its coverage gradually over time.

PROCESS-CENTRIC COLLABORATIVE IT SUPPORT MODEL

The delivery of our infrastructure services has been streamlined in line with IT Infrastructure Library ("ITIL") principles, with encouraging initial feedback from end-users on improvement in service quality and incident resolution elapsed time. GIS plans to extend this practice to include our application delivery service teams.

The Technical Competency framework for GIS staff, based on our identified training needs and development opportunities, was successfully rolled out. Training courses for the first five core skills have been conducted and will be extended to more skills in the coming year.

Human Capital Agenda

The agenda in 2013/14 was to enhance, develop and execute programmes and initiatives to ensure employees experience the promise embedded in the Group's Employee Value Proposition ("EVP"). The programmes and initiatives are wide-ranging and outcomes expected in the medium to longer term, therefore we continue to take a phased approach to realise the benefits from our human capital investments, supporting the Group's objectives of becoming a high performing organisation.

The programmes and initiatives for each of the four pillars of the EVP which were conducted in 2013/14 are detailed as follows:

EVOLVING TO BREAK NEW GROUNDS

– *Continuously challenging employees to innovate and to find creative and smart ways of doing things*
– *Providing employees with opportunities to learn, grow and to be part of this exciting journey towards attaining greater success*

- Opportunities were provided to employees to be part of an aggressive change agenda which included:
  - Implementation of a new Wholesale Banking structure involving a change in organisation structure, reporting lines, consolidation of roles and function for four divisions in the Group
  - Alignment of jobs, competencies and performance measures to the new operating model
  - The Retail Banking Transformation
  - Group Operations, Group Finance, Group Human Resource, Group Information Services and Group Risk transformation initiatives

GROWING ACROSS AmBank Group

– *Making employees proud to be part of AmBank Group*
– *Achieving professional and personal growth across the Group through structured and varied approaches to training and development programmes*

- A major portion of EVP programmes was focused on improving the elements of development:
  - Embedded the new set of Behavioural Competencies into human capital management
  - Continuing the roll-out of divisional Technical Competencies into job requirements, career pathing, assessments, structured learning roadmaps and individual development planning
  - Curriculum and training providers reviewed for an updated and enhanced Internal Course Offering ("ICO")
  - A focused Talent Development Programme as overlay of the ICO programmes
  - PeopleSoft system architecture to support online job profile management, job descriptions, individual development planning and competency assessments being finalised for implementation in 2014

BEING RECOGNISED FOR OUTPERFORMING

– *Recognition of employee contribution through the Group's Total Rewards Philosophy, benefits and Pay for Performance system*

- Our focus for this pillar was to review the Group's job grading, pay and benefits structure, with outcomes prepared for implementation in 2014:
  - A new grading structure that supports a larger and growing organisation and enables career progression
  - Updated corporate titles
  - A Total Target Rewards that is market competitive
  - An updated and pertinent benefits practice
- Another key focus of this pillar was on performance management, involving the:
  - Design and development of a four-part Performance Management Learning Pathway covering key performance management processes and to up-skill Line Managers to better manage performance

Human Capital Agenda

- Simplification of process documentation (review of form) so that less time is spent on in form-filling and instead focussing on effective performance and development conversations that lead to actionable and measurable development plans that narrow competency gaps and enhance future performance

WORKING IN A VIBRANT & CONNECTED WORKPLACE

– *Connecting employees across the Group as we live and breathe our shared brand values*
– *Leaders sustaining a workplace that is vibrant and exciting and where employees' views are encouraged and always appreciated*

- 'I Am Connected', our EVP, was further embedded into the Group's DNA through awareness campaigns such as:
  - Competition on our values
  - 'Connecting Us' competition – how can we best connect across the Group?
  - Employer branding series – myStarJob.com (seven articles over a period of four months) in the Saturday STAR pull-outs

  and development of collaterals such as the AmCareer flyers and a stylist and eye-catching career booth depicting our new EVP

- The new set of behavioural competencies, which includes Leadership competencies has also been incorporated into the talent development programme
- A blended learning approach which includes classroom, business simulation and coaching programmes will be launched for talent in 2014 to build the leadership pipeline for the medium to longer term

"YOUR VOICE, SHAPING OUR FUTURE"

The next Employee Engagement Survey will be conducted in Q3 of FY2015. It will be an extensive survey, to find out how we are doing as the Group has embarked on numerous transformation programmes and change initiatives in the past 18 months.

We will continue to rely on the opinions and thoughts of our employees to ascertain if we are focusing on the right investments to enable our human capital to outperform.

WHAT'S AHEAD – 2014/15 KEY PLANS

As human capital building blocks are largely in place, our focus in 2014/15 would be on:

- **Building Capability** – technical, leadership, execution and change; an enhanced ICO and reinforced talent and succession management programme will allow the year's focus to be on human capital development and solidifying our position in building a strong leadership pipeline.
- **Managing Performance** – to achieve targeted outcomes; we will leverage on the EVP to attract and retain talent and solid performers and manage employee engagement to ensure improved performance.
- **Managing Change** – impacting structures, processes, people and systems to ensure effective implementation of transformation programmes.

Notables & Awards

AmBank Group

Bank of the Year in Malaysia 2013

The Banker Magazine

Jewels of the Muslim World Award (Awarded to Tan Sri Azman Hashim, Chairman, AmBank Group in recognition of his contributions to the development of the Islamic economy)

Fourth OIC World BIZ 2013

Best Single Country Core Banking Implementation 2014 Award

Eighth Asian Banker Technology Implementation Awards 2014

CFO of the Year, Financial Institutions, Malaysia (Mandy Simpson)

The Asset Triple A Transaction Banking Treasury, Trade and Risk Management Awards 2014

Asia's Best CEO (Investor Relations), Ashok Ramamurthy

Best Investor Relations Professional (Malaysia), Ganesh Kumar Nadarajah

Best Investor Relations by Company (Malaysia) – Third Consecutive Win

Corporate Governance Asia 4th Asian Excellence Recognition Awards 2014

The Edge Billion Ringgit Club & Corporate Awards 2013 (awarded to AMMB Holdings Berhad)

The Edge-BRC Corporate Social Responsibility Award

The Edge-BRC Company of the Year Award

The Edge Malaysia

Asia's Outstanding Company on Corporate Governance

9th Corporate Governance Asia Recognition Awards 2013

AmInvestment Bank

Most Outstanding Islamic Investment Bank

KLIFF Awards 2013

Blueprint Award 2013: Market Maker of the Year (Up to RM500 million Commercial Papers/ Medium Term Notes Programme by ORIX Leasing Malaysia Berhad)

RAM Award of Distinction 2013: Lead Manager Award Islamic, By Number of Issues – Third

11th RAM League Awards (For Year Ending December 2013)

Notables & Awards

Islamic Finance Deal of the Year in Asia-Pacific - Cagamas Berhad RM3.8 billion Issuance

The Banker Deals of the Year 2014

Best Deal - Highly Commended (Cagamas Berhad RM3.8 billion multi-tenor sukuk)

Best Deal - Highly Commended (DanaInfra Nasional RM300 million exchange-traded sukuk/RM8 billion programme)

The Asset Triple A Islamic Finance Awards 2014

Best Islamic Finance Deal of the Year in Southeast Asia & Best Bond Deal for Retail Investors (DanaInfra ICP's RM300 million Exchange Traded Retail Sukuk)

Best IPO Deal of the Year in Southeast Asia & Best IPO Deal for Retail Investors (UMW Oil & Gas' USD820 million IPO)

7th Alpha Southeast Asia Annual Deals and Solutions Awards 2013

Arranger in the IFN Malaysia Deal of the Year for the DanaInfra Nasional RM300 million Exchange Traded Sukuk

Islamic Finance News Deals of the Year Awards 2013

Markets Division

Best FX Bank for Corporates & Financial Institutions (Second Consecutive Year)

7th Annual Alpha Southeast Asia Best Financial Institution Awards

AmInvest

AmIslamic Balanced - Best Islamic MYR Allocation

Morningstar Fund Awards 2014

Best Domestic Fixed Income Portfolio Manager Year 2013

Employees Provident Fund (EPF)

AmDynamic Bond: Best Fund Over 10 Years, Bond Malaysian Ringgit

Best Mixed Assets Fund Group

The Edge-Lipper Malaysia Fund Awards 2014

Malaysia's Best Institutional House

Best Pension Fund Manager

Best Sukuk House (Second Consecutive Year)

Asia Asset Management 2013 Best of the Best Awards

Best Investor Relations by an Asset Management Company

Islamic Finance News Islamic Investor Poll 2013

Best Islamic Fund Manager

Global Islamic Finance Awards (GIFA) 2013

Best Asset Manager (Asia)

Islamic Business and Finance Awards 2013

Islamic Asset Management House, Malaysia (Second Consecutive Year)

The Asset Triple A Islamic Finance Awards 2013

Best Islamic Asset Management Company, Malaysia

Best Sukuk House, Malaysia

International Finance Magazine Awards 2013

Best Islamic Fund Manager

2013 London Sukuk Summit Islamic Finance Awards

Best Asset Management Company, Malaysia (Fourth Consecutive Year)

The Asset Triple A Asset Servicing, Fund Management and Investor Awards 2013

Investment Management Company of the Year, Malaysia (Second Consecutive Year)

World Finance Investment Management Awards 2013

Fund House of the Year Award for Malaysia

AsianInvestor Investment Performance Awards 2013

AmBank

Highest Payment Volume Growth – Gold Card Category

Visa Malaysia Bank Awards 2013

Operational Excellence Appreciation Award 2013

Wells Fargo

AmIslamic Bank

Best Corporate Account, Asia (AmIslamic Bank)

Islamic Business and Finance Awards 2013

AmMetLife

Bank Category - Top 3 Winning Banks (by Premium AFYP):

AmMetLife/AmBank - 2nd Runner-Up

NIAM Combined Convention – 5th Bijak Malaysia & 2nd Ceria Malaysia

Corporate Social Responsibility

The AmBank Group continues to be a committed responsible corporate citizen through initiatives in giving back to society at large, guided by the four main pillars of Marketplace, Community, Workplace and Environment. Concurrently, the Group aspires to contribute to Malaysia's growth as it becomes a more developed and more prosperous nation.

RESPONSIBILITY TO THE MARKETPLACE

The AmBank Group has continuously supported the spirit of innovation, initiatives that promote the growth of the market, as well as platforms for the sharing of knowledge aimed at the development of the financial services industry, as part of its contribution in spurring growth and prosperity in the country and region.

Fostering Innovation and Providing Value to the Market

The AmBank Group launched its brand repositioning and a "new chapter" for the Group and its family of companies with a new tagline - "Your Bank. Malaysia's Bank. AmBank." As Tan Sri Azman Hashim, Chairman, AmBank Group, explained, "As one of the largest banking groups in Malaysia, we recognise that the Malaysian financial services market is rapidly evolving and customers have become far more sophisticated and expectations more complex and demanding."

Tan Sri Azman Hashim, Chairman, AmBank Group (in grey) with members of the Senior Management of AmBank Group launching the Group's brand repositioning.

With the new positioning, the Group hopes to make the brand feel contemporary and relevant, reflecting a modern Malaysia today and connecting to all who are linked with Malaysia. We want to deliver relevant, contemporary and differentiated proposition to our current and future customers, so that they may receive "high value" from us.

Taking the brand repositioning further, the Group on 31 October 2013 launched an exciting new initiative called Malaysia's Résumé – an online project that aims at connecting and building positive relationships and communications with the people of Malaysia, in Malaysia and across the globe. The website, malaysiaresume.com, is likened to a Wikipedia that is dedicated to Malaysia, being an online media community that creates, shares and celebrates the success stories of modern Malaysians with real life stories of Malaysians written by Malaysians.

The new retail banking website, www.ambank.com.my went live on 15 January 2014, with a fresh new look and a more user-friendly navigation.

AmInvest, the funds management business of AMMB Holdings Berhad, supports the Government's initiative of encouraging savings for retirement and on 2 April 2013 launched its Private Retirement Scheme ("PRS") with three funds i.e. AmPRS-Growth Fund, AmPRS-Moderate Fund and AmPRS Conservative Fund. This was supported earlier by AmInvest's sales team going out to the market to educate the public on the importance of retirement planning. The three funds cater to differing risk tolerance levels of different groups of investors. On 25 November 2013, AmInvest rolled out a further five non-core funds to complement the first three.

In the Sukuk space, AmIslamic Bank paved the way as Malaysia's first issuer of rated Basel III-compliant Tier 2 Subordinated Sukuk, with its inaugural issuance of RM200.0 million Basel III-compliant Tier-2 Subordinated Sukuk Murabahah.

As testimony to the Group's outstanding performance and leadership in its operations and product and service offerings, the year once again saw a sizeable number of awards presented to the Group. The AmBank Group was recognised as Bank of the Year in Malaysia (2013) by The Banker magazine. The Corporate Governance Asia 4th Asian Excellence Recognition Awards 2014 awarded the Group three awards:

- Asia's Best CEO (Investor Relations), Ashok Ramamurthy
- Best Investor Relations Professional (Malaysia), Ganesh Kumar Nadarajah
- Best Investor Relations by Company (Malaysia), our third consecutive win

The CFO of the Year, Financial Institutions, Malaysia was awarded to Mandy Simpson by The Asset Triple A Transaction Banking Treasury, Trade and Risk Management Awards 2014.

Best Single Country Core Banking Implementation 2014 Award (AmBank Group) commemorated the successful implementation of this significant milestone in the Group's history.

The Group also received many accolades for its leadership status as an outstanding funds management house as well as excellent provider of services in the capital markets, markets and retail as well as Islamic banking space. *For more information, see pages 99 to 101.*

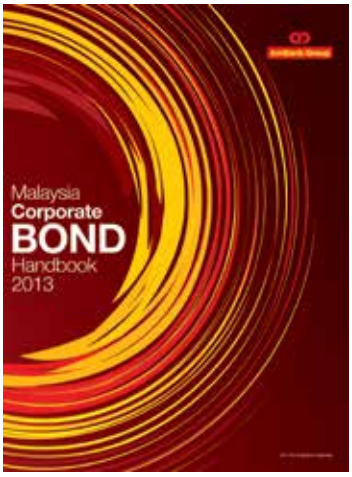
Supporting Thought Leadership and Knowledge Exchange

The spirit of supporting platforms and forums for the exchange of knowledge and for thought leaders to be heard continues to be strong at the AmBank Group.

Conferences and forums supported and participated covered in include those for the banking industry (17th Malaysian Banking Summit 2013, 23-24 July 2013), capital markets (Sukuk Case Book forum, 23 October 2013 and Kuala Lumpur Islamic Finance Forum, 30 September 2013), Islamic banking (Fourth OIC World Biz 2013 Exhibition and Conference, 25-28 September 2013), risk management (Derivatives Symposium with Bursa Malaysia – "Responsible Risk Management", 22 January 2014), electronic payments (Malaysian Retailers Association talk on electronic payments, 12 February 2014) as well as PRS awareness (PRS Conference organised by Securities Commission Malaysia, 29 June 2013), and human capital (Asian Institute of Finance international symposium on "The Changing Face of Talent", 28-29 August 2013).

Additionally, Dato' Mohd Effendi Abdullah, Director/Head, Islamic Capital Markets participated as a panellist at the fourth Asia Islamic Banking Conference on 10-11 June 2013 and voiced his insights on the theme of "Reliability and Sustainability of Islamic Banking".

Datin Maznah Mahbob, Chief Executive Officer, AmInvest, contributed her views in a panel discussion on the faith premium and the price competitiveness of Islamic retail banking and fund management products compared to conventional offerings at the sixth annual Islamic Financial Intelligence Summit on 11 November 2013.



The Malaysia Corporate Bond Handbook 2013.

The Group also published fifth edition of the Malaysian Corporate Bond Handbook, a handy reference guide for Malaysian bond market participants.

Improving Benefits to Customers

On 18 November 2013, the AmBank Group's core banking system went live – marking another significant milestone for the Group, in line with the Group's Vision – **"As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us."** This project sees the fruition of the transformational efforts to drive connectivity across various fronts, creating breakthrough business enablers, so that the Group continues to stay relevant to our existing and new customers. Enablement, the key word, ultimately drives better products and improved service levels to our customers.

RESPONSIBILITY TO THE COMMUNITY

The AmBank Group takes a leading role in reaching out to society, and shows its caring, connected and committed face in addressing a wide range of issues linked to the development of sustainable communities. These include the underprivileged, those in distress situations, youth, sport, culture, and the media. At a parallel level, the Group's initiatives also show its efforts at contributing to healthy intellectual growth.

Caring for the Underprivileged and Needy

The AmKasih programme is an umbrella platform for the Group's CSR sustainable development initiatives and efforts to reach out to the community.

AmIslamic Bank continues to provide assistance in a sustainable manner to the underprivileged through the distribution of its Business Zakat funds. For the Financial Year Ended March (FYE 2013), a growth of about 31% was recorded in AmIslamic Bank's Business Zakat from RM1,313,553 in FYE 2012 to RM1,726,500 as the result of an increase in the company's business profit.

The total Zakat funds of RM448,000 were distributed to 14 Zakat Collection Centers ("ZCC") and the remaining amount of RM1,278,500 was distributed to selected charity homes and organisations across the country that were eligible as asnaf (zakat recipient).

Corporate Social Responsibility

To help patients facing renal failure, AmIslamic Bank through its zakat contribution contributed two hemodialysis machines to Yayasan Pusat Hemodialisis Islam Makmur Pahang.

In support of the Kechara Soup Kitchen's efforts at distributing food to the homeless within the Klang Valley, the AmBank Group's Retail Distribution and Services staff joined these outings, covering areas such as Chow Kit, Petaling Street, Pudu, Dang Wangi, Jalan Tun Perak, Kota Raya, Sentul and Old Klang Road. The Group also contributed a new Kia Pregio van to Kechara Soup Kitchen to provide greater ease in their noble efforts in helping the homeless.

L-R: Syed Anuar Syed Ali, Senior General Manager, Group Corporate Communications and Marketing, AmBank Group, Tan Sri Azman Hashim, Chairman, AmBank Group and Yang Maha Mulia Tuanku Ampuan Najihah Ibni Almarhum Tunku Besar Burhanuddin, Yang Dipertua, Lembaga Kebajikan Perempuan Islam Malaysia with the brand new Proton Exora.

AmBank Group on 24 January 2014 donated a Proton Exora MPV worth RM65,270.50 to the Lembaga Kebajikan Perempuan Islam Malaysia ("LKPIM") for their daily usage in conducting activities to aid underprivileged women throughout the country. This is the second time AmBank Group is contributing a van to the LKPIM, with the previous contribution on 7 October 2002. The presentation ceremony was graced by Yang Maha Mulia Tuanku Ampuan Najihah Ibni Almarhum Tunku Besar Burhanuddin, Yang Dipertua, Lembaga Kebajikan Perempuan Islam Malaysia. Both the vehicles for Kechara Soup Kitchen and Lembaga Kebajikan Perempuan Islam Malaysia prominently display AmBank Group identity.

Syed Anuar Syed Ali, Senior General Manager, Group Corporate Communications and Marketing, AmBank Group (in red) with (L-R, in blue) Encik Bakar Bin Unus, Director of Jabatan Kemajuan Orang Asli (JAKOA), Negeri Selangor dan Wilayah Persekutuan, Encik Sarion Bin Hussin, Head of Mind Development Education, JAKOA Negeri Selangor dan Wilayah Persekutuan, Encik Umpu Bin Basuh, Tok Batin, Orang Asli Genting Peras Settlement, Hulu Langat as well as members of the Orang Asli community receiving AmBank Group goody bags as well as bags of rice as part of the community project.

AmBank Group through its Group Corporate Communications and Marketing ("GCCM") team organised a community project at the Orang Asli Genting Peras Settlement in Hulu Langat, Selangor on Saturday, 9 November 2013 with the goal of improving living conditions for the settlement. The community project saw the installation of modern toilet facilities, the renovation of the sepak takraw court, creation of a mini library and the establishment of a honey production project with five bee colonies. AmBank Group also donated essential necessity items such as rice, flour, edible and cooking materials as well as sports items and board games for the community of 46 families in the settlement. The day's programme also incorporated many fun and interesting activities that saw great response and participation from the local community.

In December 2013, the AmBank Group "Back To School" Programme was conducted in five regions, benefitting more than 400 students in Subang Jaya, Selangor, Kota Kinabalu, Sabah, Kuching, Sarawak, Kluang, Johor and Kuala Krai, Kelantan. The groups were brought shopping for school necessities such as school uniforms, school shoes and stationery items. In Kuala Krai, Kelantan, the Group also donated about 40 life jackets to Pejabat Pelajaran Daerah Kuala Krai for the usage of teachers and students who use boats as their main transportation to schools. AmBank Group also contributed 1,000 life jackets to fisherman in Kuala Terengganu, through the Persatuan Nelayan Kuala Terengganu.

In line with the current needs for literacy in information technology, AmBank Group donated 25 sets of used computers to Badan Kebajikan Siti Kadijah Anak-Anak Yatim Selangor. The organisation is currently taking care of two homes which are Rumah Siti Khadijah Anak-Anak Yatim Puteri and Rumah Siti Khadijah Anak-Anak Tahfiz Putera. Eight schools around Tambunan, Sabah also benefited from AmBank Group's sponsorship in their Zone 1 Sports Day organised by Sekolah Kebangsaan Kinaluan at Kompleks Sukan Tambunan.

The Group sponsored RM25,000 for the benefit of the Tun Hussein Onn Eye National Hospital for eye screening projects for the underprivileged. The objectives of this project are to create awareness on the importance of eye care and to prevent unnecessary blindness disorders within the community. In addition, this can also ease the burden of underprivileged families by sponsoring spectacles for eligible recipients to help improve their productivity through improved eyesight.

Supporting Sports, Youth and a Healthier Lifestyle

Competitiveness and teamwork are high on the list of values supported by the AmBank Group both internally and externally, and this is reflected in the themes of the events and initiatives supported by the Group. As a show of support for the golfing community, the Group became the Official Bank for the Royal Selangor Golf Club ("RSGC"). AmBank Group also sponsored the RSGC AmBank Junior Amateur Open Golf Championship 2013.

Living and breathing the spirit of healthy competition, various sports activities are also held between the AmBank Group and other financial groups and institutions. The AmBank Group Darts Team became Champion for the first time in the Eighth Inter-Financial Institutions Darts Tournament held in Kuala Lumpur on 17-19 May 2013.

The AmGeneral Insurance Team was the Overall Champion for the Inter-Insurance Industry Bowling 2013 which was organised by The Malaysian Insurance Institute on Saturday, 9 November 2013 which attracted 48 insurance companies from across Malaysia.

Actively promoting the sport of futsal as a social tool for building youth, the inaugural *Karnival Futsal Harian Metro 2013 dibawa oleh AmBank, Edisi Sabah* was a success in Kota Kinabalu where a total of 102 teams competed in all three categories.

In chess, the Group was the title sponsor for the Eighth AmBank Group Malaysia Chess Challenge 2013, part of the annual Malaysia Chess Festival 2013.

YABhg Tun Dr Mahathir Mohamad (centre in white shirt) flagging off the jamboree ride at the Langkawi International Mountain Bike Challenge 2013 with wife YABhg Tun Dr Siti Hasmah Mohd Ali.

The prestigious Langkawi International Mountain Bike Challenge ("LIMBC") 2013, held in Pulau Langkawi, Kedah from 28 September-5 October 2013, saw AmBank Group as the Bronze Sponsor. Guest of Honour, former Prime Minister YABhg Tun Dr Mahathir Mohamad and his wife, YABhg Tun Dr Siti Hasmah Mohd Ali graced the event.

The 34th Malaysian Investment Banking Association ("MIBA") Annual Dinner held on 9 November 2013 in Kuala Lumpur once again saw AmInvestment Bank crowned as the Overall Champion for the MIBA Games 2013.

Supporting Education, the Media and Intellectual Growth

On 22 November 2013, AmBank Group contributed RM5 million for the AmBank Financial Services Chair at University of Malaya. The appointed Chair holder will promote academic leadership and knowledge in the field of Financial Services, impart knowledge and expertise through lectures, seminars and workshops to academics and students, and also identify research relating to Financial Services, among other responsibilities.

AmIslamic Bank contributed to Kem Cuti Sekolah-Sekolah Anak Angkat Yayasan Pelajaran Mara ("YPM") 2013. The three-day camp organised by YPM for 50 selected students aged between seven to 17 began on 9 December 2013. Among the 50 students, 20 were selected from 226 students adopted by AmIslamic Bank under the Student Adoption Programme, a collaboration between AmIslamic Bank and YPM. The objective of the camp is to spur on the students' motivation in their studies and the field of education.

Spirit of Giving During Festive Periods, and Promoting Cultural Awareness

During the Holy Month of Ramadhan, the Group organised *Majlis Berbuka Puasa Amal Kumpulan AmBank Bersama Tan Sri Azman Hashim*. The programme was organised by Kelab AmBank Group ("KAG") members for orphans from Rumah Titian Kasih Titiwangsa and Rumah Nur Salam. This programme not only helps foster connectivity among KAG members but also with the underprivileged community. *Majlis Berbuka Puasa Amal Kumpulan AmBank* was also held in the Southern Region where recipients were from Sekolah Kebangsaan Taman Suria, Yayasan Bandaraya Johor Bahru, Sekolah Agama Niyor Kluang and Sekolah Agama Sri Taman Kluang Barat.

L-R: Syed Anuar Syed Ali, President, Kelab AmBank Group, Aidah Ishak, Sales Manager, Deposit Southern Region, Azizul@Joy Aziz, Branch Manager, Bukit Indah, Johor Bahru and Azhar Hasrin, Branch Manager, Tampoi, Johor Bahru choosing new clothing for children at UO Supermart, Johor Bahru.

For AmBank Group Hari Raya Charity Programme, celebrations were held in the Group's Northern and East Coast Regions. In the Northern Region, the programme was conducted in Alor Setar, Kedah and the orphanage chosen for this programme was Rumah Anak Yatim Darul Aitam Wal'masakin. The same programme was also conducted in Kuantan, Pahang where 41 children from Rumah Anak Yatim Dan Miskin Nur Iman enjoyed a sumptuous spread of Hari Raya Aidilfitri delicacies and also had the joy of receiving *Duit Raya*.

The AmBank Group Deepavali Charity Programme was held in Kajang, Selangor for 84 children, youths and senior citizens from Pertubuhan Kebajikan Yesuvin Mahligai ("YM") Selangor. The children were brought for an exciting Deepavali shopping session at a local shopping mall followed by a sumptuous lunch at their home where they were entertained by a clown and enjoyed traditional Deepavali delicacies.

Corporate Social Responsibility

For Chinese New Year, AmBank Group celebrated the Year of Horse in Ipoh, Perak in the Northern Region where the programme benefited 90 children, youths and senior citizens from Bao En Shi (Anning) Old Folks Home and Orphanage. After the shopping session, they also celebrate the popular custom of enjoying Yee Sang where all people around the dining table toss the ingredients high in into the air with joyful exclamations of "Loh Hey" ("toss high"), as a symbol of wishing for good luck and prosperity.

In the true spirit of 1Malaysia, AmBank Group went to East Malaysia to also celebrate the Hari Gawai and Pesta Kaamatan in Sabah and Sarawak. These festivals mark the end of the paddy harvesting season and the beginning of the new planting season with underprivileged families. Among the recipients were Yayasan LaSallian Kuching, Rumah Anak Yatim Ar-Raudhoh and Taman Didikan Kanak-Kanak Kurang Upaya Sri Stella. These celebratory occasions also served to bring greater awareness for the festive celebrations and cultural traditions of the indigenous peoples of Malaysia.

One hundred disabled and senior citizens from the Portuguese Settlement, Melaka were hosted by the Group at AEON Bandaraya Melaka on 17 Dec 2013 in a Christmas celebration. The charity event brought smiles all round as the invitees were presented with a cash contribution and delicious Peranakan delicacies. A highlight of the programme was a beautiful carol performance by the children from the village.

AmBank-MyKasih Community Programme

Tan Sri Azman Hashim, Chairman, AmBank Group (holding bag), Mr Jeff Pereira, Managing Director, MyKasih Foundation and the Senior Management of AmBank Group helping a recipient in the AmBank-MyKasih Community Programme in Pulau Pinang pack her grocery items as members of the Senior Management of AmBank Group look on.

Making a difference in the lives of the needy and poor is the main objective of the AmBank MyKasih Community Programme, a unique social and community rehabilitation initiative which provides targeted groups an allowance of RM40 per family per two weeks or RM80 per month for one year to help offset the costs of essential daily food items such as rice, sugar, flour, milk and cooking oil. The Group has allocated RM1 million per year in sponsoring this programme. The programme begins with the selection of families and uses factors such as household income, number of children in a family and their ages. With the support of local NGOs, these families are chosen regardless of creed, religion or elements that may be deemed discriminatory. The programme was launched on 4 November 2009 with 50 families in Sentul, Kuala Lumpur with programme partner Ong Tai Kim supermarket. Leading-edge technology via MyKad transactions ensure equitable distribution of the welfare support as the beneficiaries receive the aid without any intermediaries.

On 1 June 2013, the Chairman of AmBank Group, Tan Sri Azman Hashim officially launched the AmBank-MyKasih Community Programme in Bayan Baru, Pulau Pinang with 50 new families under this project. Meanwhile, another 50 new families in Kuala Terengganu became the beneficiaries of this programme on 22 June 2013. The programme has currently committed to 14 locations nationwide including Kota Bahru, Kelantan, Ayer Keroh, Melaka, Arau, Perlis, Bayan Baru and Rifle Range, Pulau Pinang, Sandakan and Menggatal, Sabah, Kuching, Sarawak, Kuala Terengganu, Terengganu, Tambun, Perak, Sentul and Cheras, Kuala Lumpur, as well as Klang and USJ, Selangor. A series of basic financial literacy programmes are also managed by the programme, aimed at aiding adult family members manage their finances and boost their budgeting skills. They are also taught how to cope with difficult times and maintain a sustainable lifestyle.

Promoting the Arts and Social Harmony

The Group supports the appreciation of arts. On 17 December 2013, Tan Sri Azman Hashim, Chairman, AmBank Group launched a set of three coffee table books, featuring the Group's collections of camels, paintings and Lat cartoons, witnessed by Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia. In doing so, the Group shares with the public its vast private collection of camel figurines large and small from across the world, over 280 paintings from mainly local artists and cartoons inked by Malaysia's most well-known cartoonist on life at the AmBank Group.

For the ninth time, the AmBank Group presented the annual year end celebration, AMBANG 2014 PUTRAJAYA on 31 December 2013 at Dataran Putrajaya. This was a concert extravaganza, telecast live on NTV7, with a host of Malaysia's most popular artistes entertaining a huge live audience culminating with a countdown to the new year and a spectacular display of fireworks at midnight. The ultimate objective of the concert is to support the spirit of unity or 'muhibbah' amongst all Malaysians irrespective of race and religion as all communities come together to celebrate the new year.

Supporting Social Causes and the Community

AmBank Group participated in the Perodua Race for a Cause on 23 June 2013 - a 10km charity run aimed at raising funds to selected charity organisations, kicking off at the Palace of Justice, Putrajaya. The Group's corporate team was made up of 10 volunteers and was named the third place winner in the Corporate Team category.

The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2013 was held for the 14th consecutive year on 17 September 2013 and once again saw the Group participating, making up part of the total of 600 runners. The event raised RM1.83 million for various charity charities and benevolent causes and included the Group's contribution of RM18,000.

The Group was the main sponsor for Gita Bayu Merdeka Run 2013 in Gita Bayu Residence, Seri Kembangan, Selangor. AmBank Group was represented by 22 KAG members lead by Mr Paul Lewis, Managing Director, Retail Banking, AmBank (M) Berhad who finished second in the Men's Category.

Mr YY Chin, Board Member, AmBank (M) Berhad launched his second photography book entitled 'Wild: Reflections on Business and Life' on 4 December 2013 to help raise funds for charitable organisations close to his heart. All proceeds from the sale of the book which is sponsored by AmBank Group will be channelled to charities namely the Orang Asli Community Learning Centres Outreach Project, Bangsar Village Kids for Kids' Charity Fund and Disabled Rehabilitation Centre Nepal.

RESPONSIBILITY TO THE WORKPLACE

The AmBank Group makes every attempt to provide the best possible support to staff in order to foster their wellbeing, development and intellectual growth, these being intrinsically tied in to the value that staff will be able to add to the Group and to the community at large.

Balanced and Healthy Lifestyle

A wide range of sporting and competitive challenge events is hosted by the AmBank Group to ensure that staff are fit, healthy and alert in body and spirit while having a sense of healthy competition, all valuable attributes at the workplace. Staff, through the sports club, Kelab AmBank Group ("KAG") had many opportunities to show their prowess in tournaments and championships for bowling, darts, go-kart, paintball, futsal, bowling and snooker.

Inspired by Malaysia's standing as an international powerhouse in bowling, AmBank Group held its annual KAG Bowling Tournament 2013 with a difference, where it was a special tournament for disabled bowlers to compete. The programme attracted 806 bowlers from KAG members nationwide and for the disabled category, 66 bowlers from Kuala Lumpur Tenpin Bowling Association.

Karnival Candat Sotong Kelab AmBank Group 2013 was held for 2 days, 17–19 May 2013 in the South China Sea off Kuala Terengganu, with KAG members trying their hand at catching cuttlefish. There were 301 participants from KAG nationwide and the total catch during the carnival was 300kg.

A total of 70 KAG members participated in a Horse Riding Clinic in Tekala Rimba Ranch, Semenyih, Selangor on 6-7 July 2013. The participants were introduced to the basics of horsemanship such as getting to know horses, saddlery, required equipment and safety of handling horses.

KAG also organised the Breast Cancer Awareness Programme in collaboration with Mobecomm Technologies Sdn Bhd. The event started with a talk to promote awareness on breast cancer and the importance of early detection. They also performed breast screenings with a special discounted price.

The 13th Kelab AmBank Group Snooker Tournament 2013 was successfully held on 15 June 2013 in Cheras with a total participation of 72 staff members.

Flag Off at the inaugural white water rafting event organised by Kelab AmBank Group in Gopeng, Perak.

Corporate Social Responsibility

A total of 100 golfers came from as far as Terengganu, Kelantan, Johor, Pahang and Sabah to participate in the KAG annual golf tournament held in Shah Alam, Selangor on 30 November 2013.

Mr Chan Wan Seong, Executive Vice President, Wholesale Banking Coverage, AmBank Group, saw his determination and courage pay off when he finished third in 97th All England Senior Open Badminton Championship 2013 which was held in Milton Keynes, England on 18-21 April 2013. He also won the Pattaya Badminton Sawasdee Cup 2013 in the 55-59 age-group category held in Pattaya, Thailand on 24 November 2013.

Mr Lyonel Tan, an AmBank branch manager puts AmBank on the World Map at 18th ITF Taekwon-Do World Championship when he made it to the quarterfinals held in Sofia, Bulgaria on 15-20 July 2013 where a total of 80 countries competed in this six-day tournament.

AmBank Group Family Spirit

AmBank Group organised the Northern Region Family Day gathering on 1 June 2013 at Bayview Beach resort, Batu Ferringhi, Pulau Pinang in recognition of the contribution of its staff towards the growth of the Group. The Northern Region comprises of Perlis, Kedah, Pulau Pinang, The entire Perak state and Tanah Rata, Cameron Highlands, Pahang. The Family Day was attended by more than 3,100 staff and their family members.

Tan Sri Azman Hashim, Chairman, AmBank Group being welcomed by staff at the Northern Region Family Day.

The presence of Chairman Tan Sri Azman Hashim and the Senior Management from the Group's Head Office in Kuala Lumpur made the Family Day gathering more meaningful and also provided all an opportunity to get to know other colleagues better, particularly those from different departments, companies and even states. To bring life to the festivities, there were performances by AmBank Group staff, including a special performance from Tan Sri Azman Hashim. A children's colouring contest, telematches, games stalls, and an exciting fireworks display added to the spirit of fun and celebration.

Inspired by AmBank's "P^{2}ACE" values ("Principled, Proactive, Appreciative, Connected and Evolving"), Retail Banking organised a special event, "I Appreciate You", in August 2013. AmBankers across Menara AmBank, Wisma Pudu and MBF Buildings, came out in throngs to appreciate one another with an Appreciation Gift (an apple or a can of Pringles). A whopping total of 20,000 apples and Pringles were distributed to 4,300 staff across Retail Head Office, Group Operations, Group Finance, Group Information Services, Group Corporate Communications and Marketing as well as AmInvestment Bank.

For more information on work skills and personal development, recognition and working in a vibrant and connected workplace, please see page 97.

RESPONSIBILITY TO THE ENVIRONMENT

Wastage reduction is an area of priority for the AmBank Group and departments practice recycling paper, double-sided printing, minimising colour printing and using electronic communications instead of hard copy printouts where possible.

Three of the Group's buildings are designated as 'no smoking' buildings – Bangunan AmBank Group, Menara AmBank Group and the AmBank Group Leadership Centre, providing cleaner air for employees and customers alike. Pleasant greenery and landscaped planted areas, notably in Bangunan AmBank Group and Menara AmBank Group in Kuala Lumpur have been created to provide pockets of soothing beauty that make for a more pleasant banking experience while bringing in plants that will help replenish oxygen.

The AmBank Group has sponsored Zoo Negara's Dromedary for over 26 years and plans are being made to extend the sponsorship so that the wellbeing of the beautiful camels will be extended and the opportunity to enjoy viewing this unique animal will be extended.

Calendar of Events: Business Activities

APRIL 2013

- AmInvestment Bank won the RAM Award of Distinction 2012 for First RAM-Rated Entity from Hong Kong – Noble Group Limited on 19 April

- AmInvest unveiled its Private Retirement Scheme ("PRS") comprising AmPRS-Growth Fund, AmPRS-Moderate Fund and AmPRS-Conservative Fund on 2 April

MAY 2013

- AmInvestasi, an associate company of AmInvest, the funds management business of AMMB Holdings Berhad unveiled its inaugural fund AmObligasi JIBOR 1 Year^{PLUS} on 8 May in Jakarta, Indonesia for retail and institutional investors

- AmInvest on 21 May launched its three-year close-ended bond fund, AmIncome Flexi 3, which caters to the needs of investors seeking an investment that provides regular income and potentially higher returns than the fixed deposit rate

- AmInvest won the Best Fund House award for Malaysia under the Market Awards category at the AsianInvestor Investment Performance Awards 2013 held on 23 May in Hong Kong

JUNE 2013

- On 4 June, AmInvest hosted a media briefing with Mr Joshua Crabb, Director and Portfolio Manager, Asia Fundamental Equities, BlackRock entitled "Looking Forward: Investing Insights for Asia Pacific"

- AmInvest was named Investment Management Company of the Year for Malaysia for the second year running at the World Finance Management Awards 2013 on 11 June

Datuk Mohamed Azmi, Deputy Group Managing Director, AmBank Group (left) receiving the Asia's Outstanding Company on Corporate Governance award from Mr Aldrin Monsod, Publisher and Managing Director, Corporate Governance Asia

- AmInvest was conferred the global Best Islamic Fund Manager award at the Seventh London 2013 Sukuk Summit Awards held on 12 June

- AmInvest was awarded Malaysia's Asset Management Company of the Year and Islamic Asset Management House for the fourth and second consecutive year respectively at the Asset's Triple A Asset Servicing, Fund Management and Investor Awards 2013 on 19 June

- AmBank Group was awarded Asia's Outstanding Company at the Ninth Corporate Governance Asia Recognition Awards 2013 held on 25 June

JULY 2013

- The integrated AmBank Cards business celebrated its Vesting Day One on 1 July, marking yet another milestone in the integration journey following the acquisition of MBF Cards

- AmInvest introduced its new fund, AmAsia Pacific REITs Plus on 2 July. The Fund aims to provide regular income and to a lesser extent capital appreciation over the medium to long term

- AmInvest was conferred Malaysia's Islamic Asset Management House of Malaysia for the second consecutive year at The Asset's annual Triple A Islamic Finance Awards 2013 held on 3 July

- AmInvestment Bank was honoured as a leading player in the capital markets with two prominent awards, Best Local Currency Sukuk (DanaInfra Nasional RM2.4 billion Sukuk) and Best Islamic Deal, Kazakhstan (Development Bank of Kazakhstan RM240 million Sukuk) at The Asset's annual Triple A Islamic Finance Awards 2013 held on 3 July. It was also highly commended in the Most Innovative Deal category, for the Cagamas RM500 million Multi-Tenor Sukuk Wakala Bil Istithmar

Calendar of Events: Business Activities

- AmInvestment Bank was the Adviser, Managing Underwriter, Sole Underwriter and Sole Placement Agent for ABM Fujiya Berhad's listing on the Main Market of Bursa Malaysia Securities Berhad on 23 July

- AmBank Group was the Corporate Sponsor of the 17 Malaysian Banking Summit 2013 themed "Future Banking: Driving Growth, Prosperity and Transformation" held from 23-24 July

SEPTEMBER 2013

- AmBank Group won the award for Best FX Bank for Corporates and Financial Institutions in Malaysia at the Seventh Annual Alpha Southeast Asia Best Financial Institution Awards 2013 ceremony held on 12 September

- AmInvest launched the AmAsia Pacific ex-Japan Total Return, an income and growth fund on 18 September. The Fund aims to provide income and to a lesser extent capital appreciation over the medium to long term by investing in equities and equity-related securities in the Asia Pacific ex-Japan region

- AmIslamic was the Silver Sponsor of the Tenth Kuala Lumpur Islamic Finance Forum 2013 held from 24-25 September

- AmInvestment Bank was honoured at the Kuala Lumpur Islamic Finance Forum Awards 2013 as the Most Outstanding Islamic Investment Bank on 30 September

- The AmBank Group launched its brand repositioning and a new chapter for the Group and its family of companies on 19 September. The tag line, **"Your Bank. Malaysia's Bank. AmBank."** was officially launched by Tan Sri Azman Hashim, Chairman, AmBank Group

- AmIslamic came on board as the Official Bank for the Fourth OIC World Biz 2013 Exhibition and Conference held at Putra World Trade Centre Kuala Lumpur from 25–28 September

- AmInvest on 25 November added five non-core funds to its suite of retirement solutions comprising four Shariah-compliant PRS non-core funds and one PRS non-core conventional fund. The five funds are AmPRS–Islamic Equity Fund, AmPRS–Islamic Balanced Fund, AmPRS Islamic Fixed Income Fund, AmPRS–Tactical Bond and AmPRS–Dynamic Sukuk

Tan Sri Azman Hashim, Chairman, AmBank Group (centre) unveiling the launch of AmBank Group Brand Repositioning together with Mr Ashok Ramamurthy, Group Managing Director, AmBank Group (sixth from left), Datuk Mohamed Azmi Mahmood, Deputy Group Managing Director, AmBank Group (ninth from right) and senior management of AmBank Group

OCTOBER 2013

- On 23 October, AmInvest hosted a media briefing with Mr Stefan Meinhold, Director, Global Thematic Partners, LLC entitled "Harvesting Investment Opportunities in Global Agriculture"

- On 31 October, AmBank Group launched its exciting new initiative called Malaysia's Résumé. The site aims at connecting and building positive relationships and communications with the people of Malaysia, in Malaysia and across the globe

Datuk Mohamed Azmi Mahmood, Deputy Group Managing Director, AmBank Group, Tan Sri Azman Hashim, Chairman, AmBank Group and Datin Maznah Mahbob, Chief Executive Officer, AmInvest at the launch of the AmInvest PRS

Tan Sri Azman Hashim, Chairman, IBBM giving his welcoming remarks at the Risk Management Conference 2013

NOVEMBER 2013

- AmBank was the Gold Sponsor for Risk Management Conference 2013 held by the Institute of Bankers Malaysia from 11-12 November
- AmInvest was awarded as the Best Islamic Fund Manager 2013 at the Global Islamic Finance Awards 2013 on 26 November in Dubai as part of the Fifth World Islamic Retail Banking Conference
- AmBank Group was awarded as Bank of the Year in Malaysia 2013 by the prestigious UK based The Banker magazine at the awards ceremony which was held in London on 28 November
- AmInvest hosted a media briefing entitled "AmInvest's Investment Outlook and Strategies Post Budget" on 28 November

DECEMBER 2013

- AmInvest was honoured as Asia's Best Asset Manager 2013 at the Islamic Business & Finance Awards 2013 in Dubai on 11 December
- AmInvest was awarded Best Islamic Asset Management Company and Best Sukuk House by the International Finance Magazine at their Financial Awards 2013 for its funds management category on 18 December in Dubai
- AMMB Holdings Berhad reached an agreement with MetLife International Holdings Inc., a wholly owned subsidiary of MetLife, Inc., to seek regulatory approval of a proposed strategic partnership involving AmLife Insurance Berhad and AmFamily Takaful Berhad on 19 December

JANUARY 2014

- On 15 January, AmBank unveiled its new retail banking website, www.ambank.com.my. Designed with a fresh new look, and user friendly navigation, the new website contains the latest information about AmBank Group's products and services
- AmInvestment Bank won four awards for Best Islamic Finance Deal of The Year in Southeast Asia, Best Bond Deal of The Year for Retail Investors in South East Asia (as Joint Lead Arranger, Joint Lead Manager and Participating Financial Institution), Best IPO Deal of the Year in Southeast Asia and Best IPO Deal of the Year for Retail Investors in Southeast Asia (as Joint Underwriters) at the 7th Annual Alpha Southeast Asia Deal and Solution Awards 2013 held on 27 January

FEBRUARY 2014

- On 17 February, AmBank Transaction Banking in collaboration with ANZ, launched a complete payment solutions for Majlis Amanah Rakyat enabling them to remit monthly allowances to their sponsored students particularly in Australia and New Zealand
- AmInvest was awarded the Best Mixed Assets Fund Group and Best Fund Over 10 Years, Bond Malaysian Ringgit for AmDynamic Bond at The Edge Lipper Malaysia Fund Awards 2014 held on 19 February
- On 19 February, AmInvestment Bank was recognised at the IFN Deals of the Year awards ceremony for its role as one of the Arrangers in the DanaInfra Nasional Berhad RM300 million Exchange Traded Sukuk
- AmInvest won the Best Investor Relations by an Asset Management Company award at the Third Islamic Finance News Islamic Investor Poll awards ceremony held on 19 February
- AmIslamic Bank had on 28 February successfully issued its inaugural issuance of RM200.0 million Basel III-compliant Tier 2 Subordinated Sukuk Murabahah, which was also Malaysia's first Rated Basel III compliant Tier 2 Subordinated Sukuk issuance

MARCH 2014

- On 17 March, AmIslamic Balanced, a fund managed by AmInvest, was named Best Islamic MYR Allocation Fund at the Morningstar Fund Awards 2014
- AmInvest won three Malaysian country awards: Malaysia's Best Institutional House, Best Pension Fund Manager and Best Sukuk House (second consecutive win) at the Asia Asset Management's 2013 Best of the Best Awards ceremony held in Hong Kong on 20 March

Calendar of Events: Social and Sports Activities

APRIL 2013

- AmBank Group's Chan Wan Seong clinched Third Place at the 97th All England Senior Open Badminton Championships 2013 which was held in Milton Keynes, England from 18-21 April

MAY 2013

- Kelab AmBank Group ("KAG") organised a Hari Gawai treat for 50 children from the Yayasan LaSallian Kuching at the Boulevard Shopping Mall in Kuching, Sarawak on 22 May

- KAG organised a Hari Kaamatan treat for 52 children from Rumah Anak Yatim Ar-Raudhoh and Taman Didikan Kanak-Kanak Kurang Upaya Sri Stella at its branch in Tawau, Sabah on 23 May

- KAG organised its inaugural KAG Carnival Candat Sotong 2013 in Kuala Terengganu from 17-19 May. 301 KAG members nationwide participated in the event

- KAG, under its corporate social responsibility programme, organised a Breast Cancer Awareness Programme at Menara AmBank from 15-16 May in collaboration with Mobecomm Technologies Sdn Bhd

- AmBank Group Darts Team became champions for the first time in the Eight Inter-Financial Institutions Darts tournament which was held in Dewan Serbaguna, Bangunan Rakyat, Kuala Lumpur from 17-19 May

JUNE 2013

- Tan Sri Azman Hashim, Founder and Chairman, AmBank Group signed a Memorandum of Agreement with Universiti Sains Malaysia on 1 June to officially launch the Azman Hashim-USM Sports Arena

Syed Anuar Syed Ali, President, Kelab AmBank Group (second from right) officially launching the KAG Charity Bowling 2013 with the wheelchair bowlers

- AmBank Group organised the Northern Region Family Day on 1 June at the Bayview Beach Resort, Batu Feringghi, Pulau Pinang in recognition of the contribution of its staff towards the growth of the Group

- AmBank Group launched the AmBank-MyKasih Community Programme in Pulau Pinang which is seeing the third year of its implementation, on 1 June

- Mohd Asyraaf Rosli of Danau Golf Club and Malaysian Golf Association's Genevieve Ling clinched the U-18 Boys and Girls categories at the RSGC AmBank Junior Amateur Open Golf Championship 2012 held on 6 June

- The 13th KAG Snooker Tournament was held on 15 June in Cheras with a total participation of 72 staff members

- On 17 June, AmBank Group gave away 1,000 life jacket to the fishermen and boat operators around the southern area of Kuala Terengganu

- AmBank-MyKasih Community Programme was launched for the first time in Kuala Terengganu on 22 June

- AmBank Group held its annual KAG Bowling tournament from 29-30 June with a special tournament for disabled bowlers to compete. The tournament attracted 806 bowlers from AmBank Group offices all over Malaysia

JULY 2013

- A total of 70 KAG members were treated to a weekend of fun in learning the basic techniques of Horseback Riding in Tekala Rimba Ranch, Semenyih, Selangor held from 6-7 July

- The New Car Division in Auto Finance organised a Buka Puasa event on 19 July in the spirit of bringing together its business partners and the AmBank Auto Finance management team

- Lyonel Tan, Branch Manager, AmBank USJ Sentral made the Group proud when he made it to the quarterfinals of the 18th International Taekwon-Do Federation ("ITF") Taekwon-Do World Championship in Sofia, Bulgaria held from 15-20 July

- On 23 July, KAG invited 81 children and 19 single mothers from Rumah Titian Kasih, Titiwangsa, Kuala Lumpur and Rumah Darul Khalif, Kuala Lumpur for a buka puasa treat. The sports club also purchased baju raya and distributed duit raya to them

- KAG invited 50 children from Yayasan Bandaraya Johor (30 children) and Sekolah Kebangsaan Taman Suria (20 children) for a buka puasa treat and also purchased baju raya and distributed duit raya on 23 July

- Tan Sri Azman Hashim, Chairman, AmBank Group and YM Tunku Arishah hosted a Buka Puasa event at their residence on 27 July

AUGUST 2013

- Tan Sri Azman Hashim, Chairman, AmBank Group and YM Tunku Arishah hosted a second Buka Puasa event on 3 August
- The Eighth AmBank Group Malaysia Chess Challenge 2013 held from 9-16 August, attracted approximately 87 chess players both locally and overseas, including from India, Japan, Indonesia, Singapore and Australia among others
- Tan Sri Azman Hashim, Chairman, AmBank Group and YM Tunku Arishah Tunku Maamor held an Open House for Hari Raya Aidilfitri on 24 August
- On 27 August, AmBank Group held its Hari Raya Open House for clients, guests and members of the media, which saw approximately 700 people in attendance
- KAG celebrated Hari Raya Aidilfitri with 42 children from Rumah Anak Yatim dan Miskin Nur Iman as well as the management and staff from the AmBank East Coast Region office on 29 August
- AmBank Group was the Main Sponsor for the Gita Bayu Merdeka Run which is an annual event held on 31 August in conjunction with the Hari Merdeka celebration

SEPTEMBER 2013

- KAG invited 71 children and youths from Rumah Anak Yatim Darul Aitam Wal'Masakin, Alor Setar, Kedah to celebrate Hari Raya Aidilfitri with the management and staff from AmBank Northern Region office on 3 September
- Tan Sri Azman Hashim, Chairman, AmBank Group who was the Chairman of the National Art Gallery from 1984-1990 gave a keynote address at "An Evening with Artist & Salut 55" a special event held as part of the 55th Anniversary Celebrations of the National Visual Arts Gallery on 9 September at the Saloma Theatre Restaurant, Kuala Lumpur
- AmBank Group participated in The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2013 for the 14th consecutive year on 17 September, which saw a total of 600 runners participating in the event
- AmBank Group was one of the sponsors for the Malaysian Press Institute ("MPI") Sixth International Journalism Fellowship 2013, which was held from 1 September-1 October in Kuala Lumpur
- AmBank Group was the Bronze Sponsor for the prestigious Langkawi International Mountain Bike Challenge 2013 held from 28 September-5 October in Pulau Langkawi

OCTOBER 2013

- KAG organised a blood donation campaign from 7-11 October in its buildings around Klang Valley which saw a total of 752 staff successfully donating blood during the campaign
- AmBank's Retail Distribution together with Kechara Soup Kitchen, a non-profit organisation, distributed foodstuff to the needy at locations around Kuala Lumpur on 12 October
- The inaugural Karnival Futsal Harian Metro 2013 dibawa oleh AmBank, Edisi Sabah which was held from 12-13 October saw a total of 102 teams participating
- A total of 84 children, youth and senior citizens from Pertubuhan Kebajikan Yesuvin Mahligai celebrated Deepavali with KAG on 17 October
- Chan Wan Seong, Executive Vice President, Wholesale Banking Coverage, AmBank Group won the Pattaya Badminton Sawasdee Cup 2013 title in the 55-59 age group category in the tournament held in Pattaya, Thailand from 22-24 November

NOVEMBER 2013

- AmBank Group held a Majlis Tahlil and Doa Selamat for the late Puan Norazita Abu Talib at the USJ Sentral branch on 3 November
- The Group via its Group Corporate Communications and Marketing Department organised a community project for the Orang Asli of Genting Peres Settlement, Selangor on 9 November
- The KAG Paintball Challenge 2013 held on 23 November in Selangor saw a total of 294 participants

DECEMBER 2013

- KAG held its Back to School Charity Campaign throughout the whole month of December in Kelantan, Selangor, Sarawak, Sabah and Johor
- AmIslamic Bank distributed its Business Zakat funds amounting to RM448,000 to 14 Zakat Collection Centres and RM1,278,500 to selected charity homes and organisations across the country in two separate events held on 14 and 18 December

Rafters caught in action in an exciting moment from the KAG White Water Rafting 2013 challenge

Calendar of Events: Social and Sports Activities

- On 7 December, 200 participants took part in the inaugural KAG White Water Rafting 2013 held in Gopeng, Perak

- AmBank Group sponsored the AmBank Group-NSTP Inter Editorial Football and Netball tournament 2013 on 15 December which was won by the Berita Harian/Harian Metro team

- KAG organised a Christmas treat for 110 recipients from the Portuguese Settlement in Melaka on 17 December

- Group Operations Design and Development ("GDD") through its social club ("G club") organised a fund-raising event in collaboration with Society of the Blind in Malaysia ("SBM") on 18 December

- AmBank Group was the title sponsor for the AmBank SportExcel Junior Golf Grand Finals 2013 and International Junior Golf Championship 2013, which concluded on 20 December

- A total of 320 staff competed in the KAG Futsal tournament 2013 which for the first time, featured an U-12 Boys category for the staff's children on 21 December

- AmBank Group successfully staged its year-end celebration and concert extravaganza to celebrate the New Year on 31 December. Called the AMBANG 2014 PUTRAJAYA, it was organised in collaboration with Perbadanan Putrajaya for the second consecutive year

JANUARY 2014

- To empower women in Kelab AmBank Group ("KAG"), a host of activities for women were arranged from the start of the year until March, such as fitness, cardio, yoga, zumba, dance, cooking, baking, health, beauty and grooming classes

- KAG organised a Chinese New Year treat for 90 children, youth and senior citizens from Bao En Shi (Anning) Old Folks Home and Orphanage in Ipoh, Perak on 25 January

- On 29 January, AmInvest brought smiles to the children and caregivers of Yayasan Chow Kit ("YCK") during a visit to present gift packages in conjunction with Chinese New Year

FEBRUARY 2014

- The 42nd Inter-Financial Institutions Golf Tournament 2014 was held on 15 February at Nilai Springs Golf and Country Club which saw a total of 129 golfers participated in the tournament and AmBank Group fielding three teams

- Kelab AmBank Group ("KAG") organised the KAG Dart tournament on 15 February which saw 163 participants take part

- AmBank Group celebrated its 25-years of being listed on the Bursa Malauysia in conjunction with Chinese New Year 2014 open house attended by 1,200 people comprising clients, guests and members of the media on 18 February

- The Karnival Futsal Harian Metro 2014, Lembah Klang dibawa oleh AmBank held from 22-23 February saw a participation of 234 teams with 119 teams in the Men's Open category, 42 teams in the Women's Open category and 73 teams in the U-17 Boys Category

- KAG organised its KAG Treasure Hunt 2014, which saw a total of 602 participants in 151 cars participating in an exciting journey from Kuala Lumpur to Pulau Pinang on 22 February

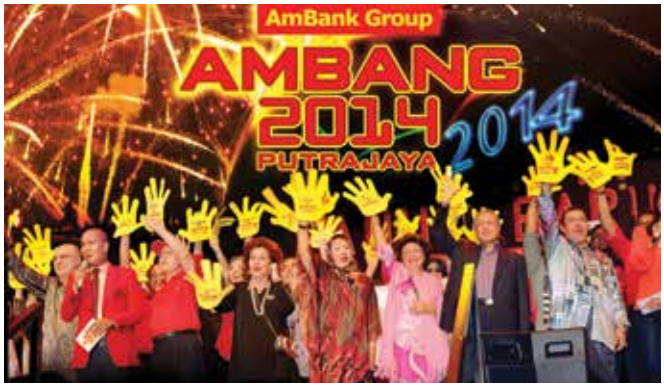
MARCH 2014

- Bank Simpanan Nasional ("BSN") nearly made it a double in the AmBank Group-Inter Financial Institutions Futsal Tournament 2013/14 when they qualified for both the Men and Women's finals but only won the Men's category at the finals held in Subang Jaya on 2 March

- KAG organised the KAG Carrom tournament on 8 March in Kuala Lumpur which saw 138 participants take part in

- KAG AmBank Challenge 13 attracted 220 participants in the race proclaimed to be for the "most fittest and rugged team" in the yearly AmBank Group calendar of recreational events on 15 March

- The AmBank Auto Finance Invitational Golf 2014 co-hosted by AmGeneral Insurance Berhad was held on 26 March at The Royal Selangor Golf Club. A total of 80 golfers comprising car dealers and car principals from across the nation competed in the annual tournament



YBhg Tan Sri Azman Hashim, his wife YM Tunku Arishah Tunku Maamor, YABhg Tun Dr Siti Hasmah Mohd Ali, YABhg Tun Dr Mahathir Mohamad and YBhg Tan Sri Dato' Seri (Dr) Aseh bin Hj Che Mat, President, Perbadanan Putrajaya ushering in the New Year 2014 at the AMBANG 2014 PUTRAJAYA concert

Review and Outlook for the Malaysian Economy

2013 ECONOMIC REVIEW

Global economy strengthened in the second half of 2013

Global economy strengthened in the second half of 2013 bringing the full year growth to 3.0% from 3.2% in 2012. Advanced economies accounted for much of the pickup, although the pace of recovery was modest as policy uncertainties and structural constraints continued to weigh on overall demand.

US, a major impulse to global growth

A major impulse to global growth was from the United States ("US"), where there were some upside surprise from strong export growth particularly in regard to petroleum products, faster pace of inventory accumulation, consumer spending picked-up, and decline in household debt relative to disposable income which raised household net worth above its long-term average.

The euro area finally emerged from recession

The euro area finally emerged from recession with growth being in positive since the second quarter of 2013 after a long period of output decline. The turnaround could be attributed partly to less fiscal drag and some impetus from private domestic demand for the first time since 2010. National and collective policy actions have contributed to this positive turn of events. Yet the legacy of the crisis reflected by high unemployment, weak private and public balance sheets, contracting credit, large debt burden and longer-term impediments to growth are issues that needs addressing, thus raising concern about the strength and durability of the recovery.

Japan, favourable scenario

In Japan, while private consumption and public spending remained robust, GDP growth slowed in the second half of 2013 on slow recovery of exports and a surge in import demand due to sustained high energy imports and strong domestic demand.

Developing Asia rose moderately

Growth in developing Asia rose moderately. Growth picked up slightly in the second half of 2013. The weaker cyclical momentum in comparison with that in the advanced economies reflects the opposite effects of two forces on growth. Export growth increased supported by stronger activity in advanced economies and by currency depreciation. Fiscal policies were broadly neutral. Yet weaknesses in investment continued, with external funding and domestic financial conditions increasingly tightened. Supply-side and other structural constraints on investment and potential output such as infrastructure bottlenecks remained the key issues in some economies which are expected to remain in effect through much of 2014.

Domestic demand in developing Asia affected by the prolonged weakness in external demand

Domestic demand in developing Asia were affected by the prolonged weakness in external demand. In a number of emerging economies, growth was influenced by policy measures introduced to manage domestic vulnerabilities. The shift in market expectations for reduction in monetary accommodation in the US towards the second half of 2013 led to large capital flow reversals from the emerging economies. Thus, global inflation slowed, reflecting the moderate demand conditions in many economies and lower non-energy commodity prices. Overall, however, emerging market and developing economies continue to contribute more than two-thirds of global growth.

China enjoyed stable growth, while India was affected by cyclical and structural issues

China witnessed a high and stable economic growth of 7.7% in 2013, added with subdued inflation and a smaller current account surplus. Both the monetary and fiscal policies remained limited. In India, a spell of global financial turbulence caused capital outflows and pressure on the exchange rate. But strong policy measures stabilised the currency, rebuilt reserves, and narrowed the excessive current account deficit. Yet growth moderated to 4.4% in 2013 affected by persistent inflation, fiscal imbalances, bottleneck to investment, and inefficiencies that require structural reform.

Developments in the ASEAN economies were uneven

Developments in the Association of Southeast Asian Nations ("ASEAN") economies were uneven. Indonesia's growth was influenced by subdued investor sentiment and higher borrowing costs, although the currency depreciation since mid-2013 did provide some lift to exports. Thailand is being clouded by the political situation which weakened private demand and delayed public investment. Malaysia and the Philippines are on a more positive trajectory with favourable growth in 2013.

Malaysian economy continued to expand

Despite weaknesses on the external front and subdued public investment, the Malaysian economy continued to expand in 2013 by 4.7%, driven by the continued strong growth in domestic demand.

Private consumption is the key growth driver

Private consumption rose at the similar pace in 2012 by 7.6% and contributed the most of the GDP growth in 2013. Expansion in consumption spending was supported by low unemployment rate of 3.1%; better average real wages which rose by an estimated 0.9% in 2013; positive effects from the national minimum wage that came into effect in January 2013; widespread cash transfers to low- and middle-income households from the government and increases in public sector wages, bonuses, and pensions; and continued access to financing for creditworthy borrowers.

Review and Outlook for the Malaysian Economy

Public consumption was supported by expenditure on supplies and services

Public consumption recorded a higher growth of 6.3% in 2013. Growth was supported by higher expenditure on supplies and services. Meanwhile, expenditure on emoluments was sustained.

Investment moderated, but continued to support private sector capital expenditure

Although the pace of investment moderated from the exceptionally strong growth in 2012, yet it continued to support private sector capital expenditure. Gross fixed capital formation ("GFCF") grew at a slower pace of 8.2% in 2013, following a robust growth of 19.9% in 2012. Growth in GFCF was supported by investment in structures which grew by 11.1%, reflected by all construction sub-sectors. Also, moderate gains from investments in machinery and equipment, up 5.1% provided the necessary impetus to GFCF despite the decline in imports of machinery for manufacturing in 2013 by 2.9% as well as imports of office equipment down by 8.7% and imports of locomotives which plunged by 96.9%.

Private investment in the services sector

The pace of growth in private investment by 13.6% was driven by capital spending from both the domestic and foreign investors. Focus areas were in the mining, services and manufacturing sectors. Services investment made up 48% share of private investment in 2013 were underpinned by capital spending in both the domestic and export-oriented services sub-sectors. Investments in the domestic-oriented services sector mainly focused on distributive trade, telecommunication and private healthcare sub-sectors, while investments in the export-oriented sub-sectors focused on expansion and upgrading of ports and petroleum storage terminals. Dwellings investment, proxy for residential construction work continued to remain strong.

Mining investment

Mining investment remained strong in 2013 from the continued capital spending in major upstream projects, like the Gumusut-Kakap deepwater field, Enhanced Oil Recovery of the Tapis oil field and the Berantai and Balai marginal fields. In the manufacturing sector, investments were undertaken in both the export-oriented industries such as the E&E and medical devices, and the domestic-oriented industries, particularly in food manufacturing. This expansion reflected improving business sentiment following the gradual improvement in external demand and sustained strong domestic consumption.

Public investment recorded a small positive growth

Public investment registered a small positive growth of 0.7% following the decline in the Federal Government development expenditure. It was offset by higher capital expenditure by the public enterprises, which was channelled mainly into the oil and gas, transportation and energy sectors. The key areas were Sabah Ammonia-Urea Plant, Sabah-Sarawak Gas Pipeline and Kinabalu Non-Associated Gas (NAG) upstream development; investment in the transportation sub-sector that was supported by the construction of the MY Rapid Transit ("MRT") and further work on the Light Rapid Transit ("LRT") extension; and investment in the utilities sub-sector that includes the building of power plants such as Tanjung Bin and Janamanjung. The Federal Government's development expenditure in the economic sector focused on transportation; trade and industry especially upgrading infrastructure facilities in industrial areas.

Services sector remained the largest contributor to growth

Services sector grew by 5.9% in 2013 and remained the largest contributor to growth by 3.2 percentage points to the overall GDP growth. Growth came largely from the sub-sectors that caters for domestic demand. Amongst them are the wholesale and retail trade sub-sector which benefitted strongly from the continued strengthening from the households' retail spending. Another key area is from the communication sub-sector which grew robustly from continued demand for data communication services. Performance from the transport and storage sub-sector was sustained amid strong growth in passenger travel. Meanwhile, growth in the finance and insurance sub-sector moderated following lower interest rate margins and insurance premiums.

Manufacturing was supported by domestic activities and exports

Manufacturing sector expanded by 3.4% primarily supported by the continued strength in the domestic-oriented industries and better performance of the export-oriented industries in the second half of 2013. Improved production in the export-oriented industries was due to stronger exports in both the E&E and primary-clusters, amid a gradual recovery in the global economy. Domestic-oriented industries recorded sustained growth, mainly driven by robust private consumption and resilient construction activity.

Construction sector remained strong

Growth remained strong in the construction sector, up 10.9% supported by robust activity in the residential and civil engineering sub-sectors. Strong activities in the residential sub-sector was reinforced by the construction of high-end and high-rise properties in the Klang Valley, Penang and Johor. Civil-engineering sub-sector enjoyed from the activities in infrastructure and oil and gas-related projects such as Tanjung Bin and Janamanjung power plants, MRT, Sabah Oil and Gas Terminal, Sabah-Sarawak Gas Pipeline and the Kebabangan Oil and Gas project.

Agriculture activities supported by CPO output and food commodities

Agriculture growth was strong, up 2.1% largely supported by higher CPO output on the back of better yields amid favourable weather conditions. Meanwhile, production of food commodities such as livestock, vegetables and fisheries also improved in 2013 in view of the efforts to increase food security and also the ongoing efforts to further improve the agro-food and aquaculture industries.

Maintenance work affected crude oil output and hence mining sector

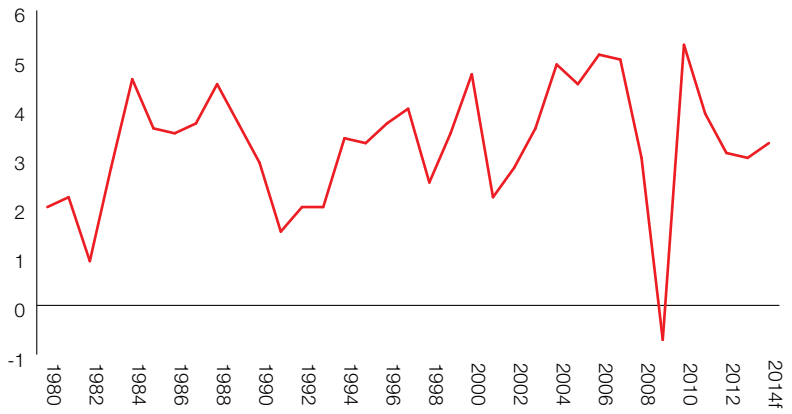
Mining sector posted a slower growth of 0.5% in 2013 as a result of lower crude oil production amid maintenance works that occurred in the later half of the year. Output of natural gas, however, recorded stronger growth during the year, driven by higher demand from East Asia for electricity generation as well as commencement of higher production from marginal and new fields.

2014 ECONOMIC PROSPECTS

Global activity is expected to improve

Global activity is expected to improve in 2014, projected to grow by 3.2%. Advanced economies are gaining momentum and driving the global growth momentum. Once stalled cylinders of the economic engine of growth like investment and trade are starting to ignite again. Growth impulse will continue to come mainly from advanced economies, although their recoveries remain uneven.

Chart 1: Global Growth (y/y %)



US should continue to expand at a moderate pace

With supportive monetary conditions and a smaller drag from fiscal consolidation, the outlook of the United States ("US") economic growth should continue to expand at a moderate pace, projected to grow by 2.2% - 2.4%. Although the unusually harsh winter weather weighed on activity in 1Q2014, growth is expected to rebound over the rest of the year driven by moderate growth in residential investment, bouncing back from a very low levels and given substantial pent-up demand for housing. Personal consumption is poised to be solid, added with a pickup in non-residential fixed-investment growth as consumer and business confidence improves. Growth will also be supported by less fiscal drag, thanks in part to the Bipartisan Budget Act, which replaced some of the automatic spending cuts in fiscal years 2014 and 2015 with back-loaded savings. Debt limit has been suspended until March 2015, reducing the uncertainty that has characterised fiscal policy in the past few years.

Risks to the US economy comes from both external and domestic

Risks to the US economy comes from both external and domestic. External issues are like prolonged sluggishness in the euro area would weigh on the US growth especially if the deflation dynamics take hold. A slowdown in emerging market economies could also pose a risk. Domestic concerns are issues like private domestic demand losing momentum if long-term yields rise faster than expected without an associated improvement in the outlook; fiscal sustainability over the medium term; continued downward trend in the labour force participation rate than could further dent potential output; and earlier-than-expected tightening of monetary policy.

Modest improvement in euro

The euro are is expected to improve modestly in 2014 by 0.8% - 1.0%. Recovery will be uneven across countries and sectors. Growth will largely come from export led although domestic demand has stabilised and turned positive in France, Spain and Germany. Despite some rebalancing within the euro area, current account balances have improved asymmetrically, with persistent surpluses in some core economies and shrinking external balances in deficit economies.

Downside risks still dominates in euro

Inflation remains very low, while unemployment and debt are high. Low investment, persistent output gaps, tight credit, political uncertainty, policy reversal, effects from tighter financial conditions in the US, external shocks like disappointing growth from emerging economies and financial fragmentation in the euro area are other risk issues that will weigh on the recovery. Private investment is yet to revive strongly across the region. Risks remain from incomplete reforms and external factors. In the stressed euro area economies, growth is projected to remain weak and fragile as high debt

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and financial fragmentation hold back domestic demand. Stronger growth in Germany for instance, will be affected by stagnant or declining output elsewhere. Accommodative monetary policy, completion of financial sector reforms, and structural reforms are critical.

Japanese growth envisaged to be moderate

Growth is envisaged to moderate in 2014 to 1.4%- 1.6% as fiscal policy weighs on its economic activity. Positive effect of the recently approved stimulus measures is envisaged to be more than offset by the negative impact of the consumption tax hike and the waning of reconstruction spending and past stimulus measures. Monetary support is poised to ensure the financial conditions remain accommodative. Inflation is projected to rise temporarily following the consumption tax hike. And the Government plans to restore the nation's global competitiveness by possibly changing in areas like labour, investment and agriculture, amongst others.

One of the biggest challenge is to address the issue of ageing population

One of the biggest challenge is to address the issue of ageing population, especially with the highest life expectancy in the world, but the retirement age is just 65 and is difficult to support the retired people. Hence, the likely policy is to raise old people's labour participation, increase the proportion of women in the workforce by making it easier for them to manage both private and professional lives, expand the use of robots in production, in order to reduce the impact of ageing population on the economy, and reduce the corporate tax rate to below 30 percent over several years from 2015.

Reform in China and India will be the key in shaping the outlook of developing Asia region

While advanced economies growth momentum picked up, the improvement was tempered by moderate growth in the People's Republic of China ("PRC") as it continued to shift towards more balanced growth. The US policy shift may bring further volatility in the financial markets. But the tightening of global liquidity can be mitigated by accommodative monetary policy in the euro area and Japan. These, together with the reforms from the region's two largest economies that is the PRC and India will be the key in shaping the outlook of the region in 2014. As reform gathers pace, growth in the PRC in 2014 is projected to hover around 7.3% -7.5%. In contrast, India's outlook depends on its ability to successfully implement structural reforms and spark stronger growth. If successful, reform in India may accelerate economic growth in 2014 to 4.7% - 4.9%.

Risks to the outlook of developing Asia have eased

Although the policy makers in developing Asia can manage the risks, yet there are three key areas that needs close monitoring. First, another shock to global financial markets from the changes in US monetary policy cannot be ruled out. Second, the data remains mixed on the recovery in advanced economies, leaving the possibility that demand for developing Asia's exports may be softer than projected. Finally, a sharper-than-expected slowdown cannot be ruled out for PRC if its curbs credit expansion in an abrupt or excessive manner, thus weighing on the economic growth of its trading partner.

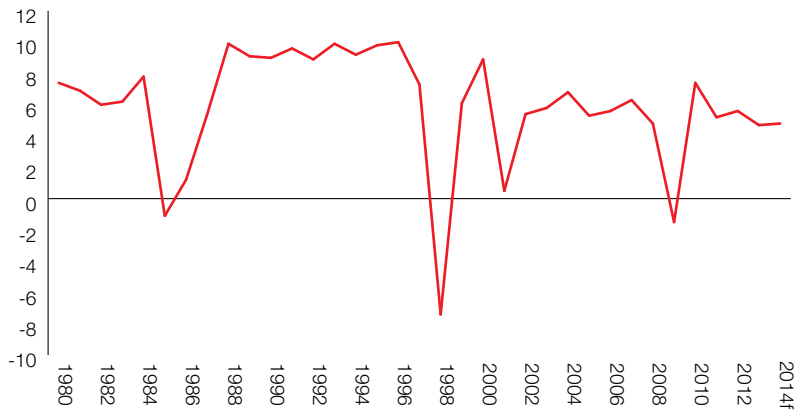
Uneven ASEAN economic performance

Political disruptions which began in the second half of 2013 in Thailand is expected to cloud the outlook in 2014 before rebounding in 2015. This, together with policy deficiencies that have prompted calls to improve the design and implementation of public programs will weigh 2014 growth, projected to hover between 2.0% - 2.2%. Indonesia's growth will depend on the stabilisation policies rolled out in the second half of 2013 and that parliamentary elections in April and presidential elections in July go smoothly, forecasted to grow between 5.7% - 5.9%. Malaysia's growth will lean on the outcome of major industrial countries and world trade as the rising inflation and fiscal tightening will moderate domestic demand. Growth is projected between 4.8% - 5.1%. Philippines growth will remain strong coming from rehabilitation and reconstruction in areas hit by natural disasters although inflation is forecast to pick up but will remain within the central bank's target range. Growth is projected between 5.8%- 6.1% in 2014. The challenge is to translate solid economic growth into poverty reduction by generating more and better jobs.

Trade is expected to support Malaysia's growth

The economy is expected to grow at a steady path in 2014, likely to expand between 4.8% -5.1%. Growth will be supported by better performance from the external sector amid some moderation in domestic demand. As a trading nation with exports equivalent to 83% of GDP, improvement in the economies of major industrial countries and world trade will bode well for Malaysia exports, projected to grow by 5.6%-5.8% in 2014. In particular will be the exports from electronics and electrical ("E&E") that will benefit from higher demand from the advanced economies. Also, non-E&E exports will be sustained by regional demand for resource-based products. Commodity exports is projected to register a small positive growth after two consecutive years of contraction. Services exports will be higher from stronger travel account supported by Visit Malaysia Year 2014.

Chart 2: Malaysia's Economic Growth (y/y %)



Private investment will remain as the other growth driver

Domestic demand will continue to play an important role in driving the economic growth, but at a more moderate pace in view of continued public sector consolidation. In particular, private investment will remain strong for the fifth consecutive year supported by the ongoing implementation of multi-year projects, improvement in external demand, sustained improvements in the investment climate and healthy capital spending in the services, manufacturing and mining sectors. It is projected to grow by 12.2% -12.6% in 2014.

Strong public investment

Underpinned by public enterprises' ("PEs") investment and Federal Government development expenditure, public investment is poised to remain strong, projected to grow by 2.7%-2.9%. PEs investments reflects the continued implementation of key infrastructure projects, particularly oil and gas, utility and transportation. The Federal Government development expenditure focuses on improving access and connectivity in urban and rural transportation infrastructure. Social services sector emphasis will be on education, training and healthcare.

Moderate growth in private consumption

Private consumption is projected to grow moderately between 6.7% - 6.9% in 2014 after two consecutive years of strong growth, partly due to higher inflation and greater uncertainty. But healthy labour market conditions and sustained income growth are expected to provide support to private consumption. Implementation of the minimum wage policy by some will also support wages, albeit to a lesser extent compared to 2013. Household credit growth will be slower in 2014 due to the series of measures implemented by Bank Negara in 2013. Impact of these measures on private consumption is expected to be marginal as creditworthy households will continue to have access to credit.

Public consumption is anticipated to record lower growth

Public consumption is anticipated to record lower growth, following the ongoing consolidation of the Government's fiscal position. Growth in 2014 is forecasted to hover between 2.8% - 3.0%. More moderate expenditure is also expected on supplies and services as well as emoluments.

Imports to increase at a stronger pace

Imports is projected to increase at a stronger pace in 2014 by 8.6% - 8.9%. In particular, imports of intermediate goods which form the bulk of the total imports is envisaged to rise in 2014, largely due to stronger manufacturing production to meet higher export orders. In addition, the continued expansion of domestic investment and consumption activity will continue to support the imports of capital and consumption goods, respectively.

Headline inflation is projected increase due mainly to domestic cost factors

Headline inflation is on the upward pressure in 2014, projected to hover between 2.8% - 3.1% largely due to domestic cost factors. It includes the recent price adjustments arising from subsidy rationalisation and the spillover effects of these adjustments on the prices of other goods and services. Higher cost pressures will be partly contained by subdued external price pressures, given the expectations of lower global food and energy prices. Continued expansion in domestic capacity and a moderate domestic demand outlook would help to lessen the cost pressures. Upside risks to inflation includes stronger domestic demand arising from better-than-expected external demand, a significant rise in global commodity prices and excessive wage increases leading to second-round effects. These risks, however, are assessed to be relatively low.

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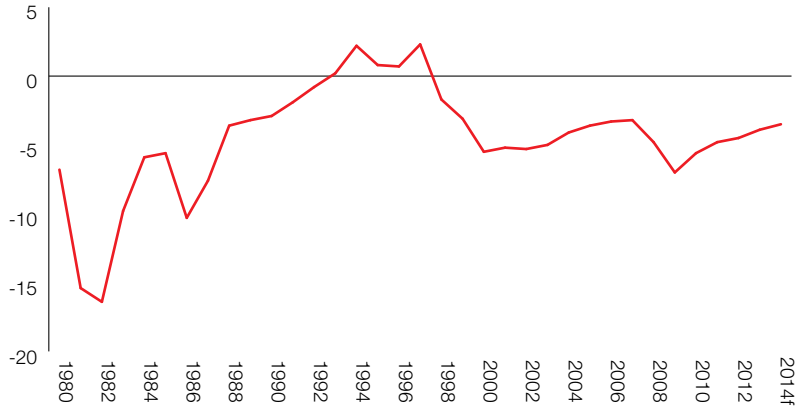
Narrowing fiscal deficit

Fiscal policy is aimed towards strengthening the fiscal position, while ensuring continued support for domestic growth and the protection of the well-being of the society. Given the challenging domestic and external environment, fiscal reforms are being pursued gradually without undermining economic growth. At the same time, fiscal resources will be directed towards key economic sectors to accelerate the shift towards a high value added, high-income economy. Fiscal deficit is expected to be at 3.5% of GDP in 2014.

Chart 3: Fiscal Balance % GDP



Healthy labour market

Labour market is envisaged to stay healthy with the unemployment rate projected to hover around 2.9% -3.1%. Employment growth is expected to remain above the post-Global Financial Crisis average of 3%, but to moderate from a strong growth of 4.8% in 2013. The demand for labour will be supported by the improvement in global economic conditions, particularly benefitting the export-oriented industries, and the sustained expansion in domestic economic activity.

Monetary policy will aim to support the sustainable growth

Monetary policy will aim to support the sustainable growth while mitigating any potential vulnerabilities arising from inflation and financial imbalances. The economy is expected to continue on a steady growth path, supported by better performance in the external sector amid some moderation in domestic demand. Compared to 2013, inflation is projected to be higher. Nevertheless, the higher inflation will largely be due to cost factors, with the underlying inflation expected to remain contained. The continued low global and domestic interest rate environment would also make it important to be vigilant to the build-up of financial imbalances.

AMMB Holdings Berhad

(223035-V)

(Incorporated in Malaysia)

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of **AMMB HOLDINGS BERHAD** for the financial year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiaries, as listed in Note 15 to the financial statements, provide a wide range of retail banking, business banking, investment banking, corporate and institutional banking, Islamic banking and related financial services which also include underwriting of general, life and family takaful insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trusts management.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant event during the financial year is as disclosed in Note 57 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year	1,871,055	576,205
Attributable to:		
Equity holders of the Company	1,782,380	576,205
Non-controlling interests	88,675	–
	1,871,055	576,205

OUTLOOK FOR NEXT FINANCIAL YEAR

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 is 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 are 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 of consumer spending from the on-going rationalisation of subsidies.

Directors' Report

BUSINESS PLAN AND STRATEGY

For FY2015, AmBank Group will be guided by four strategic priorities to achieve our Vision – As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.

Firstly, deliver on focused organic growth. This encapsulates the Group's organic plans with emphasis on the following divisions:

Retail Banking's focus is on building new segments in emerging affluent customers and small business while leveraging existing strength to grow in mass market. Wholesale Banking will grow franchise value by targeting segments and continue to deepen relationships to increase share-of-wallet of existing and new to bank customers. General Insurance aims to maintain number one position in motor through bancassurance and synergies from the Kurnia acquisition at the same time expand its non-motor segments. Islamic Banking will focus on growing mainbank relationships which will drive growth in low cost deposits and capital efficient investment accounts.

Secondly, leverage strategic partnerships and deliver on acquisitions. Integrations of Kurnia and MBF Cards are targeted to be completed within this financial year. The Group is now focusing on top line growth with the acquisitions. On Life Assurance and Family Takaful, AmBank Group will work together with MetLife International Holdings Inc., our new strategic partner in Life Assurance and Family Takaful business, to identify and agree on synergies, brand identity, best practices and standards to better serve customers. We aim to create a modern, innovative and customer centered insurance company.

Thirdly, continue to optimise. We are building lean and scalable customer service delivery capabilities, streamlining operating layers along with simplifying business and operating models. In capital management, we are progressively optimising our holding company structure and capital allocation. We are building advanced internal rating based (AIRB) capabilities for an improved portfolio risk management.

Fourthly, build sustainability in the areas of risk management, human capital and customer experience. We are continuously strengthening governance in risk management, controls and compliance. Initiatives are progressively being rolled out to enhance employee engagement and talent management to achieve a connected team culture while investing in next wave technologies and branding agendas to enable the Group to deliver on superior customer experience in target segments.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than significant events as disclosed in Note 57 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the succeeding twelve months.

DIVIDENDS

During the financial year, the Company paid a final dividend of 15.0% in respect of financial year ended 31 March 2013 amounting to RM452,127,727 which amount had been dealt with in the directors' report for that financial year and paid on 12 September 2013 to shareholders whose names appeared 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.

The directors now propose the payment of final single tier dividend of 16.9% in respect of the current financial year, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2015.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves, provisions and allowances during the financial year other than as disclosed in the financial statements.

Directors' Report

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing, and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that current assets, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business of the Group and of the Company.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

Directors' Report

ISSUE OF SHARES AND DEBENTURES

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

(i) 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.

(ii) During the financial year, upon maturity, AmBank repaid Senior Notes totalling RM195.0 million. The Senior Notes issued which remain outstanding as at reporting date have 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).

(iii) 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.

(iv) 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.

(v) AmIslamic Bank has repurchased on the market and subsequently cancelled RM200.0 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.

(vi) On 28 February 2014, AmIslamic 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 AmIslamic 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, AmIslamic 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, AmIslamic 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 cancellations, shares held as treasury shares, resale of treasury shares and repayment of debt and equity securities by the Group during the financial year.

SHARE OPTIONS

There were no options granted during the financial year by the Company to take up unissued shares of the Company, other than the options granted under the Executives' Share Scheme.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options, other than the options granted under the Executives' Share Scheme.

Directors' Report

EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company to establish an executives' share scheme ("ESS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The functions of the ESS Committee has since been consolidated with that of Group Nomination and Remuneration Committee ("GNRC") from 29 October 2013. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the ESS Committee.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with AmTrustee Berhad ("Trustee"). The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The salient features of the ESS are disclosed in Note 29 to the financial statements.

During the financial year, the Trustee had purchased 6,172,200 of the Company's issued ordinary shares from the open market at an average price of RM7.34 per share. The total consideration paid for the purchase including transaction costs amounted to RM45,277,948.

As at 31 March 2014, 10,159,850 shares have been vested and transferred from the Trustee to certain Eligible Employees of subsidiaries in accordance with the terms under the ESS. The Trustee held 8,335,500 ordinary shares 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.

DIRECTORS

The directors who served on the Board since the date of the last report are:

Tan Sri Azman Hashim
Dato' Azlan Hashim
Tun Mohammed Hanif bin Omar
Tan Sri Datuk Clifford Francis Herbert
Tan Sri Datuk Dr Aris Osman @ Othman
Dato' Rohana binti Mahmood
Dato' Gan Nyap Liou @ Gan Nyap Liow
Shayne Cary Elliott (appointed on 18.6.2013)
Mark David Whelan
Gilles Planté
Soo Kim Wai
Ashok Ramamurthy
Alistair Marshall Bulloch (Alternate Director to Shayne Cary Elliott, Mark David Whelan and Gilles Planté)

Directors' Report

DIRECTORS' INTERESTS

Under the Company's Articles of Association, the directors are not required to hold shares in the Company.

The interests in shares and options in the Company, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

DIRECT INTERESTS

In the Company

	No. of Ordinary Shares of RM1.00 each ("shares")			
Shares	Balance at 1.4.2013	Bought/Vested/ Exercised	Sold	Balance at 31.3.2014
Dato' Azlan Hashim	218,000	–	–	218,000
Ashok Ramamurthy	298,250	468,800	167,050	600,000

	No. of shares pursuant to the Company's Executives' Share Scheme				
Scheme Shares *	Balance at 31.3.2013	Granted	Vested	Forfeited^	Balance at 31.3.2014
Ashok Ramamurthy	274,550	180,800	107,200	6,300	341,850

	No. of shares pursuant to the Company's Executives' Share Scheme				
Shares under Options *	Balance at 31.3.2013	Granted	Vested	Forfeited^	Balance at 31.3.2014
Ashok Ramamurthy	181,900	–	136,500	45,400	–

	No. of shares pursuant to the Company's Executives' Share Scheme			
Shares under Options * (In Vested Account)	Balance at 31.3.2013	Vested	Exercised	Balance at 31.3.2014
Ashok Ramamurthy	225,100	136,500	361,600	–

INDIRECT INTERESTS

In the Company

		No. of Ordinary Shares of RM1.00 each ("shares")			
Shares	Name of Company	Balance at 1.4.2013	Bought	Sold	Balance at 31.3.2014
Tan Sri Azman Hashim	Amcorp Group Berhad	494,120,255	–	61,441,187	432,679,068

Notes:

* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of service condition and the performance targets of the Group and all other conditions as set out in the By-Laws of the Company's Executives' Share Scheme.

^ Forfeited due to non-vesting of Long Term Incentive award pursuant to the By-Laws of the Company's Executives' Share Scheme.

By virtue of Tan Sri Azman Hashim's shareholding in the Company, he is deemed to have interests in the shares of its subsidiaries to the extent the Company has an interest ("Deemed Interest"). Tan Sri Azman Hashim has ceased to have any Deemed Interest by virtue of a reduction in the shareholding of Amcorp Group Berhad in the Company to below 15% since 9 January 2014.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares, options and scheme shares in the Company or shares in its subsidiaries during the financial year.

Directors' Report

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 35 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, except for the related party transactions as shown in Note 43 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

(i) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group. Since the Company is a holding company, its major business activities are conducted through its various subsidiaries. The Board complies with the recommendations in corporate governance as set out in the Malaysian Code on Corporate Governance 2012.

The Board supervises the management of the Group's businesses, policies and affairs with the goal of enhancing shareholders' value. The Board meets 10 times in a year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholders' meetings By-Laws), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises twelve (12) directors with wide skills and experience, of which four (4) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Group Managing Director.

The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Group Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(ii) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to Board Committees. These committees, which were created to assist the Board in certain areas of deliberation are:

1 Group Nomination and Remuneration Committee
2 Audit and Examination Committee
3 Group Risk Management Committee
4 Group Information Technology Committee

The roles and responsibilities of each committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

Directors' Report

CORPORATE GOVERNANCE (CONT'D.)

(ii) COMMITTEES OF THE BOARD (CONT'D.)

The attendance of Board members at the meetings of the Board and the various Board Committees is as set out below:

Number of Meetings attended in Financial Year ("FY") 2014

	Board of Directors	Audit and Examination Committee	Group Risk Management Committee	Group Information Technology Committee	Group Nomination and Remuneration Committee
Tan Sri Azman Hashim	12 (Chairman)	N/A	N/A	N/A	N/A
Dato' Azlan Hashim	9	5	N/A	2	N/A
Tun Mohammed Hanif bin Omar	11	N/A	N/A	N/A	9
Tan Sri Datuk Clifford Francis Herbert	7	5	4 (Chairman)	N/A	7 (Chairman)
Tan Sri Datuk Dr Aris Osman @ Othman	12	7 (Chairman)	7	N/A	10
Dato' Rohana binti Mahmood	12	N/A	N/A	3	10
Dato' Gan Nyap Liou @ Gan Nyap Liow	10	6	N/A	3 (Chairman)	10
Shayne Cary Elliott	8	N/A	N/A	N/A	N/A
Mark David Whelan	11	N/A	7	N/A	N/A
Gilles Planté	11	7	N/A	N/A	9
Soo Kim Wai	12	N/A	N/A	N/A	10
Ashok Ramamurthy	12	N/A	N/A	3	N/A
Number of meetings held in FY 2014	**12**	**7**	**7**	**3**	**10**

Notes:
1) All attendances reflect the number of meetings attended during the Directors' tenure of service.
2) N/A represents non-committee member.

Group Nomination and Remuneration Committee

The Committee comprises seven (7) members, all of whom are Non-Executive Directors with a majority of Independent Directors and chaired by an Independant Non-Executive Director. The Committee is responsible for:

- regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Company with regard to any changes that are deemed necessary.
- recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.
- on an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contribution of the Chairman and each Director to the effectiveness of the Board.
- recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff with the relevant experience and expertise needed to assist in managing the Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.
- to implement Executives' Share Scheme ("the Scheme") in accordance with the By-Laws of the Scheme as approved by the Shareholders of the Company.

The Committee met ten (10) times during the financial year 2014.

Directors' Report

CORPORATE GOVERNANCE (CONT'D)

(ii) COMMITTEES OF THE BOARD (CONT'D.)

Audit And Examination Committee

The Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors.

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investments.

The AEC met seven (7) times during the financial year 2014 to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The consolidated financial statements of the Group and its subsidiaries were reviewed by the AEC prior to their submission to the Board of the Company for adoption.

In addition, the AEC has reviewed the procedures set up by the Group to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed the related party transactions.

The Committee met seven (7) times during the financial year 2014.

Group Risk Management Committee

Risk management is an integral part of the Group's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level; and approves activities after considering the risk bearing capacity and readiness.

The Risk Management Committees have also been established at AmInvestment Bank, AmBank and AmIslamic Bank Berhad ("AmIslamic Bank") to oversee the overall management of credit, market, liquidity, operational, legal and capital risks impacting the Group.

The Committee is independent from management and comprises three (3) members, all of whom are Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced, the risk management process is in place and functioning; and reviews high-level risk exposures to ensure that they are within the overall interests of the Group. It also assesses the ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Group. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodologies, and formulation of risk strategies.

There were seven (7) meetings held during the financial year 2014.

Group Information Technology Committee

The Group Information Technology Committee ("GITC") comprises four (4) members, two (2) of whom are Independant Non-Executive Directors. The Committee is responsible to provide governance for Information Technology and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy. GITC key responsibilities include to provide strategic direction for IT development within the Group and ensuring that IT strategic plans are aligned with the Group's business objectives and strategy, to ensure the establishment of Group-wide IT policy, procedures and frameworks including IT security and IT risk management, to provide oversight of the Group's long term IT strategic plans and budget, to establish and monitor the overall performance, efficiency and effectiveness of IT services including performance metrics and to review the adequacy and utilisation of the Group's IT resources including computer hardware, software, personnel and other IT related investments.

There were three (3) meetings held during the financial year 2014.

Directors' Report

CORPORATE GOVERNANCE (CONT'D)

(ii) COMMITTEES OF THE BOARD (CONT'D.)

Internal Audit And Internal Control Activities

The Head of the Group Internal Audit Department reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Group. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meeting are formally tabled to the Board for notation and action, where necessary. The Chief Internal Auditor and the external auditors also attend the AEC meetings by invitation and the AEC holds separate meetings with the Chief Internal Auditor and external auditors whenever necessary.

The scope of internal audit covers review of the adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations, lending practices and information technology, including the various application systems in production, data centres and network security.

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all significant areas of audit identified in the Group. The structured audit risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment.

Group Internal Audit also performs investigations and special reviews, and participates actively in major system development activities and project committees to advise on risk management and internal control measures.

(iii) MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Company and its subsidiaries that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Group, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued giving sufficient time before the meeting to enable the Directors to be prepared and to obtain further explanations, where necessary, and provides input on Group policies.

Directors' Report

RATINGS BY EXTERNAL AGENCIES

During the financial year, RAM Rating Services upgraded the credit ratings of AmBank Group and its banking subsidiaries premised on the continued strengthening of AmBank Group's credit metrics, underscored by its asset quality and profitability.

In November 2013, Standard and Poor's revised Malaysia's economic trend on its "Banking Industry Country Risk Assessment" to Negative to reflect its view of rising economic risks for banks operating in Malaysia. As a result, AmBank (M) Berhad's credit rating outlook by Standard and Poor's was also revised to Negative, though the credit ratings were reaffirmed.

Moody's rating on AmBank (M) Berhad was reaffirmed.

Details of AmBank Group's ratings are as follows:

Rating agency	Date accorded	Rating Classification	Ratings
AmBank (M) Berhad			
Moody's Investors Service	December 2013	Long-term foreign currency deposit rating Short-term foreign currency deposit rating Bank financial strength rating	Baa1 / Stable P-2 / Stable D +
Standard & Poor's Ratings Services	December 2013	Foreign long-term issuer credit rating Foreign short-term issuer credit rating	BBB+/Negative A-2
RAM Rating Services	November 2013	Long-term financial institution rating Short-term financial institution rating	AA2/Stable P1
AmInvestment Bank Berhad			
RAM Rating Services	November 2013	Long-term financial institution rating Short-term financial institution rating	AA2/Stable P1
AmIslamic Bank Berhad			
RAM Rating Services	November 2013	Long-term financial institution rating Short-term financial institution rating	AA2/Stable P1
AMMB Holdings Berhad			
RAM Rating Services	November 2013	Long-term corporate credit rating Short-term corporate credit rating	AA3/Stable P1

SHARIAH COMMITTEE

The Shariah Committee reports functionally to AmIslamic Bank's Board of Directors and this provides for the independence of the Shariah Committee in exercising their duties.

Shariah Committee comprises five (5) members and is responsible and accountable on matters related to Shariah. This includes:

(i) advising Board of Directors and Management of AmIslamic Bank and other entities within AmBank Group on Shariah matters;
(ii) endorsing and validating products and services, and the operations in relation to Islamic Banking; and
(iii) providing advice and guidance on management of zakat and charity funds.

The Shariah Committee members also sit in Shariah Oversight Committee, a sub-committee to the Shariah Committee performing an oversight function to assess work carried out by Shariah review, Shariah audit, Shariah regulatory review and Shariah risk management. Shariah Oversight Committee is also responsible to provide guidance and advice on matters pertaining to Shariah non-compliance incidents and Shariah non-compliance income (if any).

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

TAN SRI AZMAN HASHIM

ASHOK RAMAMURTHY

Kuala Lumpur, Malaysia
Date: 19 May 2014

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, **TAN SRI AZMAN HASHIM** and **ASHOK RAMAMURTHY**, being two of the directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 135 to 310 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2014 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 61 on page 311 have been prepared 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors.

TAN SRI AZMAN HASHIM

ASHOK RAMAMURTHY

Kuala Lumpur, Malaysia
Date: 19 May 2014

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, **MANDY JEAN SIMPSON**, being the Officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 135 to 310 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act,1960.

Subscribed and solemnly declared by the abovenamed **MANDY JEAN SIMPSON** at Kuala Lumpur in the Wilayah Persekutuan on 19 May 2014

MANDY JEAN SIMPSON

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA

Before me,
COMMISSIONER FOR OATHS

Lot 350, 3rd Floor, Wisma MPL
Jalan Raja Chulan,
50200 Kuala Lumpur.

Independent Auditors' Report

to the members of AMMB Holdings Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AMMB Holdings Berhad, which comprise statements of financial position as at 31 March 2014 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 135 to 310.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatesment, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2014 and of their financial performance and cash flows for the financial year then ended, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("the Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors except for those subsidiaries which were put in members' voluntary winding up, which are indicated in Note 15 to the financial statements, as such financial statements and auditors' report were not available. Such financial statements have not been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries that have been audited were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 61 on page 311 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

YAP SENG CHONG
No. 2190/12/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 19 May 2014

Statements of Financial Position

As at 31 March 2014

	Note	Group 31 March 2014 RM'000	Group 31 March 2013 (Restated) RM'000	Group 1 April 2012 (Restated) RM'000	Company 31 March 2014 RM'000	Company 31 March 2013 RM'000	Company 1 April 2012 RM'000
ASSETS							
Cash and short-term funds	5	10,287,346	11,780,148	7,918,253	53,189	42,350	50,462
Securities purchased under resale agreements	6	–	200,605	517,306	–	–	–
Deposits and placements with banks and other financial institutions	7	1,063,122	2,322,657	1,892,166	212,103	55,675	12,956
Derivative financial assets	8	528,810	383,257	380,129	–	–	–
Financial assets held-for-trading	9	3,836,161	7,330,719	11,236,917	–	–	–
Financial investments available-for-sale	10	11,640,846	6,139,616	6,074,440	186,834	17,259	203,503
Financial investments held-to-maturity	11	3,897,565	6,219,804	1,429,843	–	–	–
Loans, advances and financing	12	87,170,577	82,586,332	75,683,401	–	–	–
Statutory deposits with Bank Negara Malaysia	13	3,122,961	2,907,435	2,582,411	–	–	–
Deferred tax assets	14	127,121	151,721	211,119	–	–	–
Investment in subsidiaries and other investments	15	–	–	–	9,507,225	9,507,225	7,642,376
Investment in associates	16	252,475	244,656	166,242	–	–	–
Other assets	17	3,084,376	2,870,742	2,458,018	23,894	33,873	13,511
Reinsurance, retakaful assets and other insurance receivables	55	473,012	601,279	255,913	–	–	–
Investment properties	55	7,713	87,878	84,715	–	–	–
Property and equipment	18	351,468	393,905	224,531	705	377	1,597
Intangible assets	19	3,383,662	3,351,507	1,954,799	–	–	–
Assets held for sale	57	3,126,042	–	–	–	–	–
TOTAL ASSETS		**132,353,257**	**127,572,261**	**113,070,203**	**9,983,950**	**9,656,759**	**7,924,405**
LIABILITIES AND EQUITY							
Deposits and placements of banks and other financial institutions	20	4,120,923	3,152,946	3,914,568	–	–	–
Securities sold under repurchase agreements	6	41,195	–	–	–	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad	21	3,318,263	3,337,941	3,126,109	–	–	–
Derivative financial liabilities	8	541,224	422,655	441,684	–	–	–
Deposits from customers	22	89,698,878	84,829,987	77,277,156	–	–	–
Term funding	23	6,644,641	6,255,969	4,957,323	1,906,000	1,506,000	206,000
Bills and acceptances payable	24	–	1,964,800	871,948	–	–	–
Debt capital	25	4,766,198	4,205,232	4,021,231	–	–	–
Redeemable cumulative convertible preference share	55	193,137	183,490	–	–	–	–
Deferred tax liabilities	14	116,870	124,521	12,935	–	–	–
Other liabilities	26	3,455,336	5,046,690	3,374,362	52,626	47,877	41,692
Insurance, takaful contract liabilities and other insurance payables	55	2,568,031	5,106,700	3,505,918	–	–	–
Liabilities directly associated with assets held for sale	57	2,835,367	–	–	–	–	–
Total Liabilities		**118,258,868**	**114,630,931**	**101,544,429**	**1,958,626**	**1,553,877**	**247,692**
Share capital	27	3,014,185	3,014,185	3,014,185	3,014,185	3,014,185	3,014,185
Reserves	28	10,128,756	9,053,551	8,130,748	5,011,139	5,088,697	4,662,528
Equity attributable to equity holders of the Company		13,142,941	12,067,736	11,144,933	8,025,324	8,102,882	7,676,713
Non-controlling interests	30	951,448	873,594	380,841	–	–	–
Total Equity		**14,094,389**	**12,941,330**	**11,525,774**	**8,025,324**	**8,102,882**	**7,676,713**
TOTAL LIABILITIES AND EQUITY		**132,353,257**	**127,572,261**	**113,070,203**	**9,983,950**	**9,656,759**	**7,924,405**
COMMITMENTS AND CONTINGENCIES	48	**103,478,931**	**102,467,484**	**99,614,955**	**–**	**–**	**–**
NET ASSETS PER SHARE (RM)	53	**4.36**	**4.00**	**3.70**	**2.66**	**2.69**	**2.55**

The accompanying notes form an integral part of the financial statements.

Income Statements

For the Financial Year Ended 31 March 2014

	Note	Group 31 March 2014 RM'000	Group 31 March 2013 (Restated) RM'000	Company 31 March 2014 RM'000	Company 31 March 2013 RM'000
Operating revenue	54	9,606,006	8,705,892	665,919	1,011,976
Interest income	31	4,677,033	4,523,429	8,789	7,410
Interest expense	32	(2,405,106)	(2,304,981)	(77,744)	(43,136)
Net interest income		2,271,927	2,218,448	(68,955)	(35,726)
Net income from Islamic banking business	60(xxii)	939,969	883,901	–	–
Income from insurance business		2,057,100	1,480,010	–	–
Insurance claims and commissions		(1,585,184)	(1,229,771)	–	–
Net income from insurance business	55(l)	471,916	250,239	–	–
Other operating income	33	1,026,273	1,003,251	657,130	1,004,566
Share in results of associates		21,274	13,459	–	–
Net income		4,731,359	4,369,298	588,175	968,840
Other operating expenses	34	(2,121,633)	(2,041,564)	(7,089)	(6,227)
Acquisition and business efficiency expenses	36	(29,279)	(45,426)	–	–
Operating profit		2,580,447	2,282,308	581,086	962,613
Allowances for impairment on loans, advances and financing	37	(67,760)	(173,287)	–	–
Net impairment writeback/(loss) on:					
Financial investments	38	(6,560)	800	–	–
Doubtful receivables - net		(69,096)	(5,234)	–	–
Foreclosed properties		(6,704)	(9,086)	–	–
Property and equipment		–	1,347	–	–
Intangible assets		(1,865)	–	–	–
Writeback of commitments and contingencies		30,519	51,568	–	–
Transfer to profit equalisation reserve	26	(10,743)	(9,429)	–	–
Profit before taxation and zakat		2,448,238	2,138,987	581,086	962,613
Taxation and zakat	39	(577,183)	(475,499)	(4,881)	(1,629)
Profit for the financial year		**1,871,055**	**1,663,488**	**576,205**	**960,984**
Attributable to:					
Equity holders of the Company		1,782,380	1,620,724	576,205	960,984
Non-controlling interests		88,675	42,764	–	–
Profit for the financial year		**1,871,055**	**1,663,488**	**576,205**	**960,984**
EARNINGS PER SHARE (SEN)	41				
Basic		59.29	54.04	19.17	32.04
Fully diluted		59.26	54.01	19.16	32.02

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income

For the Financial Year Ended 31 March 2014

	Note	Group 31 March 2014 RM'000	Group 31 March 2013 (Restated) RM'000	Company 31 March 2014 RM'000	Company 31 March 2013 RM'000
Profit for the financial year		1,871,055	1,663,488	576,205	960,984
Other comprehensive income/(loss):					
Items that will not be reclassified to income statement					
Remeasurement of defined benefit liability		1,942	–	–	–
Income tax effect		(486)	–	–	–
		1,456	–	–	–
Items that may be reclassified to income statement					
Exchange differences on translation of					
- foreign operations		8,270	(4,815)	–	–
- net investment hedge		6,020	(3,066)	–	–
Net movement on cash flow hedges		20,898	(1,178)	–	–
Net movement on financial investments available-for-sale		(107,304)	(35,083)	–	–
Income tax effect		20,510	9,727	–	–
		(51,606)	(34,415)	–	–
Other comprehensive loss for the financial year, net of tax	40	(50,150)	(34,415)	–	–
Total comprehensive income for the financial year		**1,820,905**	**1,629,073**	**576,205**	**960,984**
Total comprehensive income for the financial year attributable to:					
Equity holders of the Company		1,742,383	1,596,295	576,205	960,984
Non-controlling interests		78,522	32,778	–	–
		1,820,905	**1,629,073**	**576,205**	**960,984**

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 March 2014

		Attributable to Equity Holders of the Company								
			Non-Distributable				Distributable			
Group	Note	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	RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 April 2012		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 59)		–	–	(15,560)	–	–	49,404	33,844	(24)	33,820
At 1 April 2012 (restated)		3,014,185	2,537,372	1,930,031	(154,179)	104,056	3,713,468	11,144,933	380,841	11,525,774
Profit for the financial year		–	–	–	–	–	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 financial year		–	–	(24,429)	–	–	1,620,724	1,596,295	32,778	1,629,073
Share-based payment under ESS, net		–	–	51,376	–	–	–	51,376	–	51,376
ESS shares vested to employees of subsidiaries		–	–	(48,267)	79,241	–	–	30,974	–	30,974
Transfer of ESS shares recharged difference on purchase price for shares vested		–	–	–	–	–	(14,847)	(14,847)	(379)	(15,226)
Transfer to profit equalisation reserve		–	–	1,495	–	–	–	1,495	–	1,495
Utilisation of profit equalisation reserve		–	–	(182)	–	–	182	–	–	–
Unallocated surplus transfer		–	–	–	–	(43,238)	61,500	18,262	21,782	40,044
Transfer to statutory reserve		–	–	64,550	–	–	(64,550)	–	–	–
Redemption of shares in AmPrivate Equity Sdn Bhd		–	–	–	–	–	–	–	(8,318)	(8,318)
Subscription of shares in AmGeneral Holdings Berhad		–	–	–	–	–	–	–	572,882	572,882
Acquisition of remaining interests in AmLife Insurance Berhad and AmFamily Takaful Berhad		–	–	–	–	49,546	(192,390)	(142,844)	(124,732)	(267,576)
Dividends paid	42	–	–	–	–	–	(617,908)	(617,908)	(1,260)	(619,168)
Transactions with owners and other equity movements		–	–	68,972	79,241	6,308	(828,013)	(673,492)	459,975	(213,517)
At 31 March 2013		**3,014,185**	**2,537,372**	**1,974,574**	**(74,938)**	**110,364**	**4,506,179**	**12,067,736**	**873,594**	**12,941,330**

Statements of Changes in Equity

For the Financial Year Ended 31 March 2014

		Attributable to Equity Holders of the Company								
			Non-Distributable				Distributable			
Group	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Non-participating Funds RM'000	Earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 April 2013		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 59)		–	–	(426)	–	–	34,982	34,556	(226,456)	(191,900)
At 1 April 2013 (restated)		3,014,185	2,537,372	1,974,574	(74,938)	110,364	4,506,179	12,067,736	873,594	12,941,330
Profit for the financial year		–	–	–	–	–	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 financial year		–	–	(40,739)	–	–	1,783,122	1,742,383	78,522	1,820,905
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		–	–	–	(45,278)	–	–	(45,278)	–	(45,278)
Share-based payment under ESS, net		–	–	35,945	–	–	–	35,945	–	35,945
ESS shares vested to employees of subsidiaries		–	–	(39,685)	61,782	–	–	22,097	–	22,097
Transfer of ESS shares recharged difference on purchase price for shares vested		–	–	–	–	–	(3,250)	(3,250)	(68)	(3,318)
Utilisation of profit equalisation reserve		–	–	(53)	–	–	53	–	–	–
Unallocated surplus transfer		–	–	–	–	22,629	(30,172)	(7,543)	–	(7,543)
Transfer to statutory reserve		–	–	59,079	–	–	(59,079)	–	–	–
Dividends paid	42	–	–	–	–	–	(669,149)	(669,149)	(600)	(669,749)
Transactions with owners and other equity movements		–	–	55,286	16,504	22,629	(761,597)	(667,178)	(668)	(667,846)
At 31 March 2014		**3,014,185**	**2,537,372**	**1,989,121**	**(58,434)**	**132,993**	**5,527,704**	**13,142,941**	**951,448**	**14,094,389**

Statements of Changes in Equity

For the Financial Year Ended 31 March 2014

		Attributable to Equity Holders of the Company					
		Non-Distributable				Distributable	
	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total Equity RM'000
Company							
At 1 April 2012		3,014,185	2,536,065	80,087	(154,179)	2,200,555	7,676,713
Profit for the financial year		–	–	–	–	960,984	9 60,984
Other comprehensive income, net		–	–	–	–	–	–
Total comprehensive income for the financial year		–	–	–	–	960,984	960,984
Share-based payment under ESS, net		–	–	51,376	–	–	51,376
ESS shares vested to employees of subsidiaries		–	–	(48,267)	79,241	743	31,717
Dividends paid	42	–	–	–	–	(617,908)	(617,908)
Transactions with owners and other equity movements		–	–	3,109	79,241	(617,165)	(534,815)
At 31 March 2013		**3,014,185**	**2,536,065**	**83,196**	**(74,938)**	**2,544,374**	**8,102,882**
At 1 April 2013		3,014,185	2,536,065	83,196	(74,938)	2,544,374	8,102,882
Profit for the financial year		–	–	–	–	576,205	576,205
Other comprehensive income, net		–	–	–	–	–	–
Total comprehensive income for the financial year		–	–	–	–	576,205	576,205
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		–	–	–	(45,278)	–	(45,278)
Share-based payment under ESS, net		–	–	35,945	–	–	35,945
ESS shares vested to employees of subsidiaries		–	–	(39,685)	61,782	2,622	24,719
Dividends paid	42	–	–	–	–	(669,149)	(669,149)
Transactions with owners and other equity movements		–	–	(3,740)	16,504	(666,527)	(653,763)
At 31 March 2014		**3,014,185**	**2,536,065**	**79,456**	**(58,434)**	**2,454,052**	**8,025,324**

^ 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 avarage price of RM7.34 per share.

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 March 2014

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	2,448,238	2,138,987	581,086	962,613
Add/(Less) adjustments for:				
Amortisation of intangible assets	94,478	99,971	–	–
Accretion of discount less amortisation of premium	(203,958)	(121,192)	–	–
Depreciation of property and equipment	69,338	62,339	316	562
Loss/(Gain) on disposal of property and equipment	(461)	1,653	202	(11)
Gross dividend income from investments	(67,666)	(42,995)	(657,182)	(1,004,095)
Impairment loss on sundry receivables, net	69,096	5,234	–	–
Impairment writeback on financial investments	6,560	(800)	–	–
Impairment loss on foreclosed properties	6,704	9,086	–	–
Impairment loss on intangible assets	1,865	–	–	–
Property and equipment written off	970	141	–	–
Sundry receivables written off	1,131	4,590	–	–
Allowance for losses on loans, advances and financing, net	67,760	173,287	–	–
Net gain on redemption of financial investments held-to-maturity	(8,319)	(41,602)	–	–
Net gain on revaluation of derivatives	(59,696)	(57,078)	–	–
Net (gain)/loss on revaluation of financial assets held-for-trading	71,040	(20,424)	–	–
Net (gain)/loss on sale of financial assets held-for-trading	42,157	(19,741)	–	–
Net gain on sale of financial investments available-for-sale	(95,379)	(59,198)	–	–
Net gain on revaluation of investment properties	(4,180)	(200)	–	–
Provision for/(Writeback of) commitments and contingencies	(30,519)	(51,568)	–	–
Scheme shares and options granted under Executives' Share Scheme ("ESS")	35,945	51,376	–	–
Share in results of associates	(21,274)	(13,459)	–	–
Transferred to/(from) profit equalisation reserve	10,743	9,429	–	–
Gain from assets securitisation	(2,883)	(2,898)	–	–
Intangible assets written off	4	–	–	–
Operating profit/(loss) before working capital changes	2,431,694	2,124,938	(75,578)	(40,931)
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreements	(34,735)	316,701	–	–
Deposits and placements with banks and other financial institutions	1,111,054	8,672	(156,428)	(42,720)
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	(3,300)	(12,182)
Statutory deposits with Bank Negara Malaysia	(215,526)	(325,024)	–	–
Increase/(Decrease) in operating liabilities:				
Deposits from customers	4,868,891	7,552,831	–	–
Deposits and placements of banks and other financial institutions	967,977	(761,622)	–	–
Obligations on securities sold under repurchase agreements	–	(41,195)	–	–
Bills and acceptances payable	(1,964,800)	1,092,852	–	–
Term funding	388,672	748,456	400,000	1,300,000
Recourse obligation on loans and financing sold to Cagamas Berhad	(19,678)	211,832	–	–
Insurance, takaful contract liabilities and other insurance payables	48,307	(42,900)	–	–
Other liabilities	(1,779,786)	958,620	4,742	6,188
Cash generated from operations	3,241,666	9,971,186	169,443	1,210,355
Taxation and zakat (paid)/refunded	(588,262)	(675,382)	4,659	1,167
Net cash generated from operating activities	2,653,404	9,295,804	174,102	1,211,522

Statements of Cash Flows

For the Financial Year Ended 31 March 2014

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
(Purchase)/Disposal of financial investments - net	(3,756,813)	(3,569,026)	(163,972)	193,464
Dividends received from other investments	50,750	32,246	–	3,249
Proceeds from disposal of property and equipment	1,136	1,012	–	668
Purchase of property and equipment	(74,119)	(62,870)	(847)	–
Purchase of intangible assets	(156,895)	(108,971)	–	–
Proceeds from disposal of investment properties	–	–	–	–
Dividends received from subsidiaries	–	–	651,579	985,758
Arising from capital reduction of ordinary share capital of AMFB Holdings Berhad	–	–	–	2,921,202
Subscription of shares in AmIslamic Bank Berhad	–	–	–	(150,001)
Subscription of shares in AMAB Holdings Sdn Bhd	–	–	–	(1,070,000)
Acquisition of AmBank (M) Berhad from AMFB Holdings Berhad	–	–	–	(2,921,202)
Acquisition of remaining equity interests in AmLife Insurance Berhad and AmFamily Takaful Berhad	–	(245,000)	–	–
Acquisition of MBF Cards (M'sia) Sdn Bhd	–	(518,970)	–	(644,848)
Acquisition of AmGeneral Insurance Berhad	–	(1,397,419)	–	–
Return of surplus funds from associate	60	1,040	–	–
Arising from purchase of shares for ESS by the appointed trustee	(45,278)	–	(45,278)	–
ESS shares vested to eligible employees	61,782	79,241	61,782	79,241
Transfer of ESS shares recharged difference on purchase price for shares vested	(3,250)	(14,847)	2,622	743
Dividend received from associate	13,395	11,337	–	–
Net cash (used in)/generated from investing activities	(3,909,232)	(5,792,227)	505,886	(601,726)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares by subsidiaries to non-controlling interests	–	775,682	–	–
Proceeds from unsecured bonds and notes	548,562	200,000	–	–
Dividends paid by Company to its shareholders	(669,149)	(617,908)	(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	(669,149)	(617,908)
Net (decrease)/increase in cash and cash equivalents	(1,377,015)	3,860,091	10,839	(8,112)
Cash and cash equivalents at beginning of the financial year	11,780,148	7,918,253	42,350	50,462
Effect of exchange rates changes	4,822	1,804	–	–
Cash and cash equivalents at end of the financial year (Note 1)	**10,407,955**	**11,780,148**	**53,189**	**42,350**

Note 1: Cash and Cash Equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Cash and short-term funds	10,287,346	11,780,148	53,189	42,350
Bank overdrafts (Note 26)	(759)	–	–	–
Reclassified to assets held for sale (Note 57)	121,368	–	–	–
Cash and cash equivalents	**10,407,955**	**11,780,148**	**53,189**	**42,350**

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

AMMB Holdings Berhad ("AMMB" or the "Company") is a public limited liability company incorporated and domiciled in Malaysia, and listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at Level 22, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal activity of the Company is that of investment holding.

The subsidiaries, as listed in Note 15, provide a wide range of retail banking, business banking, investment banking, corporate and institutional banking and related financial services which also include Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trust management services.

There have been no significant changes in these activities during the financial year.

The consolidated financial statements of the Company and its subsidiaries ("AMMB Group" or the "Group") and the separate financial statements of the Company have been approved and authorised for issue by the Board of Directors on 29 April 2014.

2. CHANGES IN ACCOUNTING POLICIES

2.1 New and amended Malaysian Financial Reporting Standards ("MFRSs") and Interpretations Committee ("IC") Interpretations adopted

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 59.

- 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"

2.2 Standards issued but not yet effective

The following are MFRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that will be effective for the Group and the Company in future years. The Group and the Company intend to adopt the relevant standards when they become effective.

(a) 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

(b) 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 2011-2013 Cycle"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010-2012 Cycle"

Notes to the Financial Statements

2. CHANGES IN ACCOUNTING POLICIES (CONT'D.)

2.2 Standards issued but not yet effective

(c) 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

(d) Effect of adoption of standards issued but not yet effective

The impact to the financial statements of the Group and the Company upon the initial application of the significant MFRSs that have been issued but not yet effective is as described below. The Group and the Company are assessing the financial effects of their adoption.

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

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting – These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group and the Company have not novated their derivatives during the current period. However, these amendments would be considered for future novation.

3. ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on a historical cost basis unless otherwise indicated in the financial statements.

3.2 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with MFRS, International Financial Reporting Standards ("IFRSs"), and the requirements of the Companies Act, 1965 in Malaysia.

Pursuant to the Financial Services Act 2013 that came into force on 30 June 2013, Bank Negara Malaysia ("BNM") has issued new Financial Reporting Guidelines (the "Guidelines") to replace the Guidelines on Financial Reporting for Banking Institutions. The Guidelines set minimum expectations for the application of the MFRSs and aim to ensure adequate disclosures in the financial statements of the banking institutions. The Guidelines became effective for the Group and the Company from 30 June 2013. Since the adoption of the Guidelines only affects disclosures in the financial statements, there is no impact on the financial results of the Group and the Company.

3.3 Presentation of financial statements

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The statements of financial positions are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (i.e. "current") and more than 12 months after the reporting date (i.e. "non-current") is presented in Note 49.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2014.

Subsidiaries are entities (including structured entities) over which the Group has control. Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The income statement and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the income statement
- Reclassifies the parent's share of components previously recognised in OCI to the income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

3.5 Summary of significant accounting policies

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects whether it measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(a) Business combinations and goodwill (Cont'd.)

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and resulting gain or loss is recognised in the income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in the income statement or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(b) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

(c) Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method of accounting.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as "impairment loss on associate" in the income statement.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(c) Investment in an associate (Cont'd.)

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

In the Company's separate financial statements, investment in associate is stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in the income statement.

(d) Transactions with non-controlling interests

Non-controlling interests represent the portion of equity in subsidiaries not held directly or indirectly by the Group.

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the Group shareholders' equity. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the noncontrolling interests even if this results in the non-controlling interests having a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. In such circumstances, the carrying amounts of the non-controlling interests shall be adjusted to reflect the changes in relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributable to the owners of the Group.

(e) Foreign currencies

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date.

All differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on changes in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or the income statement are also recognised in OCI or the income statement, respectively).

(iii) Group entities

On consolidation, the assets and liabilities of foreign subsidiaries and operations are translated into RM at the exchange rates prevailing at the reporting date and their income statements are translated at the average exchange rates for the financial year. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign subsidiary or operation, the component of OCI relating to that particular foreign subsidiary or operation is recognised in the income statement.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for longterm construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Freehold land has an unlimited life and therefore, is not depreciated. Leasehold building is amortised on a straightline basis over the shorter of the lease period or fifty years. Work-in-progress which are not yet available for use are not depreciated. Depreciation of other property and equipment is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets.

The annual depreciation rates for the various classes of property, plant and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
Leasehold improvements	20%
Motor vehicles	20%
Computer hardware	20%
Office and residential equipment, furniture and fittings	20% - 50%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, to ensure the amount, method and period of depreciation are consistent with the previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

(g) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of investment properties is calculated on a straight-line basis over the estimated useful lives of the assets. The investment properties related to freehold land is not depreciated.

Investment properties belonging to the life insurance fund of the Group are measured initially at cost, including related and incidental expenditure incurred. Subsequent to initial recognition, these investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of these investment properties are recognised in the income statement of the life insurance fund in the financial year in which they arise. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(g) Investment properties (Cont'd.)

In the absence of current prices in an active market, alternative valuation methods are used such as recent prices on less active markets or discounted cash flow valuations. Discounted cash flow valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment properties only when there are changes in use. For transfers from investment properties to owner-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner-occupied properties become investment properties, the Group accounts for the properties in accordance with the policy under property, plant and equipment up to the date of the change in use.

(h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) The Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in "interest expense" in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term. The aggregate benefits of incentives provided by the lessor are recognised as a reduction of rental expenses over the lease term on a straight line basis.

(ii) The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(i) Intangible assets, other than goodwill arising from business combination

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(i) Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual software project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development;
- The ability to use the intangible asset generated.

Following initial recognition of the software development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over the period of expected benefit of 3 to 7 years, except for certain major core infrastructure projects where the useful life has been determined to be 10 years. During the period of development, the asset is tested for impairment annually.

(j) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes party to the contractual provisions of the instrument. This includes regular way trades; purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(j) Financial instruments – initial recognition and subsequent measurement (Cont'd.)

(iii) Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as described below:

(a) Financial assets and financial liabilities at fair value through profit or loss: held–for–trading

Financial assets or financial liabilities held–for–trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in "investment and trading income". Interest and dividend income or expense is recorded in "investment and trading income", "interest income" or "interest expense", as appropriate and in accordance with the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities and equities.

(b) Financial assets and financial liabilities at fair value through profit or loss: fair value option

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in "investment and trading income". Interest is earned or accrued in "interest income" or "interest expense", respectively, using the effective interest rate ("EIR"), while dividend income is recorded in "investment and trading income" when the right to the payment has been established.

(c) Financial assets and financial liabilities at fair value through profit or loss: derivatives

The Group uses derivatives such as interest rate swaps and futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "investment and trading income".

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(d) Financial investments available–for–sale ("AFS")

Financial investments AFS include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held–for–trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group has not designated any loans, advances and financing as AFS.

After initial measurement, financial investments AFS are subsequently measured at fair value with unrealised gains or losses recognised in OCI in the "AFS reserve" until the investment is derecognised, at which time the cumulative gain or loss is recognised in "other operating income", or the investment is determined to be impaired, when the cumulative loss is reclassified from the "AFS reserve" to the income statement in "impairment losses on financial investments". Interest earned whilst holding financial investments AFS is reported as interest income using the EIR method. Dividends earned whilst holding financial investments AFS are recognised in the income statement as "other operating income" when the right to the payment has been established.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(j) Financial instruments – initial recognition and subsequent measurement (Cont'd.)

(iii) Subsequent measurement (Cont'd.)

(d) Financial investments available–for–sale ("AFS") (Cont'd.)

The Group evaluates whether the ability and intention to sell its financial investments AFS in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial investments due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial investments. Reclassification to loans and receivables is permitted when the financial investments meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial investments accordingly.

For a financial investment reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the investment that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Unquoted shares in organisations which are set up for specific socio-economic reasons and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market that are carried at cost as their fair values cannot be reliably measured are also classified as financial investments AFS.

(e) Financial investments held–to–maturity

Non-derivative financial instruments with fixed or determinable payments and fixed maturities are classified as financial investments held–to–maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, financial investments held–to–maturity are measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "interest income" in the income statement. The losses arising from impairment are recognised in the income statement in "impairment losses on financial investments".

If the Group were to sell or reclassify more than an insignificant amount of financial investments held–to–maturity before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as financial investments AFS. Furthermore, the Group would be prohibited from classifying any financial investments as held-to-maturity during the following two years.

(f) Financial assets at amortised cost – loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "interest income" in the income statement. The losses arising from impairment are recognised in the income statement in "impairment losses on loans, advances and financing" for loans, advances and financing or "doubtful sundry receivables" for losses other than loans, advances and financing.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(j) Financial instruments – initial recognition and subsequent measurement (Cont'd.)

(iii) Subsequent measurement (Cont'd.)

(g) Financial liabilities at amortised cost

Financial liabilities issued by the Group, that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, term funding, debt capital and other borrowings are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

(h) "Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in "investment and trading income". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(i) Reclassification of financial assets

The Group may reclassify a non–derivative trading asset out of the "held–for–trading" category and "available-for-sale" category under rare circumstances and into the "loans, advances and financing" category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the "available–for–sale" category, any previous gain or loss on that asset that has been recognised in equity is amortised to the income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(j) Financial instruments – initial recognition and subsequent measurement (Cont'd.)

(iv) Derecognition of financial assets and financial liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass–through" arrangement; and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(k) Repurchase and reverse repurchase agreements

Securities sold under repurchase agreements at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest, as a liability within "securities sold under repurchase agreements", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to "financial assets held–for–trading pledged as collateral" or to "financial investments available–for–sale pledged as collateral", as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within "securities purchased under reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "net interest income" and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "financial liabilities held–for–trading" and measured at fair value with any gains or losses included in "investment and trading income".

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(l) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in "net trading income".

(m) Sell and buy back agreements for Islamic securities

These are obligations of the Group to perform its commitment to buy back specified Islamic securities at maturity. Gains and losses are recognised upon sale and shown as trading gain or loss from financial assets held-for-trading.

(n) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 52.

(o) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost – loans and receivables

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has reclassified trading assets to loans, advances and financing, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(o) Impairment of financial assets (Cont'd.)

(i) Financial assets carried at amortised cost – loans and receivables (Cont'd.)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued as "interest income on impaired loans, advances and financing" in the income statement on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "impairment losses on loans, advances and financing" in the income statement.

For financial assets which are not individually significant and that have been individually assessed but with no impairment loss are grouped together for collective impairment assessment. These financial assets are grouped based on the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics of the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows for a group of assets should reflect and be directionally consistent with changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Financial investments AFS

For financial investments AFS, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "interest income". If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from OCI and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised in OCI.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(o) Impairment of financial assets (Cont'd.)

(iii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

(iv) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See Note 51 for further analysis of collateral).

(v) Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Group's policy.

(p) Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the income statement. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

(i) Fair value hedges

The change in the fair value of a hedging derivative is recognised in "investment and trading income" in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in "investment and trading income" in the income statement.

For fair value hedges relating to items recorded at amortised cost, any adjustment to carrying value is amortised through the income statement over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(p) Hedge accounting (Cont'd.)

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the "cash flow hedge reserve", while any ineffective portion is recognised immediately in "investment and trading income" in the income statement.

Amounts recognised as OCI are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(iii) Hedges of a net investment

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in OCI while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

(q) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(r) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash–generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(r) Impairment of non-financial assets (Cont'd.)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

The following assets have specific characteristics for impairment testing:

(i) Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(s) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment losses. The policy for the measurement of foreclosed properties is in accordance with Note 3.5(o)(v) on collateral repossessed.

(t) Cash and cash equivalents

Cash and short-term funds in the statement of financial position comprise cash and bank balances with banks and other financial institutions and short-term deposits maturing within one month.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

(u) Assets held for sale

The Group classifies assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is regarded as met only when the sale is probable and the assets are available for immediate sale in their present condition, management has committed to the sale and the sale is expected to have been completed within one year from the date of the classification. Such assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs
- Classified as held for sale or already disposed in such a way, or
- A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Additional disclosures are provided in Note 57. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

(w) Contingent liabilities and contingent assets

A contingent liability is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or in extremely rare cases whereby there is a liability that cannot be recognised because it cannot be measured reliably. The contingent liability is not recognised but instead is disclosed in the financial statements. A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group is also disclosed as a contingent liability unless the probability of outflow or economic resources is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the financial statements but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(x) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(y) Profit Equalisation Reserve ("PER")

PER is the amount appropriated out of the total Islamic banking gross income in order to maintain a certain level of return to Investment Account Holders ("IAH") which is as stipulated by Bank Negara Malaysia's Guidelines on Profit Equalisation Reserve. This amount appropriated is shared by the IAH and the Group. The creation of PER establishes an obligation to manage distribution to the IAH from Shariah perspective. The PER of the IAH is classified as a liability and is recognised at cost. The subsequent apportionments of profit to the IAH are recognised in the income statement. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH. The PER of the Group is allocated from retained profits and classified as a separate reserve in equity and is non-distributable. Subsequent apportionment from and distributions to retained profits are treated as transfers between reserves.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(z) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised.

(i) Interest/financing income and similar income and expense

For all financial assets and financial liabilities measured at amortised cost, interest bearing financial investments classified as AFS and financial assets and financial liabilities designated at fair value through profit or loss, interest/financing income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in the income statement. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(a) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include loan arrangement, commission income, asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

(b) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(iv) Investment and trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial investments held–for–trading. This includes any ineffectiveness recorded in hedging transactions.

(v) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(z) Recognition of income and expenses (Cont'd.)

(vi) Sale of unit trusts

Revenue from sale of unit trusts is recognised upon allotment of units, net of cost of units sold.

(vii) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Income generated from customer loyalty programmes is recognised in the income statement.

(aa) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution pension plan

The Group makes contributions to the Employee Provident Fund ("EPF") in Malaysia. Such contributions are recognised as an expense in the income statement as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined Benefit Plans

The calculation of defined benefit obligations is performed annually by qualified actuaries using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statements on the earlier of:

- the date of the plan amendment or curtailment; or
- the date that the Company recognises restructuring-related costs.

Net interest and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the income statement.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(aa) Employee benefits (Cont'd.)

(iv) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(v) Share-based payment transactions

The Company operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of the Company are granted to eligible directors and employees of the Group based on certain financial and performance criteria and such conditions as it may deem fit.

The cost of equity–settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity–settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in "personnel costs" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity–settled award are modified, the minimum expense recognised in "personnel costs" is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share–based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity–settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non–vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 41).

(ab) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group and the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group or the Company.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(ac) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior financial years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in OCI or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the income statement.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(ad) Zakat

This represents business zakat payable by the Group to comply with Shariah principles as approved by the Group's Shariah Committee. Zakat provision is calculated using the profit and loss method at a Zakat rate of 2.5% and is based on the percentage of estimated Muslim shareholders of the company.

(ae) Earnings Per Share ("EPS")

The Group presents basic and diluted (where applicable) EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

(af) Segment reporting

Segment reporting in the financial statements are presented on the same basis as is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Reportable segments are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are distinguishable components of the Group about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Group's segmental reporting is based on the following operating segments: retail banking, business banking, investment banking, corporate and institutional banking, insurance, markets with minor segments aggregated under group functions and others.

(ag) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all the liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

(ah) Treasury shares and contracts on own shares

Own equity instruments of the Company that are acquired by the Company (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Company holds own equity instruments on behalf of their clients, those holdings are not included in the Company's statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in "investment and trading income" in the income statement.

(ai) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of their clients. Assets held in a fiduciary capacity are not recognised as assets of the Group.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(aj) Product classification

The insurance subsidiaries issue contracts that transfer insurance risks or financial risks or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance and takaful risk is the risk other than financial risk.

An insurance and takaful contract is a contract under which the insurance subsidiaries (the "insurer" and the "takaful operator") have accepted significant insurance and takaful risk from another party (the "policyholders" and the "participants") by agreeing to compensate the policyholders and the participants if a specified uncertain future event (the "insured" and the "covered event") adversely affects the policyholders and the participants. As a general guideline, the insurers and the takaful operators determine whether they have significant insurance and takaful risk, by comparing benefits paid with benefits payable if the insured and the covered event did not occur.

Investment contracts are those contracts that do not transfer significant insurance and takaful risk. Based on this definition, all certificates issued by the takaful operator have been assessed to be takaful contracts as at the reporting date.

Once a contract has been classified as an insurance and a takaful contract, it remains an insurance and a takaful contract for the remainder of its life-time, even if the insurance and takaful risk reduces significantly during this financial year, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
    - performance of a specified pool of contracts or a specified type of contract;
    - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    - the profit or loss of the insurer, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed to the policyholders and the shareholders respectively. The insurer has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation and unbundling is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

For the purpose of product classification under MFRS 4, Insurance Contracts ("MFRS 4"), the insurer adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The insurer defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by the insurer are considered insurance contracts as at the reporting date.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(ak) Reinsurance and retakaful

The insurer and the takaful operator cedes insurance and takaful risks in the normal course of business for all its businesses. Reinsurance and retakaful assets represent balances due from reinsurance and retakaful companies. Amounts recoverable from reinsurers and retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and the underlying takaful contracts and are in accordance with the related reinsurance contracts and the terms of the relevant retakaful arrangements.

Ceded reinsurance and retakaful arrangements do not relieve the insurer and the takaful operator from its obligations to the policyholders and the participants. Premiums, contributions and claims are presented on a gross basis for both ceded and assumed reinsurance and retakaful.

Retakaful arrangements entered into by the takaful operator meets the classification requirements of takaful contracts. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all retakaful arrangements entered into by the takaful operator during the financial year met the classification requirements of takaful contracts.

Reinsurance and retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairments occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance and retakaful asset that the insurer and the takaful operator may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurer and the takaful operator will receive from the reinsurer and the retakaful operator. The impairment loss is recorded in the income statement.

Gain and loss on buying reinsurance, if any, will be recognised in the income statement at the inception of the agreement.

The insurer also assumes reinsurance risk in the normal course of business for general and life insurance contracts when applicable.

Premiums, contributions and claims on assumed reinsurance and retakaful are recognised as revenue or expenses in the same manner as they would be if the reinsurance and retakaful were considered direct business, taking into account the product classification of the reinsured and retakaful business. Reinsurance and retakaful liabilities represent balances due to reinsurance and retakaful companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract and retakaful arrangement.

Reinsurance and retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance and retakaful contracts that do not transfer significant insurance and takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums, contributions or fees to be retained by the reinsured and takaful operator subjected to retakaful. Investment income on these contracts is accounted for using the effective yield method when accrued.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(al) Insurance and takaful receivables

Insurance and takaful receivables are amounts receivable under the contractual terms of an insurance and a takaful contract. On initial recognition, insurance and takaful receivables are measured at fair value based on the consideration received or receivable. Subsequent to initial recognition, insurance and takaful receivables are measured at amortised cost using the effective yield method.

Insurance and takaful receivables are assessed at each reporting date for objective evidence of impairment. If there is objective evidence that the insurance and takaful receivable is impaired, the insurer and the takaful operator reduces the carrying amount of the insurance and takaful receivables accordingly and recognises that impairment loss in the income statement. The insurer and the takaful operator gathers the objective evidence that an insurance and a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

Insurance and takaful receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the insurer and the takaful operator has also transferred substantially all risks and rewards of ownership.

(am) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account premiums, movements in premiums and claims liabilities and commissions.

(i) Gross premiums

Gross premiums are recognised in a financial year in respect of risks assumed during the particular financial year.

(ii) Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial year in respect of the facultative risk assumed during the particular financial year, as the case of direct policies, following individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the nonproportional treaty contract.

(iii) Premium liabilities

Premium liabilities represent the insurer's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 3.5 (an).

(iv) Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the reporting date, using a mathematical method of estimation.

(v) Acquisition costs

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(an) General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM.

These liabilities comprise claims liabilities and premium liabilities.

(i) Claims liabilities

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the insurer, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserve ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claims liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall level. The liability is discounted at a risk free rate. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the claim is paid and settled, discharged or cancelled.

(ii) Premium liabilities

Premium liabilities are recorded at the higher of the following:

- aggregate of the unearned premium reserves ("UPR"); and
- the best estimate value of the insurer's unexpired risk reserve ("URR") as at the valuation date and the PRAD calculated at the overall level.

(iii) Unearned premium reserve ("UPR")

The UPR represent the portion of the premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial year.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

i. 25% method for Malaysian marine cargo, aviation cargo and transit business of annual Malaysian general policies business;
ii. Daily time apportionment method for all other classes; and
iii. 1/24th method for inward treaty business.

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance expected to be incurred during administering these policies and settling the relevant claims and expected future premium refunds. The URR is discounted at a risk free rate.

(iv) Liability adequacy test

At each reporting date, the insurer reviews its unexpired risks and a liability adequacy test ("LAT") is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(ao) Life insurance underwriting results

The surplus transferable from the life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders.

(i) Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First year premium is recognised from inception date and subsequent premium is recognised when it is due. At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in the income statement and reported as outstanding premiums in the statement of financial position.

(ii) Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

(iii) Creation of units

Net creation of units which represents premium paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract are reflected in the income statement of investment linked funds. Net creation of units is recognised on a receipt basis.

(iv) Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified. Benefits and claims, including settlement costs, are accounted for using the case by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on participating policy upon its declaration.

(v) Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to the income statement in the financial year in which they are incurred.

(ap) Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(ap) Life insurance contract liabilities (Cont'd)

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the insurer.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits originating from margins of adverse deviations on run-off contracts are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business ("PVIF") by using an existing liability adequacy test. Any deficiency is charged to the income statement.

The valuation of insurance contract liabilities is determined according to BNM's RBC Framework for Insurers and MFRS 4. The RBC Framework for Insurers issued by BNM meets the requirement of LAT under MFRS 4.

(aq) Family takaful fund

The family takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act 2013 and consists of Qard from the takaful operator, accumulated deficit in the family takaful fund and AFS reserve of the family takaful fund.

The family takaful fund surplus or deficit is determined by the takaful operator's appointed actuary by an annual actuarial valuation of the family takaful fund. Any deficit in the family takaful fund will be made good by the takaful operator fund via a loan or Qard. Surplus distributable to the participants is determined after deducting benefits paid and payable, retakaful, provisions, reserves and wakalah fees. The surplus may be distributed to the takaful operator and participants in accordance with the terms and conditions of the respective contracts.

Revenue of the family takaful fund consists of gross takaful contributions and investment income. Unrealised income is deferred and receipts in advance are treated as liabilities on the statement of financial position.

(i) Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured. First year contribution is recognised from inception date and subsequent contribution is recognised when it is due.

At the end of the financial year, all due contributions are accounted for to the extent that they can be reliably measured. Contributions not received on due date are recognised as revenue in the income statement and reported as outstanding contributions in the statement of financial position.

(ii) Investments of investment-linked business

Investments of investment-linked business are stated at fair values. Any increase or decrease in value of these investments is taken to the income statement.

All investments of investment-linked funds are stated at closing market prices or indicative market prices as at the end of each financial year.

(iii) Creation or cancellation of units

Amounts received for units created represent contributions paid by unit holders as payments for new contracts or subsequent payments to increase the amount of contracts.

Creation or cancellation of units is recognised in the financial statements at the next valuation date, after the request to purchase or sell units is received from the unit holders.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(aq) Family takaful fund (Cont'd.)

(iv) Provision for outstanding claims

A liability for outstanding claims is recognised when a claimable event occurs and/or the takaful operator is notified.

Claims and provision for claims arising from family takaful certificates, including settlement costs less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under family takaful certificates are recognised as follows:

- Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- Death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered.

(v) Actuarial liabilities

The actuarial liability is calculated using the discounted cash flow method. This is to ensure that any future negative cash flow resulting from insufficient tabarru' charges to meet expected benefit outgo are eliminated. Family takaful liabilities are recognised when contracts are entered into and contribution is charged.

The liabilities are based on best estimate assumptions as determined by the Appointed Actuary. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of liabilities.

In the case of a family certificate where a part of, or the whole of the contributions are accumulated in a fund, the accumulated amount, as declared to the participants, are set as liabilities. Zerorisation is applied at certificate level and no certificate is treated as an asset under the valuation method adopted.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits originating from margins of adverse deviations on run-off contracts, are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off.

The liability is derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful liabilities are adequate by using a LAT.

Any inadequacy is recorded in the income statement by establishing technical reserves for the loss. In subsequent years, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of loss recognition. Losses arising from liability adequacy testing can be reversed in future years if the liability no longer exists/required.

Notes to the Financial Statements

3. ACCOUNTING POLICIES (CONT'D.)

3.5 Summary of significant accounting policies (Cont'd.)

(ar) Takaful operator fund

(i) Wakalah fees, commission expenses and management expenses

In accordance with the principles of wakalah, as approved by the Shariah Committee of the takaful operator and agreed between the participants and the takaful operator, an agreed percentage of the gross contribution will be charged by the takaful operator on an upfront basis to the family takaful fund as wakalah fees.

The wakalah fees charged by the takaful operator to the participants are used to pay all management expenses and commission expenses in the takaful operator fund, which are incurred on behalf of the family takaful fund. All management expenses are recognised in the takaful operator fund as incurred.

Commission expenses, which are costs directly incurred in securing contributions on takaful certificates are recognised in the takaful operator fund as incurred and properly allocated to the years in which it is probable they give rise to income.

(ii) Expense liabilities

The expense liabilities of the takaful operator is required to match relevant projected costs of maintaining and servicing in-force contracts and associated overhead expenses for the full contractual obligation of the takaful certificates. The movement in expense liabilities is released over the term of the takaful contracts and recognised in the income statement.

(a) Expense liabilities of takaful operator fund

The valuation of expense liabilities in relation to contracts of the family takaful fund is conducted separately by the Appointed Actuary in the takaful operator fund. The method used to value expense liabilities is consistent with the method used to value takaful liabilities of the corresponding family takaful contracts. In valuing the expense liabilities, the present value of expected future expenses payable by the takaful operator in managing the takaful fund for the full contractual obligation of the takaful contracts less any expected cash flows from future wakalah fee income, and any other income due to the takaful operator fund that can be determined with reasonable certainty, are taken into consideration.

(b) Liability adequacy test ("LAT")

At each financial year end, the takaful operator reviews the expense liabilities of the takaful operator fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the takaful operator fund for all managed takaful certificates.

In performing this review, the takaful operator considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgements, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

4.1 Allowance for impairment on loans, advances and financing (Note 12 and Note 37)

The Group reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgements on cover model risks (e.g. errors for design/development process, data quality, data extraction and transformation) and macro risks (e.g. covering economic, portfolio and procedural issues).

4.2 Impairment losses on financial investments AFS

The Group reviews its debt securities classified as financial investments AFS at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans, advances and financing.

The Group also records impairment loss on AFS equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

4.3 Deferred tax assets (Note 14) and income taxes (Note 39)

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgement is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group is subjected to income taxes in several jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking advice of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

4.4 Fair value measurement of financial instruments (Note 52)

When the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of financial models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgement is required to establish fair values. Judgements include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

4.5 Development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future economic benefits. The capitalised development costs relates to the development and implementation of new Information Technology systems for the Group.

4.6 General insurance business – valuation of general insurance contract liabilities (Note 55)

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for certain types of policies, IBNR claims form the majority of the liability at the reporting date. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Link Ratios, Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that the insurer's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. Discounting is used and in most cases, explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims, inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

4.7 Uncertainty in accounting estimates for general insurance business (Note 55)

The principal uncertainty in the insurer's general insurance business arises from the technical provisions which include the premium liabilities and claims liabilities. The premium liabilities comprise UPR, URR and PRAD while claims liabilities comprise provision for outstanding claims.

Generally, premium and claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the insurer's projections.

The estimates of premium and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the insurer. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

4.8 Life insurance contract classifications (Note 55)

A contract is classified as insurance if at any point over the life of the contract the payout on the policy is likely to be more than 105% of the surrender benefit. A rate of 105% is used as many policies have a 101% life cover even though there is no significant insurance risk. Generally most insurance products have payouts of more than 105% on occurrence of an insured event (e.g. death payment).

4.9 Valuation of life insurance contract liabilities (Note 55)

The liability for life insurance contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to LAT, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The insurer bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the insurer's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

The valuation of insurance contract liabilities is determined according to BNM's RBC Framework for Insurers and MFRS 4. BNM's RBC Framework for Insurers meets the requirement of LAT under MFRS 4.

According to this framework, valuation of non-participating life insurance liabilities, participating life insurance liabilities on guaranteed benefits only and the non-unit investment-linked liabilities with the prescribed valuation bases aim to secure an overall level of sufficiency of policy reserves at the 75% confidence level. To secure this level of adequacy, the insurer is required to calculate the best estimate value of its insurance liabilities and apply a PRAD.

Estimates are also made for future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate. Lapse and surrender rates are based on the insurer's historical experience of lapses and surrenders.

The discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liabilities of investment-linked policies accord a level of guarantee which is no less certain than that accorded by Malaysian Government Securities ("MGS"). In the case of the total benefit liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the Life Fund.

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured using a prospective actuarial valuation method.

The liability is determined as the sum of the present value of future guarantees and in the case of a participating life policy, appropriate level of non-guaranteed benefits and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rates. The liability is based on the best estimate assumptions and with due regard to significant recent experiences. An appropriate allowance for PRAD from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies and the non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefits liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the insurer.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

4.10 Provision for life policy cancellation (Note 55)

The provision is based on a projection of future premium cancellation using recent premium data and allowing for best estimate actuarial assumptions on mortality and lapsation experience. The projected premium cancellation are discounted at MGS spot rates and fund based yield for non-participating and participating products respectively, in line with the rates used for discounting actuarial liabilities. Estimates are made for future premium cancellation, where the main assumptions used relate to the decreasing rate used for premium projections, which is assumed to follow current trends.

4.11 Uncertainty in accounting estimates for family takaful certificate liabilities (Note 55)

The estimation of the ultimate liability arising from claims made under family takaful certificates is a critical accounting estimate. There are several sources of uncertainty that need to be considered in estimation of the liabilities that the family takaful fund will ultimately be required to pay as claims.

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The family takaful fund bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of death determines the value of possible future benefits paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However, epidemics, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future exposures.

All of these will give rise to estimation uncertainties of projected ultimate liability of the family takaful fund. At each financial year end, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

The principal uncertainty in the takaful operator fund takaful certificate liabilities arises from the technical provisions, which comprise the expense liabilities of the family takaful fund.

The URR for family business is estimated assuming that the block of in-force contracts are to be maintained on a "going concern" basis. Under a "going concern" scenario, the contracts so valued are taken as a particular sub-block of contracts and the maintenance expenses for which are valued to the point the last certificate goes off the books.

The maintenance expenses related to such contracts include the cost of functions that are normally associated with the operations of a business on a "going concern" basis.

The URR is calculated using adjusted parameters to provide sufficient reserves at the appropriate percentile of statistical variation that is higher than the best estimate values. It is the present value of future maintenance expenses on the current in-force family takaful contracts and is further reduced by the present value of future shareholders' income that can be realised with reasonable certainty relating to those in-force family takaful contracts.

All of these will give rise to estimation uncertainties of projected expense liability of the takaful operator fund. At each financial year end, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

Notes to the Financial Statements

5. CASH AND SHORT-TERM FUNDS

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Cash and balances with banks and other financial institutions	1,052,956	985,043	53,189	5,470
Deposits and placements maturing within one month:				
Licensed banks:				
Subsidiaries	–	–	–	36,880
Others	2,915,281	2,583,982	–	–
Bank Negara Malaysia	6,317,000	8,211,000	–	–
Other financial institutions	2,109	123	–	–
	10,287,346	**11,780,148**	**53,189**	**42,350**

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND SOLD UNDER REPURCHASE AGREEMENTS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Assets		
Licensed banks	–	200,605

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Licensed banks:				
Subsidiaries	–	–	212,103	55,675
Others	644,639	924,174	–	–
Bank Negara Malaysia	300,100	1,250,100	–	–
Other financial institutions	118,383	148,383	–	–
	1,063,122	**2,322,657**	**212,103**	**55,675**

Included in the Group is an amount of RM200,000 (2013: RM200,000) made in favour of the Accountant General pursuant to Section 3(f) of the Trust Companies Act, 1949.

Notes to the Financial Statements

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	31 March 2014 Contract/ Notional Amount RM'000	31 March 2014 Fair Value Assets RM'000	31 March 2014 Fair Value Liabilities RM'000	31 March 2013 Contract/ Notional Amount RM'000	31 March 2013 Fair Value Assets RM'000	31 March 2013 Fair Value Liabilities RM'000
Trading derivatives						
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	–
	63,921,873	520,288	536,084	63,299,554	382,724	406,023
Hedging derivatives						
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	–
	3,300,000	8,522	5,140	2,025,000	533	16,632
Total	**67,221,873**	**528,810**	**541,224**	**65,324,554**	**383,257**	**422,655**

Notes to the Financial Statements

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

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.

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

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures 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 swap. 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 pre-determined index or equity price, and the other based on a reference interest rate (that is KLIBOR or LIBOR). The underlying reference for Equity Swaps is usually to an index, a basket of stocks or a single underlying stock.

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

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

The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 51.

Notes to the Financial Statements

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D.)

Derivative Financial Instruments 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

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments hedged for interest rate risk consist of the Hybrid Securities and loans sold to Cagamas Berhad.

During the financial year ended 31 March 2012, the Group had terminated the fair value hedge on the interest rate risk of the subordinated term loan and loans sold to Cagamas Berhad. The unamortised fair values are amortised through profit or loss over the remaining term to maturity of the subordinated term loan and loans sold to Cagamas Berhad using effective interest rate method. As at 31 March 2014, amortisation of the fair value of the subordinated term loan and loans sold to Cagamas Berhad for the Group amounted to RM23,246,000 and RM1,675,000 respectively (2013: RM21,701,000 and RM1,616,000).

(ii) Cash flow hedge

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on variable rate interest incurring liabilities. This hedging strategy is applied towards treasury fixed deposits and short term treasury deposits. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio on the basis of their contractual terms and other relevant factors, including estimates of early withdrawal. The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to profit or loss when the forecast cash flows affect the profit or loss.

All underlying hedged cash flows are expected to be recognised in profit or loss in the period in which they occur which is anticipated to take place over the next 10 years (2013: 4 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in profit or loss. Ineffectiveness recognised in profit or loss in respect of cash flow hedges amounted to a gain of RM3,216,000 (2013: gain of RM1,403,000) for the Group.

Notes to the Financial Statements

9. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
At Fair Value				
Money Market Instruments:				
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	–	–
	674,229	1,488,576	–	–
Quoted Securities:				
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	–	–
	237,905	299,023	–	–
Unquoted Securities:				
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	–	–
	2,924,027	5,543,120	–	–
	3,836,161	**7,330,719**	**–**	**–**

Notes to the Financial Statements

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
At Fair Value				
Money Market Instruments:				
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 deposit	519,881	843,075	–	–
Islamic negotiable instruments of deposit	996,914	745,696	–	–
	6,861,814	1,620,746	–	–
Quoted Securities:				
In Malaysia:				
Shares	40,893	343,657	–	–
Unit trusts	581,707	310,339	186,825	17,250
Private debt securities	–	5,455	–	–
Outside Malaysia:				
Shares	29,149	29,394	–	–
	651,749	688,845	186,825	17,250
Unquoted Securities:				
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	–	–
	3,997,009	3,660,845	–	–
At Cost				
Unquoted Securities:				
In Malaysia:				
Shares	121,852	143,500	9	9
Outside Malaysia:				
Shares	8,422	25,680	–	–
	130,274	169,180	9	9
	11,640,846	**6,139,616**	**186,834**	**17,259**

During the current financial year, the Group reclassified securities from financial investments available-for-sale to other assets as the Group has the intention to hold the securities until maturity.

The fair value of the securities reclassified as of the date of reclassification was RM72,225,000 (31 March 2013: Nil). The fair value gain recognised in other comprehensive income as of the date of reclassification amounted to RM2,395,000 (31 March 2013: Nil).

As at the date of reclassification, the effective interest rate on the reclassified securities is 7.9% per annum and the expected recoverable cashflows for the reclassified securities amounted to RM122,237,000, including interest receivable on the securities.

Notes to the Financial Statements

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Company	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
At Amortised Cost				
Money Market Instruments:				
Bank Negara Monetary Notes	–	2,980,844	–	–
Foreign Treasury Bills	522,405	–	–	–
Unquoted Securities:				
In Malaysia:				
Private debt securities	3,378,804	3,432,969	–	–
	3,901,209	6,413,813	–	–
Less: Accumulated impairment losses	(3,644)	(194,009)	–	–
	3,897,565	**6,219,804**	**–**	**–**

Impairment allowance

A reconciliation of the allowance for impairment losses is as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	194,009	202,056
Charge for the year	(6,046)	5,723
Recoveries and reversal	(288)	(13,787)
Amounts written off	(184,060)	–
Foreign exchange differences	29	17
Balance at end of financial year	**3,644**	**194,009**

12. LOANS, ADVANCES AND FINANCING

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
At Amortised Cost:		
Loans, advances 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
Overdrafts	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)
Net loans, advances and financing	**87,170,577**	**82,586,332**

Notes to the Financial Statements

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
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
	89,288,513	**84,759,249**

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
In Malaysia	88,131,863	83,879,206
Outside Malaysia	1,156,650	880,043
	89,288,513	**84,759,249**

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Fixed rate:		
Housing loans/financing	521,160	867,867
Hire purchase receivables	25,775,955	24,454,794
Other loans/financing	12,063,843	11,639,347
	38,360,958	36,962,008
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
	50,927,555	47,797,241
	89,288,513	**84,759,249**

Notes to the Financial Statements

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31 March 2014 RM'000	31 March 2013 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
	89,288,513	**84,759,249**

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

	Group	
	31 March 2014 RM'000	31 March 2013 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
	89,288,513	**84,759,249**

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Gross		
Balance at beginning of financial year	1,680,471	1,906,176
Impaired during the 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 year	**1,662,141**	**1,680,471**
Gross impaired loans, advances and financing as % of gross loans, advances and financing	1.9%	2.0%
Loan loss coverage (excluding collateral values)	127.4%	129.3%

Notes to the Financial Statements

12. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	31 March 2014 RM'000	31 March 2013 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 March 2014 RM'000	31 March 2013 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 March 2014 RM'000	31 March 2013 RM'000
Collective allowance		
Balance at beginning of financial year	1,986,361	2,048,758
Allowances made during the financial year, net	602,488	455,228
Amounts written off and others	(639,880)	(563,368)
Arising from acquisition of subsidiary	–	40,536
Foreign exchange differences	1,415	5,207
Balance at end of financial year	**1,950,384**	**1,986,361**
Collective allowance as % of gross loans, advances and financing less individual allowance	2.2%	2.3%
Individual allowance		
Balance at beginning of financial year	186,556	134,792
Allowance made during the financial year, net	216,720	287,718
Amounts written off	(235,724)	(235,954)
Balance at end of financial year	**167,552**	**186,556**

Notes to the Financial Statements

13. STATUTORY DEPOSITS 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.

14. DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts are shown in the statements of financial position, after offsetting:

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Deferred tax assets	127,121	151,721	–	–
Deferred tax liabilities	(116,870)	(124,521)	–	–
	10,251	**27,200**	**–**	**–**

The movements on the deferred tax account are as follows:

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	104,201	193,022	–	–
Restatement (Note 59)	(77,001)	5,162	–	–
Balance at beginning of financial year, restated	27,200	198,184	–	–
Transfer to income statements	(31,578)	(69,744)	–	–
Recognised in other comprehensive income	20,024	9,727	–	–
Initial recognition of equity component of compound financial instrument	–	(27,627)	–	–
Acquisition of subsidiaries	–	(75,320)	–	–
Exchange differences	80	52	–	–
Others	(5,475)	(8,072)	–	–
Balance at end of financial year	**10,251**	**27,200**	**–**	**–**
Deferred tax assets				
Deferred charges	–	(29,554)	–	–
Excess of capital allowance over depreciation	(42,674)	(45,919)	–	–
Unabsorbed capital allowances	–	1,596	–	–
Unutilised tax losses	39,045	1,938	–	–
Collective allowance for impaired loans, advances and financing	(140)	2,058	–	–
Allowance for impairment of foreclosed properties	1,687	43,220	–	–
Allowance for impairment of investment	22,850	28,755	–	–
Other temporary differences	106,353	149,627	–	–
	127,121	**151,721**	**–**	**–**
Deferred tax liabilities				
Deferred charges	18,704	20,885	–	–
Excess of capital allowance over depreciation	36	49	–	–
Profit equalisation reserve	(393)	(415)	–	–
Allowance for impairment of investment	5,983	10,573	–	–
Other temporary differences	92,540	93,429	–	–
	116,870	**124,521**	**–**	**–**

As mentioned in Note 3, the effects of temporary differences and unutilised tax losses which would give rise to deferred tax assets are recognised only when it is probable that the respective subsidiaries will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2014, the amount of estimated deferred tax assets of Group, pertaining to unutilised tax losses and unabsorbed capital allowances which are not recognised in the financial statements amounted to RM21,978,000 (2013: RM5,161,000) and RM465,825,000 (2013: RM741,008,000) respectively.

Notes to the Financial Statements

15. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS

	Company 31 March 2014 RM'000	Company 31 March 2013 RM'000
(a) Investment in subsidiaries		
At cost		
In Malaysia		
Unquoted shares	9,507,225	9,507,225

The subsidiaries, all incorporated in Malaysia, except for PT. AmCapital Indonesia and PT. AMCI Manajemen Investasi Indonesia which are incorporated in Indonesia, AmSecurities (HK) Limited and AmTrade Services Limited which are incorporated in Hong Kong, AmCapital (B) Sdn Bhd which is incorporated in Brunei, AmWater Investments Management Pte. Ltd., AmFraser International Pte. Ltd. and its subsidiaries which are incorporated in Singapore and AmAsia Water Management (GP) Limited which is incorporated in Cayman Islands, are as follows:

Direct subsidiaries Unquoted	Principal activities	Effective equity interest 31 March 2014 %	Effective equity interest 31 March 2013 %
AmInvestment Group Berhad ("AIGB")	Investment holding	100.00	100.00
AMFB Holdings Berhad ("AMFB")	Investment holding	100.00	100.00
AMAB Holdings Sdn Bhd ("AMAB Holdings")	Investment holding	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	100.00	100.00
AmInvestment Bank Berhad ("AmInvestment Bank")	Investment banking	100.00	100.00
AmIslamic Bank Berhad ("AmIslamic Bank")	Islamic banking	100.00	100.00
MBF Cards (M'sia) Sdn Bhd	Collection of Credit Card receivables	100.00	100.00
Indirect subsidiaries			
Unquoted			
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	100.00	100.00
AmCard Services Berhad (formerly known as Arab-Malaysian Credit Berhad)	Credit card-related services and asset financing agency	100.00	100.00
AmLife Insurance Berhad	Life assurance	100.00	100.00
AmGeneral Holdings Berhad	Investment holding	51.00	51.00
AmGeneral Insurance Berhad	General assurance	51.00	51.00
AmFamily Takaful Berhad ("AFTB")	Takaful operator	100.00	100.00
AMSEC Holdings Sdn Bhd###	Dormant	100.00	100.00
AmInvestment Services Berhad ("AIS")	Managing unit trust funds	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management services and distribution of wholesale funds	100.00	100.00
AmIslamic Funds Management Sdn Bhd ("AIFM")	Islamic funds management services and distribution of wholesale funds	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
AmProperty Trust Management Berhad ("AmPTMB")##	Dormant	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding	80.00	80.00
AMMB Factors Sdn Bhd##	Dormant	100.00	100.00
AmTrustee Berhad ^ ("AmTrustee")	Trustee services	80.00	80.00
AmEquities Sdn Bhd##	Dormant	100.00	100.00

Notes to the Financial Statements

15. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (Cont'd.)

Direct subsidiaries Unquoted	Principal activities	Effective equity interest 31 March 2014 %	 31 March 2013 %
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
AmFutures Sdn Bhd ("AmFutures")	Futures broking	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")	Investment research	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd^	Nominee services	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Fund management and consultancy services	100.00	100.00
Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings")	Investment holding	70.00	70.00
Am ARA REIT Managers Sdn Bhd ("Am ARA REIT Managers")	Management of real investment trusts and properties	70.00	70.00
Everflow Credit & Leasing Corporation Sdn Bhd##	Dormant	100.00	100.00
MBf Information Services Sdn Bhd	Property investment	100.00	100.00
MBf Nominees (Tempatan) Sdn Bhd	Nominee services	100.00	100.00
MBf Trustees Berhad	Trustee services	60.00	60.00
AmProperty Holdings Sdn Bhd	Property investment	100.00	100.00
Teras Oak Pembangunan Sendirian Berhad	Dormant	100.00	100.00
AmCredit & Leasing Sdn Bhd##	Dormant	100.00	100.00
Bougainvillaea Development Sdn Bhd	Property investment	100.00	100.00
Malco Properties Sdn Bhd	Dormant	81.51	81.51
Komuda Credit & Leasing Sdn Bhd##	Dormant	100.00	100.00
AmPremier Capital Berhad ("AmPremier")	Issue of subordinated securities	100.00	100.00
Economical Enterprises Sendirian Berhad	Dormant	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	100.00	100.00
AmCapital (B) Sdn Bhd^^	Asset management and investment advisory services	100.00	100.00
AMMB Labuan (L) Ltd##	Dormant	100.00	100.00
AmInternational (L) Ltd ("AMIL")	Labuan banking	100.00	100.00
AmCapital (L) Inc##	Dormant	100.00	100.00
AMBB Capital (L) Ltd	Issue of Hybrid capital securities	100.00	100.00
AmAsia Water Management (GP) Limited^	Fund management	100.00	100.00
PT. AmCapital Indonesia^ ("AMCI")	Stock-broking and underwriting	99.00	99.00
PT. AMCI Manajemen Investasi Indonesia^	Investment management	99.00	99.00
AmSecurities (HK) Limited^^	Dormant	100.00	100.00
AmTrade Services Limited^^	Trade finance services	100.00	100.00
AmFraser International Pte. Ltd. ^^	Investment holding	100.00	100.00
AmFraser Securities Pte. Ltd. ^^	Stock, share broking and investment banking	100.00	100.00
AmGlobal Investments Pte. Ltd. ^^	Investment and advisory services	100.00	100.00
Fraser Financial Services Pte. Ltd. ####	Dormant	–	100.00
Fraser-AMMB Research Pte. Ltd. ####	Dormant	–	100.00
AmFraser Nominees Pte. Ltd. #	Dormant	100.00	100.00
AmWater Investments Management Pte Ltd ^	Dormant	100.00	100.00

^ Subsidiaries not audited by Ernst & Young, Malaysia.
^^ Subsidiaries audited by a firm affiliated with Ernst & Young, Malaysia.
# Subsidiary commenced Members' Voluntary Liquidation on 30 April 2012.
Subsidiary commenced Members' Voluntary Liquidation on 31 July 2013.
Subsidiary commenced Members' Voluntary Liquidation on 6 August 2013.
Subsidiary commenced Members' Voluntary Liquidation during the financial year and was dissolved on 11 February 2014.

Notes to the Financial Statements

15. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (Cont'd.)

Acquisition of AmGeneral Insurance Berhad

In the prior year, the Company's 51% owned general insurance subsidiary, AmGeneral Holdings Berhad ("AMGH") completed the acquisition of AmGeneral Insurance Berhad ("AMGI"). As allowed by MFRS 3, Business Combinations ("MFRS 3"), the Group had previously accounted for the acquisition of the assets and liabilities of AMGI using a provisional fair value.

During the financial year, the Group has completed its allocation of cost of business combination to the assets acquired and liabilities and contingent liabilities assumed. The fair value adjustment and intangible assets identified on acquisition are based on the finalised purchase price allocation ("PPA") exercise.

Accounting for acquisition of AMGI
At the Group level, the Group's acquisition of the assets and liabilities of AMGI were accounted as follows:

	Provisional fair value RM'000	Fair value adjustments RM'000	Adjusted fair value RM'000
Cash and short-term funds	229,787	–	229,787
Deposits and placements with banks and other financial institutions	439,163	–	439,163
Financial investments available-for-sale	1,219,634	(1,406)	1,218,228
Loans, advances and financing	30,752	–	30,752
Deferred tax assets	4,423	–	4,423
Other assets	59,080	–	59,080
Reinsurance, retakaful assets and other insurance receivables	14,261	–	14,261
Investment properties	7,713	–	7,713
Property and equipment	149,211	6,471	155,682
Intangible assets	–	208,468	208,468
Other liabilities	(90,357)	–	(90,357)
Deferred tax liabilities	–	(63,083)	(63,083)
Insurance, takaful contract liabilities and other insurance payables	(1,213,981)	(90,000)	(1,303,981)
Total identifiable net assets	849,686		910,136
Goodwill	777,520		717,070
Cash consideration	**1,627,206**		**1,627,206**
Cash outflow on acquisition	**1,397,419**		**1,397,419**

Acquisition related cost of RM21 million was included in acquisition and business efficiency expenses in the consolidated income statement for the financial year ended 31 March 2013.

Included in the consolidated income statement for the financial year ended 31 March 2013 are operating revenue and profit before taxation and zakat from AMGI amounting to RM195 million and RM109 million respectively. Had the acquisition taken place from the begining of the previous financial year, the Group's operating revenue and profit before taxation and zakat would have been higher at RM228 million and RM131 million respectively.

In the previous financial year, AMGH has also increased its issued and paid-up ordinary share capital from RM230 million to RM330 million by way of issuance of RM100 million new ordinary shares of RM1 each at issue price of RM10 per share for cash and issued 60 million 1% redeemable cummulative convertible preference shares ("RCCPS") of RM1 each at an issued price of RM10 per RCCPS for cash.

Notes to the Financial Statements

15. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (Cont'd.)

Acquisition of MBF Cards (M'sia) Sdn Bhd

In the prior year, the Company completed the acquisition of MBF Cards (M'sia) Sdn Bhd ("MBF Cards"). The Group had completed its allocation of cost of business combination to the assets acquired and liabilities and contingent liabilities assumed. The fair value adjustment and intangible assets identified on acquisition were based on the finalised purchase price allocation ("PPA") exercise.

Accounting for acquisition of MBF Cards

At the Company level, the Company's acquisition of the assets and liabilities of MBF Cards were accounted as follows:

	RM'000
Cash and short-term funds	122,428
Derivative financial assets	18,048
Financial assets held-for-trading	22,000
Loans, advances and financing	473,211
Investment in associate	5,381
Other assets	177,363
Property and equipment	11,003
Intangible assets	977
Term funding	(550,190)
Deferred tax liabilities	(910)
Other liabilities	(83,050)
Total net assets	**196,261**
Cash consideration	**641,398**

At the Group level, the Group's acquisition of the assets and liabilities of MBF Cards were accounted as follows:

	Fair value RM'000
Cash and short-term funds	122,428
Derivative financial assets	18,048
Financial assets held-for-trading	22,000
Loans, advances and financing	473,211
Investment in associate	20,221
Other assets	177,363
Property and equipment	11,003
Intangible assets	63,977
Term funding	(550,190)
Deferred tax liabilities	(16,660)
Other liabilities	(89,414)
Total identifiable net assets	251,987
Goodwill	389,411
Cash consideration	**641,398**
Cash outflow on acquisition	**518,970**

Notes to the Financial Statements

15. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (Cont'd.)

Acquisition related cost of RM3 million was included in acquisition and business efficiency expenses in the consolidated income statement for the financial year ended 31 March 2013.

Included in the consolidated income statement for the financial year ended 31 March 2013 are operating revenue and profit before taxation and zakat from MBF Cards amounting to RM68 million and RM26 million respectively. Had the acquisition taken place from the begining of the previous financial year, the Group's operating revenue and profit before taxation and zakat would have been higher at RM234 million and RM40 million respectively.

Summarised consolidated financial statements of AmGeneral Holdings Berhad and its subsidiary

The summarised financial information of AmGeneral Holdings Berhad and its subsidiary ("AMGH Group") which has non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Non-controlling interest ("NCI") in AMGH Group

The Group's subsidiary that have material NCI are as follows:

	AMGH Group	
	31 March 2014 RM'000	31 March 2013 RM'000
NCI percentage of ownership interest and voting interest	49%	49%
Carrying amount of NCI	850,554	803,950
Profit allocated to NCI	85,758	56,947
	936,312	**860,897**
Assets	5,212,836	5,023,917
Liabilities	(3,301,996)	(3,266,984)
Net assets	**1,910,840**	**1,756,933**
Equity attributable to owners of the company	974,528	896,036
NCI	**936,312**	**860,897**

(ii) Summarised statements of comprehensive income

	AMGH Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Operating revenue	1,686,221	1,135,655
Profit for the year	175,017	116,219
Attributable to:		
Equity holders of the company	89,259	59,272
NCI	85,758	56,947
Total comprehensive income		
Attributable to:		
Equity holders of the company	77,817	57,430
NCI	74,765	55,178
Dividend paid to NCI	–	–

Notes to the Financial Statements

15. INVESTMENT IN SUBSIDIARIES AND OTHER INVESTMENTS (CONT'D.)

(a) Investment in subsidiaries (Cont'd.)

(iii) Summarised cash flow statements

	AMGH Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Operating activities	104,335	354,336
Investing activities	(6,874)	(2,936)
Financing activities	(2,940)	99,265
Net increase/(decrease) in cash and cash equivalents	**94,521**	**450,665**

(b) Investment in collective investment schemes (Note 59(a))

In Malaysia Unquoted unit trusts Collective investment schemes held indirectly		Effective equity interest	
		31 March 2014	31 March 2013
Name of fund	Category/Type of fund	%	%
AmCash Institutional 1	Wholesale Money Market/Income	51.00	51.00
AmCash Premium	Wholesale (Fixed Income Fund)	100.00	100.00
AmIncome Institutional 1	Wholesale Fixed Income/Growth and to a lesser extent income	51.00	51.00
AmIncome Institutional 2	Wholesale Fixed Income/Growth and to a lesser extent income	51.00	51.00
AmIncome Institutional 3	Wholesale Fixed Income/Growth and to a lesser extent income	51.00	51.00
AmIncome Institutional 5	Wholesale Fixed Income/Growth and to a lesser extent income	100.00	100.00

These collective investment schemes have been consolidated in accordance with the new and broader definition of control by MFRS 10 as explained in Note 3.4.

16. INVESTMENT IN ASSOCIATES

	Group	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000
Unquoted shares, at cost	228,070	228,070
Share of post acquisition reserve	24,405	16,586
	252,475	**244,656**

There is no material associate to the Group. The summarised financial information of associates is as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000
Revenue	201,440	203,345
Profit after tax	76,481	63,209
Total assets	1,498,626	1,458,995
Total liabilities	(590,554)	(580,679)

Notes to the Financial Statements

16. INVESTMENT IN ASSOCIATES (CONT'D.)

The associates are incorporated in Malaysia and the details are as follows:-

Indirect associate	Principal activities	Effective Equity Interest 31 March 2014 %	Effective Equity Interest 31 March 2013 %
AmFirst Real Estate Investment Trust (Note 59(a))	Investment in real estate	26.73	26.73
Bonuskad Loyalty Sdn Bhd ("Bonuskad")	Managing customer loyalty schemes	33.33	33.33
Malaysian Ventures (Two) Sdn Bhd (under members' voluntary winding-up)^	Ceased operations	–	34.67

The financial year end of Bonuskad is on 31 December 2013 and for the purpose of applying the equity method of acounting, appropriate adjustments have been made for the effects of significant transactions up to the Company's financial year ended 31 March 2014.

^ The company was dissolved on 22 November 2013.

17. OTHER ASSETS

	Group 31 March 2014 RM'000	Group 31 March 2013 (Restated) RM'000	Company 31 March 2014 RM'000	Company 31 March 2013 RM'000
Trade receivables, net of allowance for impairment of RM105,654,000 (2013: RM32,937,000) (Note a)	752,453	976,308	–	–
Other receivables, deposits and prepayments, net of allowance for impairment for the Group of RM27,931,000 (2013: RM33,948,000) (Note c)	1,623,340	1,157,211	23,894	33,873
Interest receivables, net of allowance for impairment for the Group of RM1,744,000 (2013: RM727,000) (Note c)	227,268	224,653	–	–
Fee receivables, net of allowance for impairment of RM959,000 (2013: RM1,146,000) (Note c)	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 of RM6,805,000 (2013: RM173,237,000) (Note b)	66,805	72,832	–	–
	3,084,376	**2,870,742**	**23,894**	**33,873**

Trade receivables mainly relate to the stock and share-broking operations of the Group and represent amount outstanding from purchase contracts net of allowances for impairment.

Amount due from originators represents housing loans, hire purchase and personal financing acquired from originators for onward sale to Cagamas Berhad as mentioned in Note 21.

Notes to the Financial Statements

17. OTHER ASSETS (CONT'D.)

(a) Trade receivables

The movement in allowance for impairment is as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	32,937	28,043
Charge for the year	72,845	6,262
Amount written off	(709)	(1,469)
Foreign exchange differences	581	101
Balance at end of financial year	**105,654**	**32,937**

Trade receivables that are individually assessed to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Foreclosed properties

The movement in allowance for impairment is as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	173,237	165,302
Charge for the year	6,804	9,086
Recoveries	(100)	–
Amount written off	(173,136)	(1,151)
Balance at end of financial year	**6,805**	**173,237**

(c) Other receivables, deposits and prepayments, interest and fee receivable

The movement in allowance for impairment is as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	35,821	15,602
Charge/(Writeback) for the year	1,199	4,472
Amount written off	(6,386)	(1,399)
Transferred from financial assets held-for-trading	–	15,000
Arising from acquisition of subsidiary	–	2,146
Balance at end of financial year	**30,634**	**35,821**

Notes to the Financial Statements

18. PROPERTY AND EQUIPMENT

Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold Land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Work-in progress RM'000	Total RM'000
31 March 2014										
Cost										
At beginning of financial year	10,611	7,975	534	243,602	21,926	152,011	451,349	235,688	22,886	1,146,582
Restatement (Note 59)	2 ,405	–	–	(3,647)	–	–	–	–	–	(1,242)
At beginning of financial year	13,016	7,975	534	239,955	21,926	152,011	451,349	235,688	22,886	1,145,340
Additions	–	–	–	–	999	15,779	26,656	18,437	12,248	74,119
Disposals	–	–	–	–	(4,578)	(333)	(6,798)	(787)	–	(12,496)
Written-off	–	–	–	–	–	(5,278)	(3,066)	(6,356)	(645)	(15,345)
Reclassification/Transfer	–	–	–	(31,172)	(1,743)	738	(2,022)	(27,312)	(29,191)	(90,702)
Exchange adjustments	22	–	–	–	(7)	(79)	169	181	–	286
At end of financial year	13,038	7,975	534	208,783	16,597	162,838	466,288	219,851	5,298	1,101,202
Accumulated Depreciation										
At beginning of financial year	316	2,325	280	33,563	13,976	123,362	379,588	196,885	–	750,295
Depreciation for the financial year	–	–	–	5,193	1,975	10,548	37,536	14,086	–	69,338
Disposals	–	–	–	–	(4,020)	(214)	(6,853)	(734)	–	(11,821)
Written-off	–	–	–	–	–	(5,122)	(2,936)	(6,317)	–	(14,375)
Reclassification/Transfer	–	–	–	(6,558)	(1,241)	99	(18,236)	(19,167)	–	(45,103)
Exchange adjustments	8	–	–	–	–	(62)	146	168	–	260
At end of financial year	324	2,325	280	32,198	10,690	128,611	389,245	184,921	–	748,594
Accumulated Impairment Loss										
At beginning and end of financial year	–	254	–	886	–	–	–	–	–	1,140
Net Book Value										
As at 31 March 2014	**12,714**	**5,396**	**254**	**175,699**	**5,907**	**34,227**	**77,043**	**34,930**	**5,298**	**351,468**
31 March 2013										
Cost										
At beginning of financial year	14,099	7,975	534	91,013	16,074	130,575	365,139	157,282	8,795	791,486
Additions	–	–	–	–	2,223	10,123	18,257	9,835	22,432	62,870
Disposals	(3,492)	–	–	–	(1,498)	(130)	(5,905)	(1,130)	–	(12,155)
Written-off	–	–	–	–	(12)	–	(503)	(2,262)	–	(2,777)
Reclassification/Transfer	–	–	–	4,750	–	671	8,727	8	(9,311)	4,845
Arising from acquisition of subsidiaries	2,405	–	–	144,192	5,143	10,818	65,530	71,867	970	300,925
Exchange adjustments	4	–	–	–	(4)	(46)	104	88	–	146
At end of financial year	13,016	7,975	534	239,955	21,926	152,011	451,349	235,688	22,886	1,145,340
Accumulated Depreciation										
At beginning of financial year	315	2,160	268	25,098	8,252	105,344	293,541	129,487	–	564,465
Depreciation for the financial year	–	165	12	3,383	2,382	10,199	34,642	11,556	–	62,339
Disposals	–	–	–	–	(841)	(39)	(5,924)	(1,336)	–	(8,140)
Written-off	–	–	–	–	(11)	–	(420)	(2,205)	–	(2,636)
Reclassification/Transfer	–	–	–	–	–	(104)	–	2	–	(102)
Arising from acquisition of subsidiaries	–	–	–	5,082	4,193	7,995	57,665	59,305	–	134,240
Exchange adjustments	1	–	–	–	1	(33)	84	76	–	129
At end of financial year	316	2,325	280	33,563	13,976	123,362	379,588	196,885	–	750,295
Accumulated Impairment Loss										
At beginning and end of financial year	–	254	–	886	–	–	–	–	–	1,140
Net Book Value										
As at 31 March 2013	**12,700**	**5,396**	**254**	**205,506**	**7,950**	**28,649**	**71,761**	**38,803**	**22,886**	**393,905**

Notes to the Financial Statements

18. PROPERTY AND EQUIPMENT (CONT'D.)

Company	Motor vehicles RM'000	Computer hardware RM'000	Total RM'000
31 March 2014			
Cost			
Balance at beginning of financial year	1,302	–	1,302
Additions	845	2	847
Disposals	(745)	–	(745)
Balance at end of financial year	**1,402**	**2**	**1,404**
Accumulated Depreciation			
Balance at beginning of financial year	925	–	925
Depreciation for the financial year	316	–	316
Disposals	(542)	–	(542)
Balance at end of financial year	**699**	**–**	**699**
Net book value			
As at 31 March 2014	**703**	**2**	**705**
31 March 2013			
Cost			
Balance at beginning of financial year	2,124	–	2,124
Additions	–	–	–
Disposals	(822)	–	(822)
Balance at end of financial year	**1,302**	**–**	**1,302**
Accumulated Depreciation			
Balance at beginning of financial year	527	–	527
Depreciation for the financial year	562	–	562
Disposals	(164)	–	(164)
Balance at end of financial year	**925**	**–**	**925**
Net book value			
As at 31 March 2013	**377**	**–**	**377**

Notes to the Financial Statements

19. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Note	Group 31 March 2014 RM'000	Group 31 March 2013 (Restated) RM'000
Goodwill	(a)	2,838,981	2,840,846
Brand	(b)	94,440	94,440
In-force business	(b)	–	13,385
Merchants relationship	(b)	18,333	23,333
Agent relationship	(b)	54,447	58,479
Credit cards relationship	(b)	32,933	36,733
Computer software	(b)	295,069	187,091
Work-in-progress	(b)	49,459	97,200
		3,383,662	**3,351,507**

Brand

Brand relates to Kurnia Brand ("K-Brand") that arise from the acquisition of AmGeneral Insurance Berhad ("AMGI"). K-Brand is deemed to have an indefinite useful life based on management's view that K-Brand has over 20 years of recognition and there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for AMGI.

K-Brand is reviewed for impairment annually and when there are indications of impairment. The recoverable amount of K-Brand is based on its value in use by discounting the expected future cash flows. The key assumptions for the computation of value in use include the growth rates and discount rates applied. Cash flow projection is based on the actual results for 2014 with premium growth rate of 1.0% to 3.0% over the next 5 years and terminal growth rate of 3.0%. The discount rate applied is 11.0% which is the estimated cost of equity plus a risk adjustment.

In-force business

In-force business arises from the acquisition of AMGI. The in-force business is deemed to have a finite useful life of 12 months post completion of the acquisition as it aligns with the earnings pattern of the business in-force at the completion date and has been fully amortised in the current financial year.

Merchants relationship

Merchants relationship arises from the acquisition of MBF Cards (M'sia) Sdn Bhd ("MBF Cards"). The merchants relationship is deemed to have a finite useful life of 5 years and is amortised based on a straight line basis.

Agent relationship

Agent relationship arises from the acquisition of AMGI. The agent relationship is deemed to have a finite useful life of 15 years and is amortised based on a straight line basis.

Credit cards relationship

Credit cards relationship arises from the acquisition of MBF Cards. The credit cards relationship is deemed to have a finite useful life of 10 years and is amortised based on a straight line basis.

Notes to the Financial Statements

19. INTANGIBLE ASSETS (CONT'D.)

The movements in intangible assets are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000
(a) Goodwill		
Balance at beginning of financial year	2,840,846	1,734,365
Arising from acquisition of AmGeneral Insurance Berhad	–	717,070
Arising from acquisition of MBF Cards (M'sia) Sdn Bhd	–	389,411
Impairment	(1,865)	–
Balance at end of financial year	**2,838,981**	**2,840,846**

Impairment tests for goodwill

Goodwill is reviewed for impairment annually or when there are indications of impairment. At the date of acquisition, goodwill is allocated to the Group's cash generating units ("CGU") for impairment testing purposes, identified according to business segments expected to benefit from the synergies as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000
Investment banking	557,931	557,931
Commercial and retail	1,105,598	1,105,598
Islamic banking	53,482	53,482
Insurance	732,559	732,559
Cards business	389,411	389,411
Equity fund management	–	1,865
	2,838,981	**2,840,846**

The recoverable amount of the CGU, which are the reportable business segments, is based on their value in use, computed by discounting the expected future cash flows of the units. The key assumptions for the computation of value in use include the discount rates and growth rates applied. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. The discount rates applied for the financial year ranged from 7.7% to 11.7%. Cash flow projection is based on the most recent three-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the fourth to tenth years are extrapolated using the growth rate of 4.8% to extrapolate cash flows beyond the projected years. Impairment is recognised in the income statements when the carrying amount of a cash-generating unit exceeds its recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the cash generating units.

Notes to the Financial Statements

19. INTANGIBLE ASSETS (CONT'D.)

(b) Group

31 March 2014	Brand RM'000	In-force Business RM'000	Merchants Relationship RM'000	Agent Relationship RM'000	Credit Cards Relationship RM'000	Computer Software RM'000	WIP for Computer Software RM'000	Total RM'000
Cost								
At beginning of financial year	94,440	53,538	25,000	60,490	38,000	651,056	97,200	1,019,724
Additions	–	–	–	–	–	29,945	126,950	156,895
Written-off	–	–	–	–	–	(77)	–	(77)
Reclassification/Transfer	–	–	–	–	–	121,935	(174,691)	(52,756)
Exchange adjustments	–	–	–	–	–	(73)	–	(73)
At end of financial year	94,440	53,538	25,000	60,490	38,000	802,786	49,459	1,123,713
Accumulated Amortisation								
At beginning of financial year	–	40,153	1,667	2,011	1,267	463,965	–	509,063
Amortisation	–	13,385	5,000	4,032	3,800	68,261	–	94,478
Written-off	–	–	–	–	–	(73)	–	(73)
Reclassification/Transfer	–	–	–	–	–	(24,378)	–	(24,378)
Exchange adjustments	–	–	–	–	–	(58)	–	(58)
At end of financial year	–	53,538	6,667	6,043	5,067	507,717	–	579,032
Net Book Value								
As at 31 March 2014	**94,440**	**–**	**18,333**	**54,447**	**32,933**	**295,069**	**49,459**	**544,681**

31 March 2013	Brand RM'000	In-force Business RM'000	Merchants Relationship RM'000	Agent Relationship RM'000	Credit Cards Relationship RM'000	Computer Software RM'000	WIP for Computer Software RM'000	Total RM'000
Cost								
At beginning of financial year	–	–	–	–	–	560,970	63,384	624,354
Additions	–	–	–	–	–	25,396	83,575	108,971
Reclassification/Transfer	–	–	–	–	–	58,550	(49,759)	8,791
Arising from acquisition of subsidiaries	94,440	53,538	25,000	60,490	38,000	6,177	–	277,645
Exchange adjustments	–	–	–	–	–	(37)	–	(37)
At end of financial year	94,440	53,538	25,000	60,490	38,000	651,056	97,200	1,019,724
Accumulated Amortisation								
At beginning of financial year	–	–	–	–	–	403,920	–	403,920
Amortisation	–	40,153	1,667	2,011	1,267	54,873	–	99,971
Arising from acquisition of subsidiaries	–	–	–	–	–	5,200	–	5,200
Exchange adjustments	–	–	–	–	–	(28)	–	(28)
At end of financial year	–	40,153	1,667	2,011	1,267	463,965	–	509,063
Net Book Value								
As at 31 March 2013	**94,440**	**13,385**	**23,333**	**58,479**	**36,733**	**187,091**	**97,200**	**510,661**

Notes to the Financial Statements

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
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
	4,120,923	**3,152,946**

21. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS BERHAD

Recourse obligation on loans and financing sold to Cagamas Berhad represents the proceeds received from loans and financing sold directly and indirectly or those acquired from the originators (as disclosed in Note 17) to Cagamas Berhad with recourse. Under this arrangement for loans sold, the Group undertakes to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing, which are regarded as defective based on prudential criteria with recourse to the Group. Under the back to back arrangement with the originators, the Group acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the originators.

During the financial year ended 31 March 2012, the Group had terminated the fair value hedge on the interest rate risk of the loans sold directly to Cagamas Berhad. The unamortised fair value is amortised to the income statement over the remaining term to maturity of the loans using the effective interest rate method. The amortisation of the fair value of the loans sold directly to Cagamas Berhad amounted to RM1,675,000 (2013: RM1,616,000).

22. DEPOSITS FROM CUSTOMERS

	Group	
	31 March 2014 RM'000	31 March 2013 (Restated) 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
	89,698,878	**84,829,987**

Included in deposits from customers of the Group are deposits of RM2,313.6 million (2013: RM2,026.5 million) held as collateral for loans, advances and financing.

Notes to the Financial Statements

22. DEPOSITS FROM CUSTOMERS (CONT'D.)

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Due within six months	51,697,726	51,920,563
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
	70,957,906	**67,982,444**

The deposits are sourced from the following types of customers:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Government and statutory bodies	10,116,686	9,852,981
Business enterprises	42,554,162	39,318,222
Individuals	34,508,342	33,952,401
Others	2,519,688	1,706,383
	89,698,878	**84,829,987**

23. TERM FUNDING

		Group		Company	
	Note	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Term loans and revolving credit	(a)	1,650,414	1,334,556	206,000	206,000
Senior notes/sukuk	(b)	4,716,045	4,508,771	1,700,000	1,300,000
Credit-Linked Notes	(c)	278,182	412,642	–	–
		6,644,641	**6,255,969**	**1,906,000**	**1,506,000**

(a) The salient terms of the term loans and revolving credit are as follows:

(i) The Company's short term loans and revolving credit obtained from financial institutions bear interest at rates ranging from 4.61% to 5.56% per annum.

(ii) AmBank's USD30 million revolving credit facility extended for another two years by the Labuan branch of Australia and New Zealand Banking Group ("ANZ") upon maturity on 16 April 2012. This loan bears interest at 0.75% per annum above LIBOR.

(iii) AmBank's USD50 million term loan was drawn on 7 January 2013 for working capital purposes. This term loan bears interest at 1.10% per annum above LIBOR. The term loan shall be due and payable in full two years from the date of disbursement.

(iv) AmBank's USD210 million syndicated transferable term loan was drawn on 31 March 2011 for working capital purposes. This term loan was obtained from five banking institutions out of which USD50 million was from ANZ. This term loan which bears interest at 0.9% per annum above LIBOR, is transferable without the consent of AmBank and is due and payable in full 3 years after the drawdown date. The facility was repaid in full upon maturity on 31 March 2014.

(v) AmBank's USD35 million term loan was drawn on 13 June 2012 for working capital purposes. This term loan bears interest at 0.65% per annum above the lender's cost of funds. This term loan shall be due and payable in full one year after the drawdown date. On 13 June 2013, the term loan had been extended for another year and is due and payable on 13 June 2014.

Notes to the Financial Statements

23. TERM FUNDING (CONT'D.)

(a) The salient terms of the term loans and revolving credit are as follows: (Cont'd.)

(vi) AmBank's USD30 million term loan was drawn on 19 July 2013 for working capital purposes. This term loan bears interest at 1.10% per annum above LIBOR. This term loan shall be due and payable in full 2 years after the drawdown date.

(vii) AmBank's USD300 million term loan was drawn on 31 March 2014 from ANZ for refinancing of existing term funding and working capital. 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.

(b) (i) The Senior Notes issued by the Company is under a Senior and/or Subordinated Medium Term Notes ("MTN") Programme of up to RM2.0 billion nominal value. The proceeds raised from the MTN Programme shall be utilised for capital expenditures, investment, working capital, payment of fees and expenses in relation to the MTN Programme and other general funding requirements of the Company and/or its subsidiaries.

The MTN Programme has a tenor of up to 30 years from the date of the first issuance under the MTN Programme. The MTN shall be issued for a maturity of up to 30 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The Senior Notes issued which remained outstanding as at reporting date of RM1,700.0 million has a fixed interest rate ranging from 3.80% to 4.50% (2013: 3.75% to 4.50%). No subordinated MTN had been issued from the MTN Programme todate.

The Senior MTNs rank pari-passu with all other present and future unsecured and unsubordinated obligations of the Company.

(ii) The Senior Notes issued by AmBank is under a Senior Notes Programme ("SNP") of up to RM7.0 billion nominal value. The proceeds from the issuance of the Senior Notes is to be utilised for AmBank's general working capital requirements.

The SNP has a tenor of up to thirty (30) years from the date of first issuance under the programme. Under the SNP, AmBank may issue Senior Notes with a tenor of more than one (1) year and up to ten (10) years provided that the Senior Notes mature prior to the expiry of the SNP. Unless previously redeemed or purchased and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of AmBank. RAM Ratings has assigned a long-term rating of AA3/Stable to the SNP. 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: 3.80% 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).

(iii) On 20 September 2010, AmIslamic Bank issued RM550 million Senior Sukuk under its programme of up to RM3 billion in nominal value. The Senior Sukuk bears profit rate at 4.3% per annum and has a tenure of seven years. The RM3 billion Senior Sukuk Musharakah Programme was reaffirmed a rating of AA2/Stable by RAM Rating Services Berhad.

(c) The Credit-Linked Notes ("CLN") is a structured investment product issued by AmBank and subscribed at nominal value. The nominal value of CLN issued and outstanding at reporting date amounted to RM300 million (2013: RM438.4 million). The CLN carries a fixed interest rate ranging from 4.0% to 4.7% per annum (2013: 4.0% to 6.0%) and will mature between 2 years to 7.5 years (2013: 3 months to 8.5 years).

24. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the commercial banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

Notes to the Financial Statements

25. DEBT CAPITAL

	Note	Group 31 March 2014 RM'000	Group 31 March 2013 RM'000
Non-Cumulative Non-Voting Guaranteed Preference Shares	(a)	674,836	662,432
Medium Term Notes	(b)	1,557,800	1,557,800
Subordinated Notes and Sukuk	(c)	1,548,562	1,000,000
Non-Innovative Tier 1 Capital Securities	(d)	500,000	500,000
Innovative Tier 1 Capital Securities	(e)	485,000	485,000
		4,766,198	**4,205,232**

(a) Non-Cumulative Non-Voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued USD200,000,000 Hybrid Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are guaranteed by AmBank on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Securities were on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank's working capital requirements.

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, at a floating rate equal to three (3) months US dollar LIBOR plus 2.90% if not redeemed on 27 January 2016. The non-cumulative dividends are payable on semi-annual basis.

(ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) under certain circumstances.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia. The Hybrid Securities qualify as Tier 1 capital under BNM's capital adequacy framework up to 31 December 2012. Effective 1 January 2013, the Hybrid Securities qualify as additional Tier 1 capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

(b) Medium Term Notes

In the financial year 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme whereby the proceeds raised from the MTN Programme had been and will be utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenor of up to 20 years from the date of the first issuance under the MTN programme. The MTN shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTN issued under the MTN Programme was included as Tier 2 capital under BNM's capital adequacy framework. Effective 1 January 2013, the MTNs are recognised as a capital instrument under Tier 2 Capital and eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

The salient features of the MTN issued are as follows:

(i) Tranche 3 amounting to RM75 million was issued on 14 March 2008 is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(ii) Tranche 5 amounting to RM75 million was issued on 28 March 2008 is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iii) Tranche 6 amounting to RM600 million was issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25% per annum.

(iv) Tranche 7 amounting to RM97.8 million was issued on 10 December 2009 is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.75% per annum.

(v) Tranche 8 amounting to RM710 million was issued on 16 October 2012 is for a tenor of 10 years Non-Callable 5 years and bears interest at 4.45% per annum.

Notes to the Financial Statements

25. DEBT CAPITAL (CONT'D.)

(b) Medium Term Notes (Cont'd.)

The interest rate of the MTN will step up by 0.5% per annum as follows:

(i) Tranche 3 – at the beginning of the 8th year
(ii) Tranche 5 – at the beginning of the 8th year
(iii) Tranche 6 – at the beginning of the 11th year
(iv) Tranche 7 – at the beginning of the 6th year

and every anniversary thereafter, preceding the maturity date of the MTN. The step up feature does not apply to Tranche 8.

(c) Subordinated Notes and Sukuk

(i) On 30 September 2011, AmIslamic Bank implemented a Subordinated Sukuk Musharakah programme ("Sukuk Musharakah") of RM2 billion. The purpose of the programme is to increase AmIslamic Bank's Tier 2 Capital. The Sukuk Musharakah is for a period of ten years. AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

On the same date, RM600 million ("First Tranche") of the Sukuk Musharakah was issued, which carries a profit rate of 4.4% per annum, and is payable on a semi-annual basis.

On 31 January 2012, RM200 million ("Second Tranche") of the Sukuk Musharakah was issued, which carries a profit rate of 4.4% per annum, and is payable on a semi-annual basis.

On 24 December 2012, RM200 million ("Third Tranche") of the Sukuk Musharakah was issued, which carries a profit rate of 4.5% per annum, and is payable on a semi-annual basis.

The Sukuk Musharakah qualify as Tier 2 Capital under BNM's capital adequacy framework. Effective 1 January 2013, the Sukuk Musharakah qualify as Tier 2 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

AmIslamic Bank has repurchased on the market and subsequently cancelled RM200.0 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.

(ii) On 28 February 2014, AmIslamic 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 AmIslamic 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.

The programme has a tenure 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 ofissuance of each tranche. The Tier 2 Subordinated Notes have been assigned a credit rating of AA3 by RAM Rating Services Berhad.

On 28 February 2014, AmIslamic 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, AmIslamic 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.

The full amount of both tranches issued qualify for recognition of capital adequacy ratio computation.

Notes to the Financial Statements

25. DEBT CAPITAL (CONT'D.)

(c) Subordinated Notes and Sukuk (Cont'd.)

(iii) On 30 December 2013, the 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.

(d) Non-Innovative Tier 1 Capital Securities

In financial year 2009, AmBank issued up to RM500 million Non-Innovative Tier 1 Capital ("NIT1") under its programme of up to RM500 million in nominal value comprising :

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and

(ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank.

(collectively known as "Stapled Capital Securities")

The SubNotes has a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of AmBank on the 20th interest payment date or 10 years from the issuance date of the SubNotes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The SubNotes have a tenure of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of assignment events as stipulated under the terms of the Stapled Capital Securities.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. Effective 1 January 2013, the Stapled Capital Securities qualify as additional Tier 1 capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

(e) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier 1 Capital Securities under its RM500 million Innovative Tier 1 Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25% per annum) and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

Effective 1 January 2013, the ITICS qualify as Additional Tier 1 capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

Notes to the Financial Statements

26. OTHER LIABILITIES

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Trade payables	659,944	930,052	–	–
Other payables and accruals	1,838,615	3,060,729	34,825	34,241
Interest payable on deposits and borrowings	736,777	712,649	8,792	10,656
Lease deposits and advance rental	19,526	29,401	–	–
Provision for commitments and contingencies (i)	174,965	204,795	–	–
Bank overdrafts	759	–	–	–
Amount due to subsidiaries	–	–	9,009	2,980
Profit equalisation reserve (ii)	1,571	1,659	–	–
Tax payable	23,179	107,405	–	–
	3,455,336	**5,046,690**	**52,626**	**47,877**

Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiaries and represent contra gains owing to clients and amount payable in outstanding sales contracts.

(i) Provision for commitments and contingencies

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	204,795	249,472
Writeback made during the year, net	(30,519)	(51,568)
Amount reversed	(202)	–
Foreign exchange differences	891	(155)
Arising from acquisition of MBF Cards (M'sia) Sdn Bhd	–	7,046
Balance at end of financial year	**174,965**	**204,795**

(ii) Profit equalisation reserve

The movements in profit equalisation reserve relating to the Islamic banking business are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	1,659	3,294
Transfer to non distributable PER	–	(1,495)
Provision during the financial year	10,743	9,429
Utilisation during the financial year	(10,831)	(9,569)
Balance at end of financial year	**1,571**	**1,659**

Notes to the Financial Statements

27. SHARE CAPITAL

	Group and Company			
	Number of ordinary share of RM1.00 each		Amount	
	31 March 2014 Units '000	31 March 2013 Units '000	31 March 2014 RM'000	31 March 2013 RM'000
Authorised:				
Ordinary shares of RM1.00 each	5,000,000	5,000,000	5 ,000,000	5,000,000
Converting preferences shares of RM1.00 each	200,000	200,000	200,000	200,000
Balance at beginning and end of financial year	**5,200,000**	**5,200,000**	**5,200,000**	**5,200,000**
Issued and fully paid:				
Ordinary shares of RM1.00 each				
Balance at beginning and end of financial year	**3,014,185**	**3,014,185**	**3,014,185**	**3,014,185**

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

The Company has an Executives' Share Scheme under which options to subscribe for the Company's ordinary shares have been granted to certain employees of the Group.

28. RESERVES

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Share premium	2,537,372	2,537,372	2,536,065	2,536,065
Other reserves (Note b)	1,989,121	1,974,574	79,456	83,196
Shares held in trust for ESS	(58,434)	(74,938)	(58,434)	(74,938)
Unallocated surplus	132,993	110,364	–	–
Retained earnings (Note a)	5,527,704	4,506,179	2,454,052	2,544,374
	10,128,756	**9,053,551**	**5,011,139**	**5,088,697**

(a) The Company will distribute dividends out of its entire retained earnings under the single-tier system.

Notes to the Financial Statements

28. RESERVES (CONT'D.)

(b) The other reserves and their movements are analysed as follows:

Group	Statutory reserve RM'000	Profit equalisation reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2012	1,815,220	–	60,311	(11,761)	1,734	80,087	1,945,591
Restatement (Note 59)	–	–	(15,560)	–	–	–	(15,560)
At 1 April 2012 (restated)	1,815,220	–	44,751	(11,761)	1,734	80,087	1,930,031
Other comprehensive income/(loss):							
Financial investments available-for-sale:							
Net unrealised gains on changes in fair value	–	–	45,630	–	–	–	45,630
Net gains reclassified to income statement	–	–	(70,752)	–	–	–	(70,752)
Net unrealised gains on cash flow hedge	–	–	–	(1,178)	–	–	(1,178)
Foreign exchange differences	–	–	–	–	(7,856)	–	(7,856)
Income tax relating to components of other comprehensive loss	–	–	9,432	295	–	–	9,727
	–	–	(15,690)	(883)	(7,856)	–	(24,429)
Transactions with owners:							
Share-based payment under ESS	–	–	–	–	–	51,376	51,376
ESS shares vested to employees of subsidiaries	–	–	–	–	–	(48,267)	(48,267)
Transfer in under previous guideline	–	1,495	–	–	–	–	1,495
Net utilisation for the financial year	–	(182)	–	–	–	–	(182)
Transferred from retained earnings	64,550	–	–	–	–	–	64,550
	64,550	1,313	–	–	–	3,109	68,972
At 31 March 2013	**1,879,770**	**1,313**	**29,061**	**(12,644)**	**(6,122)**	**83,196**	**1,974,574**

Notes to the Financial Statements

28. RESERVES (CONT'D.)

(b) The other reserves and their movements are analysed as follows: (Cont'd.)

Group	Statutory reserve RM'000	Profit equalisation reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2013	1,879,770	1,313	29,487	(12,644)	(6,122)	83,196	1,975,000
Restatement (Note 59)	–	–	(426)	–	–	–	(426)
At 1 April 2013 (restated)	1,879,770	1,313	29,061	(12,644)	(6,122)	83,196	1,974,574
Other comprehensive income/(loss):							
Financial investments available-for-sale:							
Net unrealised losses on changes in fair value	–	–	(33,831)	–	–	–	(33,831)
Net losses reclassified to income statement	–	–	(62,651)	–	–	–	(62,651)
Net unrealised losses on cash flow hedge	–	–	–	20,898	–	–	20,898
Foreign exchange differences	–	–	–	–	14,335	–	14,335
Income tax relating to components of other comprehensive loss	–	–	25,734	(5,224)	–	–	20,510
	–	–	(70,748)	15,674	14,335	–	(40,739)
Transactions with owners:							
Share-based payment under ESS	–	–	–	–	–	35,945	35,945
ESS shares vested to employees of subsidiaries	–	–	–	–	–	(39,685)	(39,685)
Transfer in under previous guideline	–	–	–	–	–	–	–
Net utilisation for the financial year	–	(53)	–	–	–	–	(53)
Transferred from retained earnings	59,079	–	–	–	–	–	59,079
	59,079	(53)	–	–	–	(3,740)	55,286
At 31 March 2014	**1,938,849**	**1,260**	**(41,687)**	**3,030**	**8,213**	**79,456**	**1,989,121**

Notes to the Financial Statements

28. RESERVES (CONT'D.)

(b) The other reserves and their movements are analysed as follows: (Cont'd.)

Company	Statutory reserve RM'000	Profit equalisation reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2012	–	–	–	–	–	80,087	80,087
Other comprehensive income	–	–	–	–	–	–	–
Transactions with owners:							
Share-based payment under ESS	–	–	–	–	–	51,376	51,376
ESS shares vested to employees of subsidiaries	–	–	–	–	–	(48,267)	(48,267)
	–	–	–	–	–	3,109	3,109
At 31 March 2013	**–**	**–**	**–**	**–**	**–**	**83,196**	**83,196**
At 1 April 2013	–	–	–	–	–	83,196	83,196
Other comprehensive income	–	–	–	–	–	–	–
Transactions with owners:							
Share-based payment under ESS	–	–	–	–	–	35,945	35,945
ESS shares vested to employees of subsidiaries	–	–	–	–	–	(39,685)	(39,685)
	–	–	–	–	–	(3,740)	(3,740)
At 31 March 2014	**–**	**–**	**–**	**–**	**–**	**79,456**	**79,456**

Note:

(i) Share premium is used to record premium arising from new shares issued in the Company.

(ii) Statutory reserve is maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989. The statutory reserve is not distributable as cash dividends. When Financial Servcies Act ("FSA") 2013 and Islamic Financial Service Act ("IFSA") 2013 came into effect to replace the repealed BAFIA, the maintenance of this reserve is in accordance with Section47(2)(f) of the FSA and Section 57(2)(f) of the IFSA.

(iii) Available-for-sale reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.

(iv) Cash flow hedging reserve comprises the portion of the gains or losses on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(v) Foreign currency translation reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(vi) Executives' Share Scheme reserve represents the equity-settled scheme shares and options granted to employees (Note 29). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the scheme shares and options.

(vii) Shares held in trust for ESS represent shares purchased under the Executives' Share Scheme as mentioned in Note 29.

Notes to the Financial Statements

29. EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company to establish an executives' share scheme ("ESS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The members of the ESS Committee are duly appointed and authorised by the Board. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise of shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the ESS Committee.

The awards included in the "ESS" are :

(i) Short term Incentive ("STI") Award

The STI Award is a share incentive scheme for the selected executives in recognition of their services as an important contribution to the current on-going development, growth and success of the Group. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon the fulfilment of the service period and such other conditions (if any) imposed by the ESS Committee.

(ii) Long term Incentive ("LTI") Award

The LTI Award is a share incentive scheme for the selected executives in motivating attainment of higher performance goals and exceptional achievements by selected executives. Under the Award, a selected executive is granted a specified number of shares and share options which will be vested in him upon fulfilment of the service period as well as fulfilment of certain performance targets and such other conditions (if any) imposed by the ESS Committee.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with an appointed Trustee. The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

ESS is implemented wherein shares ("Scheme Shares") and/or options to subscribe for shares ("Option") are granted to eligible directors and executives of the Company and its subsidiaries based on the financial and performance targets/criteria and such other conditions as it may deem fit.

The salient features of the ESS are as follows:

(i) Any executive director or executive of a corporation in the Group, subject to the discretion of the ESS Committee, shall be eligible to participate in the ESS, if the executive director or executive meets the following criteria ("Eligible Executives"):

(a) has attained the age of eighteen (18) years and is not an undischarged bankrupt;

(b) employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice of resignation or received a notice of termination;

(c) employment has been confirmed in writing;

(d) in the case of an executive director of the Company, the specific allocation of shares made available to him and options to subscribe for shares by the Company to him in his capacity as an executive director under the ESS has been approved by the shareholders at a general meeting;

Notes to the Financial Statements

29. EXECUTIVES' SHARE SCHEME (CONT'D.)

(e) if he is serving in a specific designation under an employment contract for a fixed duration but not merely employed for a specific project;

(f) is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the ESS Committee shall so determine; and

(g) fulfils any other criteria and/or falls within such category as may be set by the ESS Committee from time to time.

(ii) The maximum number of shares which may be made available under the ESS shall not exceed in aggregate fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point of time during the tenure of the ESS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to executive directors and senior management. In addition, not more than ten percent (10%) of the shares available under the ESS shall be allocated to any Eligible Executive who, either individually or collectively through persons connected to him/her, holds twenty percent (20%) or more of the issued and paid-up ordinary share capital of the Company.

(iii) The Share Grant Price (being the reference price which is used to determine the number of Scheme Shares to be granted under the awards) and Option Price (being the share price to be paid for subscription or acquisition of each Scheme Share pursuant to the exercise of the option) may be at a discount (as determined by the ESS Committee) of not more than ten percent (10%) of the five (5) days weighted average market price of the Company's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or the par value of the shares at the material time, whichever is higher.

(iv) The Scheme Shares to be allotted and issued or transferred to Scheme Participant pursuant to the By-Laws are not subjected to any retention period unless otherwise stipulated by the ESS Committee in the offer.

(v) The ESS Committee may in its discretion decide that the Scheme Shares be satisfied either by way of issuance of new ordinary shares, acquisition of existing ordinary shares or a combination of both issuance of new ordinary shares and acquisition of existing ordinary shares.

(vi) The Company established a Trust administered by a Trustee for the purposes of subscribing for new ordinary shares of the Company and/or acquiring existing ordinary shares of the Company and transferring them to the Scheme Participants. For this purpose and to pay expenses in relation to the administration of the Trust, the Trustee is entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The following shares were granted under STI Award:

(a) Share Grants

	Number of Shares					
		Movements During the Year				
	Balance at 1 April 2013 '000	Granted '000	Transferred '000	Vested '000	Forfeited '000	Balance at 31 March 2014 '000
Group						
2010 ESS	4	–	–	–	–	4
2011 ESS	1,825	–	–	(1,814)	(11)	–
2012 ESS	3,633	6	–	(1,886)	(189)	1,564
2013 ESS	–	2 ,367	–	(13)	(100)	2,254
	5,462	**2,373**	**–**	**(3,713)**	**(300)**	**3,822**
Company						
2010 ESS	–	–	–	–	–	–
2011 ESS	155	–	–	(155)	–	–
2012 ESS	255	6	–	(195)	–	66
2013 ESS	–	195	–	–	–	195
	410	**201**	**–**	**(350)**	**–**	**261**

Notes to the Financial Statements

29. EXECUTIVES' SHARE SCHEME (CONT'D.)

The following shares and options were granted under LTI Award:

(a) Share Grants

	Number of Shares					
		Movements During the Year				
	Balance at 1 April 2013 '000	Granted '000	Transferred '000	Vested '000	Forfeited '000	Balance at 31 March 2014 '000
Group						
2009 ESS	–	–	–	–	–	–
2010 ESS	1,970	–	–	(1,480)	(490)	–
2011 ESS	3,838	–	–	(77)	(307)	3,454
2012 ESS	4,364	10	–	(36)	(442)	3,896
2013 ESS	–	3,974	–	(3)	(193)	3,778
	10,172	**3,984**	**–**	**(1,596)**	**(1,432)**	**11,128**
Company						
2009 ESS	–	–	–	–	–	–
2010 ESS	76	–	–	(57)	(19)	–
2011 ESS	208	–	–	(43)	(50)	115
2012 ESS	214	10	–	(26)	(68)	130
2013 ESS	–	127	–	–	–	127
	498	**137**	**–**	**(126)**	**(137)**	**372**

(b) Share Options

	Number of Options					
		Movements During the Year				
	Balance at 1 April 2013 '000	Granted '000	Transferred '000	Exercised '000	Forfeited '000	Balance at 31 March 2014 '000
Group						
2008 ESS	1,030	–	–	(979)	(16)	35
2009 ESS	2,158	–	–	(997)	–	1,161
2010 ESS	7,814	–	–	(2,875)	(2,015)	2,924
	11,002	**–**	**–**	**(4,851)**	**(2,031)**	**4,120**
WAEP* (RM)	4.16	–	–	3.87	4.71	4.24
Company						
2009 ESS	325	–	–	(325)	–	–
2010 ESS	546	–	–	(358)	(136)	52
	871	**–**	**–**	**(683)**	**(136)**	**52**
WAEP* (RM)	4.10	–	–	3.93	4.73	4.73

* WAEP: Weighted average exercise price

Number of options exercisable at the end of the financial year amounted to 4,120,500 (2013: 3,191,200).

Notes to the Financial Statements

29. EXECUTIVES' SHARE SCHEME (CONT'D.)

(c) Aggregate maximum and actual percentage granted in regard to Share Grants and Share Options to directors and key management personnel.

	Share Grants	
	Maximum allocation %	Actual allocation %
Group		
2008 ESS	9.8	9.8
2009 ESS	10.0	10.0
2010 ESS	16.0	16.0
2011 ESS	15.2	15.2
2012 ESS	16.2	16.2
2013 ESS	14.6	14.6

	Share Options	
	Maximum allocation %	Actual allocation %
Group		
2008 ESS	16.5	16.5
2009 ESS	17.5	17.5
2010 ESS	14.6	14.6

(vii) Details of share options and share grants at the end of the financial year:

(a) 2008 ESS

The exercise price of the 2008 share options is RM2.20. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2008 to 31 March 2012, upon fulfilment of the conditions stipulated.

(b) 2009 ESS

The exercise price of the 2009 share options is RM3.05. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2009 to 31 March 2013, upon fulfilment of the conditions stipulated.

(c) 2010 ESS

The exercise price of the 2010 share options is RM4.73. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2010 to 31 March 2013, upon fulfilment of the conditions stipulated.

The weighted average remaining contractual life of the above options at end of financial year is 1.8 years (2013: 2.8 years).

(viii) Share options exercised during the year

For share options exercised during the financial year, the weighted average share price during the exercise period was RM7.32.

Notes to the Financial Statements

29. EXECUTIVES' SHARE SCHEME (CONT'D.)

(ix) Fair value of share options and share grants awarded at end of financial year:

The fair value of share options granted was estimated using the trinomial valuation model, taking into account the terms and conditions upon which the options/shares were granted. The fair value of share options measured at grant date based on the following assumptions:

	2013 ESS	2012 ESS	2011 ESS	2010 ESS	2009 ESS	2008 ESS
Fair value of shares as at grant dates (RM)						
- 10 April 2009	–	–	–	–	–	2.76
- 21 July 2009	–	–	–	–	3.78	–
- 21 July 2010	–	–	–	5.12	–	–
- 21 July 2011	–	–	6.34	–	–	–
- 11 July 2012	–	6.49	–	–	–	–
- 15 August 2013	7.97	–	–	–	–	–
Fair value of share options as at grant dates (RM)						
- 10 April 2009	–	–	–	–	–	1.06
- 21 July 2009	–	–	–	–	1.48	–
- 21 July 2010	–	–	–	1.81	–	–
Weighted average share price (RM)	7.27	6.39	6.40	4.98	3.39	2.44
Weighted average exercise price (RM)	–	–	–	4.73	3.05	2.20
Expected volatility (%)	–	–	–	40.00	40.00	38.00
First possible exercise date	–	–	–	31 Mar 2013	25 June 2012	11 Mar 2012
Option expiry date	–	–	–	31 Mar 2016	23 June 2015	11 Mar 2015
Average risk free rate (%)	–	–	–	4.23	4.50	3.30
Average expected dividend yield (%)	–	–	–	3.66	2.40	2.02

The expected life of the share options is based on the exercisable period of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility used was based on the historical volatility of the share price over a period equivalent to the expected life of the options prior to its date of grant, which assumed that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option share option/share award were incorporated into the measurement of fair value.

The fair value of shares granted under the ESS is measured at acceptance date, using the closing price of the Company's shares.

30. NON-CONTROLLING INTERESTS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	873,594	380,841
Share in net results of subsidiaries	78,522	32,778
Transfer of ESS shares recharged difference on purchase price for shares vested	(68)	(379)
Unallocated surplus transfer	–	21,782
Subscription of shares in AmPrivate Equity	–	(8,318)
Subscription of shares in AmGeneral Holdings Berhad	–	572,882
Disposal of equity interest in AmLife Insurance Berhad and AmFamily Takaful Berhad	–	(124,732)
Dividends received by non-controlling interests	(600)	(1,260)
Balance at end of financial year	**951,448**	**873,594**

Notes to the Financial Statements

31. INTEREST INCOME

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Short-term funds and deposits with financial institutions	249,933	245,421	8,789	7,410
Financial assets held-for-trading	144,041	293,636	–	–
Financial investments available-for-sale	206,803	217,928	–	–
Financial investments held-to-maturity	189,788	59,735	–	–
Loans, advances and financing	3,863,959	3,682,438	–	–
Impaired loans, advances and financing	4,891	4,803	–	–
Others	17,618	19,468	–	–
	4,677,033	**4,523,429**	**8,789**	**7,410**

32. INTEREST EXPENSE

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Deposits from customers	1,846,924	1,762,621	–	–
Deposits and placements of banks and other financial institutions	46,090	65,599	–	–
Senior notes	193,978	164,290	66,867	32,271
Credit-Linked Notes	18,960	25,410	–	–
Recourse obligation on loans sold to Cagamas Berhad	40,825	40,872	–	–
Term loans	26,407	27,478	10,877	10,865
Subordinated deposits and term loans	21,754	23,299	–	–
Interest on bonds	5,237	–	–	–
Medium term notes	82,819	94,973	–	–
Hybrid and Innovative Tier 1 capital securities	81,735	80,287	–	–
Others	40,377	20,152	–	–
	2,405,106	**2,304,981**	**77,744**	**43,136**

Notes to the Financial Statements

33. OTHER OPERATING INCOME

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Fee income:				
Fees on loans, financing and securities	286,645	213,544	–	–
Corporate advisory	35,893	28,299	–	–
Guarantee fees	50,368	42,201	–	–
Underwriting commission	3,969	14,046	–	–
Portfolio management fees	34,752	32,828	–	–
Unit trust management fees	101,397	99,191	–	–
Brokerage rebates	512	408	–	–
Property trust management fees	6,305	6,091	–	–
Brokerage fees and commission	78,835	77,207	–	–
Wealth management fees	24,157	24,069	–	–
Other fee and commission income	90,739	92,718	150	460
	713,572	630,602	150	460
Investment and trading income:				
Net gain/(loss) from sale of financial assets held-for-trading	(43,571)	34,068	–	–
Net gain from sale of financial investments available-for-sale	96,254	70,752	–	–
Net gain on redemption of financial investments held-to-maturity	8,319	41,602	–	–
Net gain/(loss) on revaluation of financial assets held-for-trading	(72,216)	3,338	–	–
Net foreign exchange gain[1]	122,046	91,755	–	–
Net gain on derivatives	59,696	57,078	–	–
Gross dividend income from:				
Subsidiaries	–	–	651,579	993,625
Financial assets held-for-trading	9,096	11,529	–	–
Financial investments available-for-sale	58,570	31,466	5,603	10,470
Others	(85)	(237)	–	–
	238,109	341,351	657,182	1,004,095
Other income:				
Net non-trading foreign exchange gain/(loss)	(1,963)	1,380	–	–
Gain/(Loss) on disposal of property and equipment	461	(1,653)	(202)	11
Rental income	11,525	7,610	–	–
Others	64,569	23,961	–	–
	74,592	31,298	(202)	11
	1,026,273	**1,003,251**	**657,130**	**1,004,566**

[1] Foreign exchange gain includes gains and losses from spot and forward contracts and other currency derivatives.

Notes to the Financial Statements

34. OTHER OPERATING EXPENSES

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Personnel costs:				
Salaries, allowances and bonuses	957,869	911,867	–	–
Shares/options granted under Executives' Share Scheme ("ESS")	35,945	51,376	–	–
Others	261,693	253,621	224	59
	1,255,507	1,216,864	224	59
Establishment costs:				
Depreciation of property and equipment (Note 18)	67,123	62,286	316	562
Amortisation of intangible assets (Note 19)	94,272	99,918	–	–
Computerisation costs	175,429	178,626	–	–
Rental	101,647	98,545	–	–
Cleaning, maintenance and security	30,391	25,755	3	1
Others	44,342	34,053	20	20
	513,204	499,183	339	583
Marketing and communication expenses:				
Sales commission	12,920	4,560	–	–
Advertising, promotional and other marketing activities	70,592	67,180	295	223
Telephone charges	17,904	19,757	13	14
Postage	16,837	18,036	7	5
Travel and entertainment	25,634	25,335	25	41
Others	35,688	29,911	42	152
	179,575	164,779	382	435
Administration and general expenses:				
Professional services	108,734	94,762	2,506	2,501
Donations	5,848	2,994	–	–
Administration and management expenses	4,643	2,536	–	–
Others	96,157	87,008	3,638	2,649
	215,382	187,300	6,144	5,150
Expenses capitalised	(42,035)	(26,562)	–	–
	2,121,633	**2,041,564**	**7,089**	**6,227**

The above expenditure includes the following statutory disclosure:

Directors' remuneration (Note 35)	11,611	8,565	8,747	5,841
Intangible assets written off (Note 19)	4	–	–	–
Property and equipment written off (Note 18)	970	141	–	–
Hire of motor vehicles and office equipment	17,228	14,944	20	19
Auditors' remuneration:				
Parent auditor				
Audit	2,600	3,654	76	101
Assurance related	895	833	5	5
Other services	1,045	344	–	55
Firms affiliated with parent auditor				
Audit	215	214	–	–
Other services	–	–	–	–
Other auditors				
Audit	71	93	–	–
Rental of premises	101,647	98,545	–	–

Personnel cost include salaries, bonuses, contributions to defined contribution plan and all other staff related expenses. Contributions to defined contribution plan of the Group amounted to RM141,228,000 (2013: RM131,350,000) of which RM120,867,000 (2013: RM123,252,000) was contributed to the state pension scheme Employees' Provident Fund, a substantial shareholder of the Company.

Notes to the Financial Statements

35. DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

31 March 2014	Fees RM'000	Remuneration received from Group Salaries RM'000	Other Emolument RM'000	Bonus RM'000	Benefits-in-kind RM'000	Group Total RM'000
Executive Directors:						
Ashok Ramamurthy	208 *	1,794	2,508	1,364	72	5,946
	208	1,794	2,508	1,364	72	5,946
Non-Executive Directors:						
Tan Sri Azman Hashim	655	–	2,349	–	47	3,051
Dato' Azlan Hashim	95	–	46	–	3	144
Tun Mohammed Hanif Omar	315	–	100	–	–	415
Tan Sri Datuk Dr Aris Osman @ Othman	165	–	169	–	–	334
Tan Sri Datuk Clifford Francis Herbert	315	–	253	–	–	568
Shayne Cary Elliott	71	–	8	–	–	79
Gilles Planté	90	–	64	–	–	154
Allistair Marshall Bulloch	–	–	–	–	–	–
Mark David Whelan *	90	–	38	–	–	128
Soo Kim Wai	90 *	–	32	–	–	122
Dato' Gan Nyap Liou @ Gan Nyap Liow	240	–	216	–	–	456
Dato' Rohana binti Mahmood	155	–	55	–	–	210
Alexander Vincent Thursby	4	–	–	–	–	4
	2,285	–	3,330	–	50	5,665
Total Directors' remuneration	**2,493**	**1,794**	**5,838**	**1,364**	**122**	**11,611**

31 March 2013	Fees RM'000	Remuneration received from Group Salaries RM'000	Other Emolument RM'000	Bonus RM'000	Benefits-in-kind RM'000	Group Total RM'000
Executive Directors:						
Cheah Tek Kuang	300 *	–	96	–	–	396
Ashok Ramamurthy	180 *	1,656	756	945	106	3,643
	480	1,656	852	945	106	4,039
Non-Executive Directors:						
Tan Sri Azman Hashim	289	–	2,305	–	35	2,629
Dato' Azlan Hashim	82	–	18	–	6	106
Tun Mohammed Hanif Omar	265	–	134	–	–	399
Tan Sri Datuk Dr Aris Osman @ Othman	176	–	68	–	–	244
Tan Sri Datuk Clifford Francis Herbert	296	–	182	–	–	478
Tan Sri Dato' Mohd Ibrahim Mohd Zain	–	–	–	–	–	–
Dato' Izham Mahmud	82	–	–	–	–	82
Alexander Vincent Thursby *	72	–	10	–	–	82
Dr Robert John Edgar *	10	–	–	–	–	10
Mark David Whelan *	82	–	25	–	–	107
Soo Kim Wai	72 *	–	18	–	–	90
Dato' Gan Nyap Liou @ Gan Nyap Liow	124	–	110	–	–	234
Dato' Rohana binti Mahmood	53	–	12	–	–	65
	1,603	–	2,882	–	41	4,526
Total Directors' remuneration	**2,083**	**1,656**	**3,734**	**945**	**147**	**8,565**

* Paid to the respective companies to which they represent.

Notes to the Financial Statements

36. ACQUISITION AND BUSINESS EFFICIENCY EXPENSES

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Acquisition costs:		
Professional fees	–	17,196
Others	–	6,781
	–	23,977
Business efficiency costs:		
Personnel costs	7,422	2,439
Professional fees	19,014	12,127
Depreciation of property and equipment (Note 18)	2,215	53
Amortisation of intangible assets (Note 19)	206	53
Others	422	6,777
	29,279	21,449
	29,279	**45,426**

37. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Allowance for impaired loans, advances and financing:		
Individual allowance, net	216,720	287,718
Collective allowance, net	602,488	455,228
Recovery from loans sold to Danaharta	(2,950)	(3,880)
Impaired loans, advances and financing:		
Written off	–	140
Recovered, net	(748,498)	(565,919)
	67,760	**173,287**

38. IMPAIRMENT LOSSES/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Financial investments available-for-sale	12,606	(6,523)
Financial investments held-to-maturity	(6,046)	5,723
	6,560	**(800)**

Notes to the Financial Statements

39. TAXATION AND ZAKAT

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Current tax:				
Estimated current tax payable	514,020	542,695	2,147	1,629
Under/(Over) provision in prior years	30,429	(138,570)	2,734	–
	544,449	404,125	4,881	1,629
Deferred tax:				
Origination and reversal of temporary differences	9,692	(35,843)	–	–
Under provision in prior years	21,886	105,587	–	–
	31,578	69,744	–	–
Taxation	576,027	473,869	4,881	1,629
Zakat	1,156	1,630	–	–
	577,183	**475,499**	**4,881**	**1,629**

Domestic income tax is calculated at the statutory tax rate of 25.0% (2013: 25.0%) on the estimated chargable profit for the financial year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of the taxation applicable to profit before taxation and zakat at the statutory tax rate to taxation at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Profit before taxation and zakat	2,448,238	2,138,987	581,086	962,613
Taxation at Malaysian statutory tax rate of 25.0% (2013: 25.0%)	612,060	534,747	145,272	240,653
Effect of different tax rates in Labuan and certain subsidiaries	(18,803)	(8,309)	–	–
Under/(Over) provision of income tax in prior years	30,429	(138,570)	2,734	–
Income not subject to tax	(127,043)	(40,722)	(164,296)	(251,026)
Expenses not deductible for tax purposes	113,690	45,252	21,171	12,002
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(68,495)	(18,982)	–	–
Deferred tax asset/Tax recoverable recognised on income subject to tax remission	(2,745)	(7,409)	–	–
Under provision of deferred tax in prior years	21,886	105,587	–	–
Deferred tax assets not recognised	15,048	2,275	–	–
Taxation for the year	**576,027**	**473,869**	**4,881**	**1,629**

Notes to the Financial Statements

40. OTHER COMPREHENSIVE INCOME

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Items that are or may be reclassified to income statement				
Exchange differences on translation of				
- foreign operations	8,270	(4,815)	–	–
- net investment hedge	6,020	(3,066)	–	–
	14,290	(7,881)	–	–
Cash flow hedge:				
Gains/(Losses) arising during the year	22,301	3,004	–	–
Less: Reclassification adjustments for gains included in the income statement	(1,403)	(4,182)	–	–
	20,898	(1,178)	–	–
Financial investments available-for-sale				
Gains/(losses) arising during the year	(11,050)	35,669	–	–
Less: Reclassification adjustments for gains included in the income statement	(96,254)	(70,752)	–	–
	(107,304)	(35,083)	–	–
Items that are not be reclassified to income statement				
Remeasurement of defined benefit liability	1,942	–	–	–
Total other comprehensive income	(70,174)	(44,142)	–	–
Income tax relating to other comprehensive income (Note a)	20,024	9,727	–	–
	(50,150)	**(34,415)**	**–**	**–**

(a) Income tax effects relating to other comprehensive income

Group	Before tax RM'000	Tax credit/ (charge) RM'000	Net of tax RM'000
31 March 2014			
Foreign exchange differences on translating foreign operations	14,290	–	14,290
Net movement on cash flow hedge	20,898	(5,224)	15,674
Available-for-sale financial investments	(107,304)	25,734	(81,570)
Remeasurement of defined benefit liability	1,942	(486)	1,456
	(70,174)	**20,024**	**(50,150)**
31 March 2013			
Foreign exchange differences on translating foreign operations	(7,881)	–	(7,881)
Net movement on cash flow hedge	(1,178)	295	(883)
Available-for-sale financial investments	(35,083)	9,432	(25,651)
	(44,142)	**9,727**	**(34,415)**

Notes to the Financial Statements

41. EARNINGS PER SHARE

(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 year.

	Group		Company	
	31 March 2014 RM'000/'000	31 March 2013 RM'000/'000	31 March 2014 RM'000/'000	31 March 2013 RM'000/'000
Net profit attributable to equity holders of the Company	1,782,380	1,620,724	576,205	960,984
Weighted average number of ordinary shares in issue	3,014,185	3,014,185	3,014,185	3,014,185
Effect of ordinary shares purchased for the ESS, net of number vested to eligible executives	(8,186)	(15,088)	(8,186)	(15,088)
	3,005,999	**2,999,097**	**3,005,999**	**2,999,097**
Basic earnings per share (sen)	59.29	54.04	19.17	32.04

(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 during the year plus dilutive effect of share options vested but not exercised by eligible executives under the ESS as at the reporting date.

	Group		Company	
	31 March 2014 RM'000/'000	31 March 2013 RM'000/'000	31 March 2014 RM'000/'000	31 March 2013 RM'000/'000
Net profit attributable to equity holders of the Company	1,782,380	1,620,724	576,205	960,984
Weighted average number of ordinary shares in issue (as in (a) above)	3,005,999	2,999,097	3,005,999	2,999,097
Effect of executives' share scheme	1,917	1,811	1,917	1,811
	3,007,916	**3,000,908**	**3,007,916**	**3,000,908**
Diluted earnings per share (sen)	59.26	54.01	19.16	32.02

42. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
In respect of financial year ended 2014	
Interim single tier dividend of 7.2% on 3,014,184,844 ordinary shares of RM1.00 each	217,021
Proposed final single tier dividend of 16.9% on 3,014,184,844 ordinary shares of RM1.00 each	509,397
In respect of financial year ended 2013	
Interim single tier dividend of 7.0% on 3,014,184,844 ordinary shares of RM1.00 each	210,993
Proposed final single tier dividend of 15.0% on 3,014,184,844 ordinary shares of RM1.00 each	452,128

Notes to the Financial Statements

42. DIVIDENDS (CONT'D.)

During the financial year, the Company paid a final dividend of 15.0% in respect of financial year ended 31 March 2013 amounting to RM452,127,727 on 12 September 2013 to shareholders whose names appeared 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.

The directors now propose the payment of final single tier dividend of 16.9% in respect of the current financial year ended 31 March 2014, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2015.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operational decisions, vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Company are:

(i) Subsidiaries

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation. Details of subsidiaries are shown in Note 15.

(ii) Associates

An associate is a Company in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not in control or joint control over those policies. Details of associates are disclosed in Note 16.

(iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company directly or indirectly. The key management personnel of the Group and the Company include Executive and Non-Executive Directors of the Company and certain members of senior management of the Group and heads of major subsidiaries (including close member of their families) of the Group.

(iv) Companies in which certain directors have substantial financial interest

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Company.

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Company.

Notes to the Financial Statements

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Group										
Income										
Interest on loans, advances and financing	–	–	–	–	83	128	–	–	–	–
	–	**–**	**–**	**–**	**83**	**128**	**–**	**–**	**–**	**–**
Expenses										
Interest on deposits	–	–	–	–	1,120	1,165	–	–	–	–
Rental of premises	–	–	–	–	–	–	58,664	51,804	–	–
Insurance premiums	–	–	–	–	–	–	29,235	19,674	–	–
Cleaning and maintenance	–	–	–	–	–	–	–	–	–	–
Travelling expenses	–	–	–	–	–	–	6,288	5,376	–	–
Computer maintenance	–	–	–	–	–	–	9,340	9,650	–	–
Europay, Mastercard, Visa card personalization, fulfilment services	–	–	–	–	–	–	357	404	–	–
Food and beverage	–	–	–	–	–	–	108	291	–	–
Information service provider	–	–	–	–	802	989	–	–	–	–
Training and consultancy	–	–	–	–	3,988	255	2,661	3,589	–	–
	–	**–**	**–**	**–**	**5,910**	**2,409**	**106,653**	**90,788**	**–**	**–**
Capital expenditure										
Purchase of computer hardware and software	**–**	**–**	**–**	**–**	**–**	**–**	**2,578**	**8,685**	**–**	**–**
Company										
Income										
Interest on deposits	8,789	7,410	–	–	–	–	–	–	–	–
Investments income	5,603	1 0,470	–	–	–	–	–	–	–	–
Dividend income – gross	651,579	993,625	–	–	–	–	–	–	–	–
	665,971	**1,011,505**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Notes to the Financial Statements

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(b) The significant outstanding balances of the Group and the Company with its related parties are as follows:

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Group										
Amount due from:										
Loan (hire purchase, credit card, personal loan and housing loan)	–	–	–	–	5,267	8,557	–	–	–	–
Amount due to:										
Deposits and placements	–	–	–	–	60,171	54,630	–	–	–	–
	–	**–**	**–**	**–**	**65,438**	**63,187**	**–**	**–**	**–**	**–**
Company										
Amount due from:										
Cash and short-term funds	53,189	5,470	–	–	–	–	–	–	–	–
Money at call and deposits	–	36,880	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	212,103	55,675	–	–	–	–	–	–	–	–
Interest receivables	647	217	–	–	–	–	–	–	–	–
	265,939	**98,242**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amount due to:										
Amount due to subsidiaries	9,009	2,980	–	–	–	–	–	–	–	–
	9,009	**2,980**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

(c) There were no granting of loans to the Directors of the Company. Loans made to other key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. All related party transctions are conducted at arm's length basis and on normal commercial term which are not more favourable than those generally available to the public. No provisions have been recognised in respect of loans given to key management personnel (2013: Nil).

(d) Key management personnel compensation

The remuneration of Directors and other key management personnel during the financial year are as follows:

	Group		Company	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Directors:				
Fees	2,493	2,083	990	679
Salaries and other remuneration	8,996	6,335	1,980	1,663
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	122	147	50	36
Total short-term employee benefits	**11,611**	**8,565**	**3,020**	**2,378**
Other key management personnel:				
Salaries and other remuneration	36,847	30,930	–	–
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	1,384	3,523	–	–
Total short-term employee benefits	**38,231**	**34,453**	**–**	**–**

Notes to the Financial Statements

44. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group	
	31 March 2014	31 March 2013
Outstanding credit exposures with connected parties (RM'000)	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 impaired or in default (%)	0.20	0.25

The disclosure on Credit Transactions 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.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Banks and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Banks, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or commitments and contingencies transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

45. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2014 amounted to RM41,731,170,000 (2013: RM38,005,793,000).

Notes to the Financial Statements

46. CAPITAL COMMITMENTS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	22,355	49,171
Purchase of office equipment	–	23
Purchase of leasehold improvements	10,042	7,231
	32,397	56,425
Authorised but not contracted for:		
Purchase of office equipment, information technology equipment and solutions	92,783	129,423
Purchase of other investments	6,364	40,800
Purchase of IT equipment and solutions	2,647	1,014
	101,794	171,237
	134,191	**227,662**

47. OPERATING LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. The future minimum lease payments under the non-cancellable operating lease, net of sub-leases are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Within one year	109,116	137,187
Between one and five years	101,210	172,606
More than five years	5,236	8,851
	215,562	**318,644**

The minimum lease rentals are not adjusted for operating expenses which the Group is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than the rental expenses for the financial year.

Notes to the Financial Statements

48. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad and AmInternational (L) Ltd, make various commitments and incur certain contingent liabilities with legal recourse to 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:

	Group	
	31 March 2014 Principal Amount RM'000	31 March 2013 Principal Amount RM'000
Commitments		
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
Other commitments, such as formal standby facilities and credit lines, with an original maturity of 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
	28,577,108	30,237,413
Contingent Liabilities		
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
	7,679,950	6,905,517
Derivative Financial Instruments		
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
	67,221,873	65,324,554
	103,478,931	**102,467,484**

Notes to the Financial Statements

48. 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 AmFutures Sdn Bhd for the payment and discharge of all monies due on trading accounts maintained by customers.

(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"):

Notes to the Financial Statements

48. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(f) 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 refixed 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.

Notes to the Financial Statements

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Group 31 March 2014	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	10,287,346	–	10,287,346
Securities purchased under resale agreements	–	–	–
Deposits and placements with banks and other financial institutions	1,062,474	648	1,063,122
Derivative financial assets	92,908	435,902	528,810
Financial assets held-for-trading	3,836,161	–	3,836,161
Financial investments available-for-sale	7,142,403	4,498,443	11,640,846
Financial investments held-to-maturity	522,406	3,375,159	3,897,565
Loans, advances and financing	28,534,761	58,635,816	87,170,577
Statutory deposits with Bank Negara Malaysia	–	3,122,961	3,122,961
Deferred tax assets	–	127,121	127,121
Investment in associate	–	252,475	252,475
Other assets	2,182,418	901,958	3,084,376
Reinsurance, retakaful assets and other insurance receivables	473,012	–	473,012
Investment properties	–	7,713	7,713
Property and equipment	–	351,468	351,468
Intangible assets	–	3,383,662	3,383,662
Assets held for sale	3,126,042	–	3,126,042
Total Assets	**57,259,931**	**75,093,326**	**132,353,257**
Liabilities			
Deposits and placements of banks and other financial institutions	3,738,798	382,125	4,120,923
Securities sold under repurchase agreements	–	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad	19,424	3,298,839	3,318,263
Derivative financial liabilities	137,409	403,815	541,224
Deposits from customers	85,507,040	4,191,838	89,698,878
Term funding	3,199,153	3,445,488	6,644,641
Bills and acceptances payable	–	–	–
Debt capital	–	4,766,198	4,766,198
Redeemable cumulative convertible preference share	–	193,137	193,137
Deferred tax liabilities	–	116,870	116,870
Other liabilities	3,090,576	364,760	3,455,336
Insurance, takaful contract liabilities and other insurance payables	2,568,031	–	2,568,031
Liabilities directly associated with assets held for sale	2,835,367	–	2,835,367
Total Liabilities	**101,095,798**	**17,163,070**	**118,258,868**

Notes to the Financial Statements

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

Group 31 March 2013	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	11,780,148	–	11,780,148
Securities purchased under resale agreements	200,605	–	200,605
Deposits and placements with banks and other financial institutions	2,004,825	317,832	2,322,657
Derivative financial assets	82,286	300,971	383,257
Financial assets held-for-trading	7,330,719	–	7,330,719
Financial investments available-for-sale	1,130,048	5,009,568	6,139,616
Financial investments held-to-maturity	2,984,969	3,234,835	6,219,804
Loans, advances and financing	26,491,589	56,094,743	82,586,332
Statutory deposits with Bank Negara Malaysia	–	2,907,435	2,907,435
Deferred tax assets	–	151,721	151,721
Investment in associate	–	244,656	244,656
Other assets	1,874,443	996,299	2,870,742
Reinsurance, retakaful assets and other insurance receivables	601,279	–	601,279
Investment properties	–	87,878	87,878
Property and equipment	–	393,905	393,905
Intangible assets	–	3,351,507	3,351,507
Total Assets	**54,480,911**	**73,091,350**	**127,572,261**
Liabilities			
Deposits and placements of banks and other financial institutions	2,629,973	522,973	3,152,946
Securities sold under repurchase agreements	–	–	–
Recourse obligation on loans and financing sold to Cagamas Berhad	18,022	3,319,919	3,337,941
Derivative financial liabilities	92,890	329,765	422,655
Deposits from customers	81,887,797	2,942,190	84,829,987
Term funding	1,810,581	4,445,388	6,255,969
Bills and acceptances payable	1,964,800	–	1,964,800
Debt capital	–	4,205,232	4,205,232
Redeemable cumulative convertible preference share	–	183,490	183,490
Deferred tax liabilities	–	124,521	124,521
Other liabilities	4,418,421	628,269	5,046,690
Insurance, takaful contract liabilities and other insurance payables	2,081,970	3,024,730	5,106,700
Total Liabilities	**94,904,454**	**19,726,477**	**114,630,931**

Notes to the Financial Statements

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D.)

Company 31 March 2014	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	53,189	–	53,189
Deposits and placements with banks and other financial institutions	212,103	–	212,103
Financial investments available-for-sale	–	186,834	186,834
Investment in subsidiaries and other investments	–	9,507,225	9,507,225
Other assets	23,894	–	23,894
Property and equipment	–	705	705
Total Assets	**289,186**	**9,694,764**	**9,983,950**
Liabilities			
Term funding	906,000	1,000,000	1,906,000
Other liabilities	52,626	–	52,626
Total Liabilities	**958,626**	**1,000,000**	**1,958,626**

Company 31 March 2013	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	42,350	–	42,350
Deposits and placements with banks and other financial institutions	55,675	–	55,675
Financial investments available-for-sale	–	17,259	17,259
Investment in subsidiaries and other investments	–	9,507,225	9,507,225
Other assets	33,873	–	33,873
Property and equipment	–	377	377
Total Assets	**131,898**	**9,524,861**	**9,656,759**
Liabilities			
Term funding	506,000	1,000,000	1,506,000
Other liabilities	47,877	–	47,877
Total Liabilities	**553,877**	**1,000,000**	**1,553,877**

Notes to the Financial Statements

50. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB Holdings Berhad ("AMMB") are managed collectively at group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to simulate the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its statement of financial position, commitment and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"), which is responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. These ranges are 8.5 per cent to 11.5 per cent for the Tier 1 capital ratio and 12.0 per cent to 16.0 per cent for the total capital ratio. The Group has been (knowingly) operating in excess of these ranges for the last 3 years as the Group was conservatively positioned for any repercussions from the Global Financial Crisis.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

In light of the uncertain economic environment and evolving regulatory debate on banking institutions' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

Notes to the Financial Statements

50. CAPITAL MANAGEMENT (CONT'D.)

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the Company and its subsidiaries when due.

(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.

- 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")

Notes to the Financial Statements

50. CAPITAL MANAGEMENT (CONT'D.)

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

	31.03.14			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group* RM'000
Common Equity Tier 1 ("CET1") Capital				
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)
CET1 capital	**6,676,902**	**2,350,109**	**318,669**	**9,740,268**
Additional Tier 1 capital				
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	1,388,080	–	–	1,388,080
Tier 1 capital	**8,064,982**	**2,350,109**	**318,669**	**11,128,348**
Tier 2 capital				
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)
Tier 2 capital	**2,470,453**	**1,429,038**	**–**	**4,164,562**
Total Capital	**10,535,435**	**3,779,147**	**318,669**	**15,292,910**
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
Total Risk Weighted Assets	**70,632,094**	**23,907,409**	**1,502,678**	**96,190,751**

** 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).

Notes to the Financial Statements

50. CAPITAL MANAGEMENT (CONT'D.)

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

	31.03.13			
	AmBank (Restated) RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group* (Restated) RM'000
Common Equity Tier 1 ("CET1") Capital				
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)
CET1 capital	**6,373,444**	**2,125,394**	**395,837**	**9,084,225**
Additional Tier 1 capital				
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	1,561,590	–	–	1,561,590
Tier 1 capital	**7,935,034**	**2,125,394**	**395,837**	**10,645,815**
Tier 2 capital				
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)
Tier 2 capital	**2,286,107**	**1,155,665**	**–**	**3,466,271**
Total Capital	**10,221,141**	**3,281,059**	**395,837**	**14,112,086**
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
Total Risk Weighted Assets	**69,392,884**	**22,442,549**	**1,537,277**	**92,749,662**

** 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.

Notes to the Financial Statements

51. RISK MANAGEMENT

51.1 General Risk Management

The Risk Management Framework takes its lead from the Board of Directors' ("Board") Approved Risk Appetite Framework which provides the catalyst to setting the risk/reward profile required by the Board, together with the related business strategies, limit framework and policies required to enable successful execution.

The Risk Appetite Framework is approved annually by the Board taking into account the Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Board Approved Risk Appetite Statement

The Group strategic goals are to sustain the top quartile return on equity ("ROE"), and to maintain the credit rating of BBB+ or better (from international rating agencies) for the next one to two years. This is supported by sustainable asset quality and continued portfolio diversification within retail, non-retail, and insurance businesses, with greater contribution from non-interest income, complemented by robust management of liquidity, disciplined execution of interest rate risk/rate of return risk in the balance sheet, and with support from strong level of capital.

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel III requirement for Common Equity Tier 1, Tier 1 Capital, and Total Capital. Our capital requirements are robustly tested over a three year period.

We enforce conservative approach to liquidity management, maintaining stable and diversified funding base consistent with Basel III liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios). Our targeted Adjusted Loan Deposit Ratio is within 90% range with continually improving current account and savings account ("CASA") deposit composition and market share.

The Group manages Operational Risk by setting the operational risk appetite statements and measurements that the Group is willing to tolerate to support its business strategies and objectives. The Group manages its reputational risk by not engaging in any activity that has potential to result in a material event or loss that would be outside the expectations of its stakeholders. The Group also manages its by setting positive compliance culture and ensuring that the letter and spirit of regulatory requirements, applicable laws, rules, and standards in the respective jurisdictions are complied with.

The Group manages Shariah risk by ensuring that its operations, business, affairs and activities are in compliance with rulings of the BNM's Shariah Advisory Council ("SAC") and the bank's Shariah Committee.

The Group manages trading activities by instituting appropriate governance, culture, and controls to promote acceptable trading behaviour.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Group. The Risk Management Committee of Directors is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

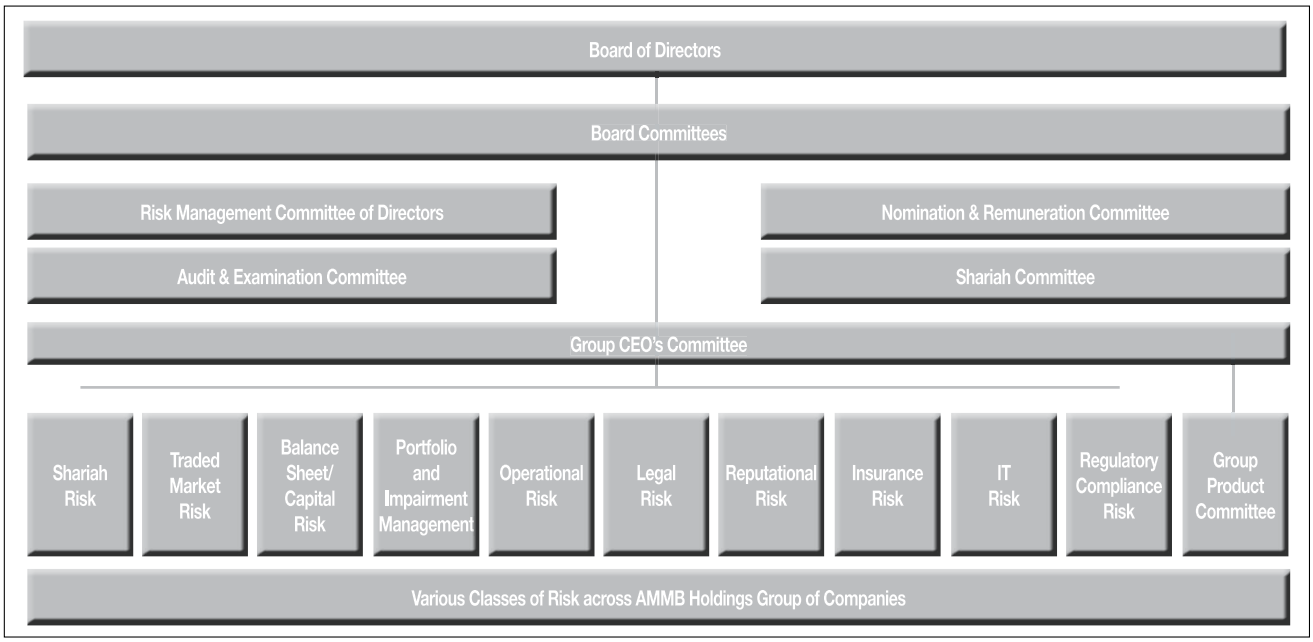
The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, reputational risk, product risk and business and IT risk.

In July 2013, the Group Product Committee ("GPC") was re-established as a sub-committee of the Group CEOs Committee. The GPC is to oversee activities in managing products for the Group; and to advise and report to the Group CEOs Committee on product related matters.

The following chart sets out the organisational structure of the Group CEOs Committee and an overview of the Group CEOs Committee's roles and responsibilities.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)



Strategic Risk

Strategic risk is the risk of not achieving the Group's corporate strategic goals. The Group's overall strategic planning reflects the Group's vision and mission, taking into consideration the Group's internal capabilities and external factors.

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/initiatives.

Reputational Risk

The Group recognises that maintaining its reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and business partners and the conduct of our business activities.

The Group seeks to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

Regulatory Compliance Risk

A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Regulatory Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Group.

The compliance monitoring and reporting system is essentially a mechanism through which businesses monitor their compliance to rules and regulations as well as provide monthly, quarterly and exception reporting that is carried out online. This reaffirms our commitment to a centralised compliance infrastructure that embraces regular self-assessment by staff, thus providing management the assurance that staff are aware and comply with internal and external requirements.

Compliance awareness is performed on a regular basis to ensure staff keeps abreast of banking, insurance, capital markets and anti-money laundering laws as well as other regulatory developments. The awareness helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics. In addition to the training provided, the Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations to various search modes.

Regulatory Compliance also provides advice on regulatory matters and measures to be implemented by the Group to facilitate compliance with rules and regulations. To further promote understanding, the department facilitates briefings, disseminates information and leads coordination efforts.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral & tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customer under Watchlist • Undertake post mortem review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk.

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using credit rating model. The model consists of quantitative and qualitative scores that are then translated into rating grades. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

For retail credits, credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes.

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings;
- enhancement to pricing models;
- loan loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The Group's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration threshold/review trigger:
  - single counterparty credit;
  - industry sector; and
  - country
- Asset writing strategies for industry sectors and portfolio composition (by Risk Grade and Security Indicator);
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Watch-list processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds CACC authority it will be reported to Executive Committee of Directors ("EXCO"). Portfolio credit risk is reported to the relevant management and board committees.

The Group CEOs Committee regularly meets to review the quality and diversification of the Group's loan/financing portfolio, approve new and amended credit risk policy, and review the portfolio risk profile against the Group Risk Appetite Framework ("GRAF").

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Group applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

MAXIMUM CREDIT RISK EXPOSURE AND CONCENTRATION

Credit Risk Exposure and Concentration

The Group's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. The Group applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking into account of any collateral held or other credit enhancements.

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

51.2.1a Industry Analysis

Group 31 March 2014	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	–	–	–	–	–	–	–	3,951,284	6,336,062	–	–	–	–	–	10,287,346
Securities purchased under resale agreements	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	763,122	300,000	–	–	–	–	–	1,063,122
Derivative financial assets	2,258	6,902	20,716	–	4,161	3,061	2,924	464,575	–	159	14,822	158	–	9,074	528,810
Financial assets held-for-trading	4,753	–	63,804	93,861	207,079	–	377,153	1,353,384	684,541	79,207	19,978	–	–	738,295	3,622,055
Money Market Securities	–	–	–	–	–	–	–	–	674,229	–	–	–	–	–	674,229
Quoted Private Debt Securities	–	–	–	–	–	–	–	23,799	–	–	–	–	–	–	23,799
Unquoted Private Debt Securities	4,753	–	63,804	93,861	207,079	–	377,153	1,329,585	10,312	79,207	19,978	–	–	738,295	2,924,027
Financial investments available-for-sale	66,157	223,741	123,714	343,611	1,170,375	–	334,434	2,321,022	5,428,309	81,472	82,571	–	–	225,966	10,401,372
Money Market Securities	–	–	–	–	–	–	–	1,516,795	5,345,019	–	–	–	–	–	6 ,861,814
Unquoted Private Debt Securities	66,157	223,741	123,714	343,611	1,170,375	–	334,434	804,227	83,290	81,472	82,571	–	–	225,966	3,539,558
Financial investments held-to-maturity	–	–	–	–	1,358,964	–	45,000	6,591	2,388,010	99,000	–	–	–	–	3,897,565
Money Market Securities	–	–	–	–	–	–	–	–	522,405	–	–	–	–	–	522,405
Quoted Private Debt Securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Unquoted Private Debt Securities	–	–	–	–	1,358,964	–	45,000	6,591	1,865,605	99,000	–	–	–	–	3,375,160
Loans, advances and financing	3,842,707	3,019,261	8,133,432	1,324,439	4,634,834	5,836,365	2,891,611	548,411	–	7,795,241	2,075,074	1,236,202	47,365,524	417,860	87,170,576
Hire purchase	13,131	2,330	30,472	2,303	67,151	143,051	48,712	8,722	–	2 ,374	32,829	62,172	25,363,790	7,153	25,784,190
Mortgage	21,989	2,816	88,350	3,399	111,495	167,190	13,619	11,584	–	151,029	181,063	116,504	16,760,205	9,520	17,638,763
Credit card	–	–	–	–	–	–	–	–	–	–	1	–	2,075,598	–	2,075,599
Other loans and financing	313,890	52,229	491,551	24,907	401,185	455,068	275,537	66,842	–	32,609	252,765	168,007	2,728,249	22,768	5,285,607
Corporate loans, advance and financing	3,493,697	2,961,886	7,523,059	1,293,830	4,055,003	5,071,056	2,553,743	461,263	–	7,609,229	1,608,416	889,519	437,682	378,419	38,336,802
Term loans and bridging loans	2,173,015	2,278,845	2,485,877	1,159,319	1,915,210	2,297,537	1,624,603	27,881	–	5,726,112	773,417	423,417	226,485	335,229	21,446,947
Revolving credits	995,032	611,765	1,601,348	88,494	1,270,589	620,700	706,860	422,498	–	1,255,232	366,839	398,924	57,966	15,029	8,411,276
Overdrafts	165,161	32,977	548,942	32,072	419,244	508,283	101,874	1,128	–	555,579	191,286	60,855	113,033	28,161	2,758,595
Trade	160,489	38,299	2,884,086	12,265	294,819	1,636,423	120,396	9,756	–	72,306	265,314	6,323	40,005	–	5,540,481
Factoring	–	–	2,806	1,680	155,141	8,113	10	–	–	–	11,560	–	193	–	179,503
Collective allowance	–	–	–	–	–	–	–		–	–	–	–	–	–	(1,950,385)
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	–	3,122,961	–	–	–	–	–	3 ,122,961
	3,915,875	**3,249,904**	**8,341,666**	**1,761,911**	**7,375,413**	**5,839,426**	**3,651,122**	**9,408,389**	**18,259,883**	**8,055,079**	**2,192,445**	**1,236,360**	**47,365,524**	**1,391,195**	**120,093,807**
Contingent liabilities	34,532	246,776	1,270,387	447,392	2,613,907	659,941	461,433	743,406	–	504,962	215,886	197,262	5,170	278,896	7,679,950
Commitments	1,508,708	194,657	5,703,088	457,039	3,588,783	2,984,024	1,184,388	915,548	39,572	2,979,303	651,872	297,387	7,961,025	111,714	28,577,108
Total	**1,543,240**	**441,433**	**6 ,973,475**	**904,431**	**6,202,690**	**3,643,965**	**1,645,821**	**1,658,954**	**39,572**	**3,484,265**	**867,758**	**494,649**	**7,966,195**	**390,610**	**36,257,058**

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

51.2.1a Industry Analysis (Cont'd.)

Group 31 March 2013	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	–	–	–	–	–	–	–	3,539,623	8,240,525	–	–	–	–	–	11,780,148
Securities purchased under resale agreements	–	–	–	–	–	–	–	–	200,605	–	–	–	–	–	200,605
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–	–	873,582	1,449,075	–	–	–	–	–	2,322,657
Derivative financial assets	760	1,934	10,702	–	642	11,605	14,387	326,118	–	111	5,116	1	–	11,881	383,257
Financial assets held-for-trading	110,430	49,300	90,026	392,530	745,973	–	411,927	1,764,532	1,420,116	171,865	166,107	5,025	–	700,801	6,028,632
Money Market Securities	–	–	–	–	–	–	–	68,460	1,420,116	–	–	–	–	–	1,488,576
Quoted Private Debt Securities	–	–	–	–	–	–	–	23,179	–	–	–	–	–	–	23,179
Unquoted Private Debt Securities	110,430	49,300	90,026	392,530	745,973	–	411,927	1,672,893	–	171,865	166,107	5,025	–	700,801	4,516,877
Financial investments available-for-sale	82,817	290,804	60,831	331,881	642,138	–	118,777	2,866,703	76,901	87,503	71,746	–	–	175,858	4,805,959
Money Market Securities	–	–	–	–	–	–	–	1,586,722	34,024	–	–	–	–	–	1,620,746
Unquoted Private Debt Securities	82,817	290,804	60,831	331,881	642,138	–	118,777	1,279,981	42,877	87,503	71,746	–	–	175,858	3,185,213
Financial investments held-to-maturity	–	–	371	–	1,359,927	–	45,000	8,147	4,195,464	–	–	–	–	610,895	6,219,804
Money Market Securities	–	–	–	–	–	–	–	–	2,980,844	–	–	–	–	–	2,980,844
Unquoted Private Debt Securities	–	–	371	–	1,359,927	–	45,000	8,147	1,214,620	–	–	–	–	610,895	3,238,960
Loans, advances and financing	3,259,946	1,770,796	7,773,458	661,132	3,536,587	5,485,060	2,586,406	2,041,792	111,954	7,344,927	1,990,907	1,789,795	45,648,324	571,609	82,586,332
Hire purchase	20,400	1,621	31,804	4,525	85,904	132,043	21,721	44	–	–	16,640	242,971	25,476,811	2,209	26,036,693
Mortgage	20,783	5,307	84,979	3,558	119,245	186,379	11,973	2,242	–	154,970	82,633	204,065	15,051,448	29,947	15,957,529
Credit card	–	–	–	–	–	–	–	–	–	–	–	–	2,220,263	–	2,220,263
Other loans and financing	354,427	50,282	506,341	8,592	407,724	485,588	203,157	55,013	111,954	50,172	300,105	502,099	2,476,754	15,351	5,527,559
Corporate loans, advance and financing	2,864,336	1,713,586	7,150,334	644,457	2,923,714	4,681,050	2,349,555	1,984,493	–	7,139,785	1,591,529	840,660	423,048	524,102	34,830,649
Term loans and bridging loans	1,767,567	1,175,782	2,754,515	552,859	1,403,659	2,089,389	1,566,770	1,618,432	–	5,604,877	885,618	590,760	217,421	450,503	20,678,152
Revolving credits	833,636	524,760	1,447,615	83,498	783,702	359,249	471,729	366,061	–	1,127,058	236,572	189,735	37,395	22,121	6,483,131
Overdrafts	97,606	5,967	398,077	3,187	460,633	629,662	99,423	–	–	355,175	426,720	50,744	87,392	23,868	2,638,454
Trade	165,527	7,077	2,546,086	4,913	184,386	1,592,567	211,511	–	–	50,095	40,391	9,240	80,840	27,610	4,920,243
Factoring	–	–	4,041	–	91,334	10,183	122	–	–	2,580	2,228	181	–	–	110,669
Collective allowance	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,986,361)
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	–	–	14,049	2,893,386	–	–	–	–	–	2,907,435
	3,453,953	**2,112,834**	**7,935,388**	**1,385,543**	**6,285,267**	**5,496,665**	**3,176,497**	**11,434,546**	**18,588,026**	**7,604,406**	**2,233,876**	**1 ,794,821**	**45,648,324**	**2,071,044**	**117,234,829**
Contingent liabilities	31,323	239,002	1,258,161	119,019	2,828,777	669,236	370,943	503,082	–	464,440	202,701	48,299	10,988	159,546	6,905,517
Commitments	1,295,610	398,152	7,713,448	671,037	3,096,553	2,909,448	558,945	1,268,084	75,983	3,099,836	781,887	550,493	7,729,280	88,657	30,237,413
Total	**1,326,933**	**637,154**	**8,971,609**	**790,056**	**5,925,330**	**3,578,684**	**929,888**	**1,771,166**	**75,983**	**3,564,276**	**984,588**	**598,792**	**7,740,268**	**248,203**	**37,142,930**

Company 31 March 2014	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	–	–	–	–	–	–	–	53,189	–	–	–	–	–	–	53,189
Deposits and placements with banks	–	–	–	–	–	–	–	212,103	–	–	–	–	–	–	212,103
	–	**–**	**–**	**–**	**–**	**–**	**–**	**265,292**	**–**	**–**	**–**	**–**	**–**	**–**	**265,292**

Company 31 March 2013	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	–	–	–	–	–	–	–	42,350	–	–	–	–	–	–	42,350
Deposits and placements with banks	–	–	–	–	–	–	–	55,675	–	–	–	–	–	–	55,675
	–	**–**	**–**	**–**	**–**	**–**	**–**	**98,025**	**–**	**–**	**–**	**–**	**–**	**–**	**98,025**

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

51.2.1b Geographical Analysis

Group 31 March 2014	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	9,123,315	1,164,031	10,287,346
Securities purchased under resale agreements	–	–	–
Deposits and placements with banks and other financial institutions	1,045,536	17,586	1,063,122
Derivative financial assets	323,087	205,723	528,810
Financial assets held-for-trading	3,503,178	118,877	3,622,055
Money Market Securities	674,229	–	674,229
Quoted Private Debt Securities	23,799	–	23,799
Unquoted Private Debt Securities	2,805,150	118,877	2,924,027
Financial investments available-for-sale	10,114,426	286,946	10,401,372
Money Market Securities	6,861,814	–	6,861,814
Unquoted Private Debt Securities	3,252,612	286,946	3,539,558
Financial investments held-to-maturity	3,375,160	522,405	3,897,565
Money Market Securities	–	522,405	522,405
Unquoted Private Debt Securities	3,375,160	–	3,375,160
Loans, advances and financing	87,976,229	1,144,732	87,170,576
Hire purchase	25,784,190	–	25,784,190
Mortgage	17,638,763	–	17,638,763
Credit card	2,075,599	–	2,075,599
Other loans and financing	5,248,838	36,769	5,285,607
Corporate loans, advance and financing	37,228,839	1,107,963	38,336,802
Term loans and bridging loans	20,612,549	834,398	21,446,947
Revolving credits	8,151,106	260,170	8,411,276
Overdrafts	2,758,595	–	2,758,595
Trade	5,527,086	13,395	5,540,481
Factoring	179,503	–	179,503
Collective allowance	–	–	(1,950,385)
Statutory deposits with Bank Negara Malaysia	3,122,961	–	3,122,961
	118,583,892	**3,460,300**	**120,093,807**
Contingent liabilities	7,511,902	168,048	7,679,950
Commitments	28,318,893	258,215	28,577,108
Total	**35,830,795**	**426,263**	**36,257,058**

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

51.2.1b Geographical Analysis (Cont'd.)

Group 31 March 2013	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	11,421,184	358,964	11,780,148
Securities purchased under resale agreements	200,605	–	200,605
Deposits and placements with banks and other financial institutions	2,228,207	94,450	2,322,657
Derivative financial assets	297,264	85,993	383,257
Financial assets held-for-trading	5,542,371	486,261	6,028,632
Money Market Securities	1,488,576	–	1,488,576
Quoted Private Debt Securities	23,179	–	23,179
Unquoted Private Debt Securities	4,030,616	486,261	4,516,877
Financial investments available-for-sale	4,531,193	274,766	4,805,959
Money Market Securities	1,620,746	–	1,620,746
Unquoted Private Debt Securities	2,910,447	274,766	3,185,213
Financial investments held-to-maturity	6,219,804	–	6,219,804
Money Market Securities	2,980,844	–	2,980,844
Unquoted Private Debt Securities	3,238,960	–	3,238,960
Loans, advances and financing	83,668,290	904,403	82,586,332
Hire purchase	26,036,693	–	26,036,693
Mortgage	15,957,529	–	15,957,529
Credit card	2,220,263	–	2,220,263
Other loans and financing	5,518,164	9,395	5,527,559
Corporate loans, advance and financing	33,935,641	895,008	34,830,649
Term loans and bridging loans	19,943,767	734,385	20,678,152
Revolving credits	6,322,508	160,623	6,483,131
Overdrafts	2,638,454	–	2,638,454
Trade	4,920,243	–	4,920,243
Factoring	110,669	–	110,669
Collective allowance	–	–	(1,986,361)
Statutory deposits with Bank Negara Malaysia	2,907,435	–	2,907,435
	117,016,353	**2,204,837**	**117,234,829**
Contingent liabilities	6,734,570	170,947	6,905,517
Commitments	30,045,071	192,342	30,237,413
Total	**36,779,641**	**363,289**	**37,142,930**

Company 31 March 2014	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	53,189	–	53,189
Deposits and placements with banks and other financial institutions	212,103	–	212,103
	265,292	**–**	**265,292**

Company 31 March 2013	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	42,350	–	42,350
Deposits and placements with banks and other financial institutions	55,675	–	55,675
	98,025	**–**	**98,025**

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

MAIN TYPES OF COLLATERAL

Main Types of Collateral Taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuks, convertible bonds and marketable securities
- Non-exchange traded debt securities/sukuks
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, i.e., not be supported by collateral.

In addition to rating customer's probability of default via an internal risk rating system, the Group uses Security Indicators ("SIs") in its non-retail portfolio to assess the strength of collateral supporting its exposures.

Processes for Collateral Management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for lending proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the risk grade of a transaction through its explicit support of the borrower, where borrower's risk grade will be enhanced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the Borrower is not recognised as part of the risk grade enhancement.

Use of Credit Derivatives and Netting for Risk Mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction Structuring to Mitigate Credit Risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

CREDIT QUALITY

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are mapped to the following categories based on the descriptions appended below.

Description of the Categories

Credit Quality Classification	Definition
Very Strong	Counterparty's profile reflect very strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse domestic and external development. These companies/ business entities have very strong business fundamentals such as: i. In good industries with stable revenues with long term growth potential; ii. Exhibits very strong financial position such as very low leverage ratio and superior cash flows position; and, iii. Very low risk business franchise with dominant market position; and, iv. Very strong management capability.
Strong	Counterparty has strong capacity to meet its financial commitments and is generally in a position to withstand adverse domestic and external developments. These companies/business entities have strong business fundamentals such as good business track records, strong financials, sustained market position, and strong management capability.
Satisfactory	Counterparty has adequate capacity to meet its financial commitments as the business entity is generally in a position to resolve any apparent shortcoming within an acceptable timeframe. While adverse domestic or external developments are likely to weaken its capacity to meet its financial commitments, these companies/business entities exhibits satisfactory business fundamentals such as acceptable business track records, satisfactory overall financials, reasonable market position, and satisfactory management capability.
Substandard	Counterparty exhibits some weaknesses in its business fundamentals, financials and management capacity. While currently able to meets its financial commitments, the counterparty's financial capacity over the medium and longer terms may be vulnerable to adverse domestic or external developments.
Impaired	Counterparty has been classified as "impaired" as per the Policy on Definition of Default/Impaired for Credit Facility.

The table below provides the External Credit Assessment Institutions ("ECAIs") rating that broadly corresponds to the broad internal credit quality categories.

Credit Quality Classification	Moody's	S&P	Fitch	RAM	MARC
Very Strong	AAA to AA3	AAA to BBB-	AAA to BBB-	AAA to AA3	AAA to AA
Strong	Ba1 to Ba3	BB+ to BB-	BB+ to BB-	A1 to BBB3	AA- to A+
Satisfactory	B1 to B3	B+ to B-	B+ to B-	BB1 to B1	A to BBB-
Substandard	Caa1 to C	CCC+ to C	CCC to C	B2 to C3	BB+ to C
Impaired	D	D	D	D	D

The above ECAIs used by the Group are:

- Standard & Poor's Rating services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Rating ("Fitch")
- Malaysian Rating Corporation Berhad ("MARC")
- Rating Agency Malaysia ("RAM")

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

IMPAIRMENT

Definition of Past Due and Impaired Loans

All loans, financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed.

A loan/financing is classified as impaired under the following circumstances:

(a) where the principal or interest/profit or both is past due[1] or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the loan/financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under impaired loan as required under the Group's Classified Account Management Policy.

(c) for loans/financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Not with standing that, these loans/financing shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/R") facilities, these loans/financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

[1] For credit card facilities, an account is "past due" when the card member fails to settle the minimum monthly repayment due before the next billing date.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

51.2.1c Credit Quality By Class of Financial Assets

Group 31 March 2014	Neither past due nor impaired					Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Provision RM'000
	Very Strong Credit Profile RM'000	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Sub-standard RM'000	Unrated RM'000					
Securities purchased under resale agreements	–	–	–	–	–	–	–	–	–	–
Derivative financial assets	307,345	210,015	6,632	65	4,753	–	–	528,810	–	–
Financial assets held-for-trading	2,060,502	1,561,553	–	–	–	–	–	3,622,055	–	–
Money Market Securities	674,229	–	–	–	–	–	–	674,229	–	–
Quoted Private Debt Securities	23,799	–	–	–	–	–	–	23,799	–	–
Unquoted Private Debt Securities	1,362,474	1,561,553	–	–	–	–	–	2,924,027	–	–
Financial investments available-for-sale	10,120,230	275,678	5,014	–	–	–	450	10,401,372	5,450	(5,000)
Money Market Securities	6,841,933	19,881	–	–	–	–	–	6,861,814	–	–
Unquoted Private Debt Securities	3,278,297	255,797	5,014	–	–	–	450	3,539,558	5,450	(5,000)
Financial investment held-to-maturity*	3,791,973	–	–	–	100,076	–	9,160	3,901,209	9,160	(3,644)
Money Market Securities	522,405	–	–	–	–	–	–	522,405	–	–
Unquoted Private Debt Securities	3,269,568	–	–	–	100,076	–	9,160	3,378,804	9,160	(3,644)
Gross loans, advances and financing*	19,517,013	36,057,023	13,647,214	4,968,232	27,641	13,409,250	1,662,140	89,288,513	349,635	(167,552)
Hire purchase	3,578,686	11,203,931	550,603	122,055	779	9,708,157	621,874	25,786,085	1,895	(1,895)
Mortgage	7,323,882	6,085,217	993,190	306,641	4,266	2,387,137	541,365	17,641,698	9,637	(2,935)
Credit card	42,246	782,896	628,697	254,298	–	321,529	45,933	2,075,599	–	–
Other loans and financing	279,297	4,070,229	313,403	30,929	13,596	437,166	163,697	5,308,317	38,179	(22,710)
Corporate loans, advance and financing	8,292,902	13,914,750	11,161,321	4,254,309	9,000	555,261	289,271	38,476,814	299,924	(140,012)
Term loans and bridging loans	4,607,141	6,949,746	6,401,768	2,869,511	9,000	498,017	181,968	21,517,151	195,066	(70,204)
Revolving credits	1,935,007	3,554,281	1,914,444	1,007,545	–	–	30,329	8,441,606	32,156	(30,330)
Overdrafts	329,124	800,684	1,373,368	182,885	–	49,098	26,508	2,761,667	24,136	(3,072)
Trade	1,421,625	2,589,326	1,317,198	190,251	–	8,146	50,339	5,576,885	48,439	(36,404)
Factoring	5	20,713	154,543	4,117	–	–	127	179,505	127	(2)
Statutory deposits with Bank Negara Malaysia	3,122,96	–	–	–	–	–	–	3,122,961	–	–
	38,920,024	**38,104,269**	**13,658,860**	**4,968,297**	**132,470**	**13,409,250**	**1,671,750**	**110,864,920**	**364,245**	**(176,196)**

* The amounts presented above are gross of impairment allowances.

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

51.2.1c Credit Quality By Class of Financial Assets (Cont'd.)

Group 31 March 2013	Neither past due nor impaired					Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Provision RM'000
	Very Strong Credit Profile RM'000	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Sub-standard RM'000	Unrated RM'000					
Securities purchased under resale agreements	–	200,605	–	–	–	–	–	200,605	–	–
Derivative financial assets	279,688	83,769	12,874	661	6,265	–	–	383,257	–	–
Financial assets held-for-trading	5,607,992	420,640	–	–	–	–	–	6,028,632	–	–
Money Market Securities	1,420,116	68,460	–	–	–	–	–	1,488,576	–	–
Quoted Private Debt Securities	23,179	–	–	–	–	–	–	23,179	–	–
Unquoted Private Debt Securities	4,164,697	352,180	–	–	–	–	–	4,516,877	–	–
Financial investments available-for-sale	3,061,666	1,573,943	167,866	–	2,049	–	435	4,805,959	3,146	(2,711)
Money Market Securities	1,228,608	390,089	–	–	2,049	–	–	1,620,746	–	–
Unquoted Private Debt Securities	1,833,058	1,183,854	167,866	–	–	–	435	3,185,213	3,146	(2,711)
Financial investments held-to-maturity *	6,211,287	–	–	–	1,080	–	201,446	6,413,813	201,446	(194,009)
Money Market Securities	2,980,844	–	–	–	–	–	–	2,980,844	–	–
Unquoted Private Debt Securities	3,230,443	–	–	–	1,080	–	201,446	3,432,969	201,446	(194,009)
Gross loans, advances and financing *	12,461,270	35,439,545	18,816,890	2,273,095	–	14,088,955	1,679,493	84,759,248	429,998	(186,555)
Hire purchase	1,827,590	8,163,379	5,052,197	274,586	–	10,257,136	461,805	26,036,693	–	–
Mortgage	2,092,708	8,709,490	1,856,242	194,560	–	2,513,565	590,964	15,957,529	–	–
Credit card	–	1,149,438	608,888	50,908	–	354,462	56,567	2,220,263	–	–
Other loans and financing	345,145	3,192,207	1,028,578	183,859	–	644,159	142,826	5,536,774	22,678	(9,215)
Corporate loans, advance and financing	8,195,827	14,225,031	10,270,985	1,569,182	–	319,633	427,331	35,007,989	407,320	(177,340)
Term loans and bridging loans	4,891,550	8,197,165	6,159,494	1,025,335	–	237,882	233,505	20,744,931	2 25,776	(66,779)
Revolving credits	1,866,980	2,835,393	1,539,797	179,038	–	14,236	88,806	6,524,250	86,606	(41,119)
Overdrafts	267,509	799,865	1,330,436	165,606	–	57,685	24,051	2,645,152	15,158	(6,698)
Trade	1,169,787	2,345,387	1,178,243	199,203	–	9,398	80,969	4,982,987	79,780	(62,744)
Factoring	1	47,221	63,015	–	–	432	–	110,669	–	–
Statutory deposits with Bank Negara Malaysia	2,907,435	–	–	–	–	–	–	2,907,435	–	–
	30,529,338	**37,718,502**	**18,997,630**	**2,273,756**	**9,394**	**14,088,955**	**1,881,374**	**105,498,949**	**634,590**	**(383,275)**

* The amounts presented above are gross of impairment allowances.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

51.2.1d Aging Analysis of Past Due Not Impaired by Class of Financial Assets

Group 31 March 2014	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Gross loans, advances and financing	8,243,978	5,165,272	13,409,250
Hire purchase	5,864,772	3,843,385	9,708,157
Mortgage	1,410,412	976,725	2,387,137
Credit card	207,006	114,523	321,529
Other loans and financing	299,967	137,199	437,166
Corporate loans, advance and financing	461,821	93,440	555,261
Term loans and bridging loans	411,026	86,991	498,017
Revolving credits	–	–	–
Overdrafts	47,576	1,522	49,098
Trade	3,219	4,927	8,146
Factoring	–	–	–
Total gross loans and advances	**8,243,978**	**5,165,272**	**13,409,250**

Group 31 March 2013	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Gross loans, advances and financing	7,984,342	6,104,613	14,088,955
Hire purchase	5,668,217	4,588,919	10,257,136
Mortgage	1,476,984	1,036,581	2,513,565
Credit card	182,049	172,413	354,462
Other loans and financing	422,505	221,654	644,159
Corporate loans, advance and financing	234,587	85,046	319,633
Term loans and bridging loans	209,466	28,416	237,882
Revolving credits	4,200	10,036	14,236
Overdrafts	15,708	141,977	57,685
Trade	4,781	4,617	9,398
Factoring	432	–	432
Total gross loans and advances	**7,984,342**	**6,104,613**	**14,088,955**

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.2 Credit Risk Management (Cont'd.)

51.2.1e Estimated value of collateral for financial assets

The following table summarises the financial effects of collateral received from loans, advances and financing:

	Financial effect collateral		Maximum exposure to creadit risk		Unsecured portion of credit exposure	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Group						
Gross loans, advances and financing						
Hire purchase	14,494,764	14,560,825	25,786,085	26,036,693	11,291,321	11,475,868
Mortgage	16,126,191	15,053,767	17,641,698	15,957,529	1,515,507	903,762
Credit card	4,927	3,678	2,075,599	2,220,263	2,070,672	2,216,585
Other loans and financing	2,452,170	2,922,977	5,308,317	5,536,774	2,856,147	2,613,797
Corporate loans, advance and financing	16,901,965	15,159,940	38,476,814	35,007,989	21,574,849	19,848,049
Term loans and bridging loans	11,560,312	11,065,922	21,517,151	20,744,931	9,956,839	9,679,009
Revolving credits	2,621,823	1,640,901	8,441,606	6,524,250	5,819,783	4,883,349
Overdrafts	1,619,674	1,489,343	2,761,667	2,645,152	1,141,993	1,155,809
Trade	1,093,537	959,320	5,576,885	4,982,987	4,483,348	4,023,667
Factoring	6,619	4,454	179,505	110,669	172,886	106,215
Total	**49,980,017**	**47,701,187**	**89,288,513**	**84,759,248**	**39,308,496**	**37,058,061**

51.2.1f Collateral Repossessed

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Residential properties	150	493
Non-residential properties	66,655	72,339
	66,805	**72,832**

Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

(a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

Loans and advances, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective provisions is computed after making the necessary adjustments to reflect current economic conditions.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.3 Liquidity Risk and Funding Management

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management process is depicted in the table below:

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/ Measurement	• New Liquidity Framework ("NLF") • Liquidity Concentration Ratios • Liquidity Coverage Ratio ("LCR") • Loans to Deposit Ratio ("LDR")
Control/ Mitigation	• NLF Limits • Concentration Ratios • LCR Limits • LDR Limits • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by Bank Negara Malaysia. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honor all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Group CEOs Committee ("GCC") is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management Department and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

The Board of Directors provides the liquidity risk management oversight while the Group CEOs Committee is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management Department and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.3 Liquidity Risk and Funding Management (Cont'd.)

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's Contingency Funding Plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending/financing to customers. They are monitored using the adjusted loan/financing to deposit ratio, which compares loan/financing and advances to customers as a percentage of customer deposit accounts, together with term funding with original term of maturity in excess of three years.

As conservative liquidity management practice, part of the Group's medium term assets is funded by medium term liabilities. Medium term is defined by the Group as remaining term to maturity in excess of one year.

In preparation to the impending implementation of Basel III liquidity metrics, the Group is already monitoring the LCR and Net Stable Funding Ratio ("NSFR") and continue to pursue strategies to ensure the availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Group is confident of meeting Bank Negara Malaysia's requirements on Basel III liquidity metrics in accordance with its recently approved timetable for implementation.

51.3.1 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities as at 31 March. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. It should be noted that this is not how the Group manages its liquidity risk for off-balance sheet exposures.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.3 Liquidity Risk and Funding Management (Cont'd.)

51.3.1 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

51.3.1a Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

Group 31 March 2014	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Financial Assets								
Cash and short-term funds	10,296,433	–	–	–	–	–	–	10,296,433
Securities purchased under resale agreements	–	–	–	–	–	–	–	–
Deposits and placements of banks and other financial institutions	–	961,023	26,529	128,648	5,012	–	–	1,121,212
Derivative financial assets	21,941	30,290	37,401	96,064	272,119	48,335	–	506,150
Financial assets held-for-trading	34,206	153,678	126,898	104,610	2,315,920	1,376,510	214,107	4,325,929
Financial investments available-for-sale	2,397,206	3,374,315	401,214	302,307	2,110,612	3,686,304	1,165,947	13,437,905
Financial investments held-to-maturity	326,610	6,882	43,463	246,414	1,007,099	4,406,891	–	6,037,359
Gross loans, advances and financing	5,714,377	6,669,713	7,668,429	10,705,690	49,380,269	32,205,523	–	112,344,001
Amount due from originators	881	3,908	4,904	10,159	341,783	–	–	361,635
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	3,122,961	–	3,122,961
Total Undiscounted Financial Assets	**18,791,654**	**11,199,809**	**8,308,838**	**11,593,892**	**55,432,814**	**44,846,524**	**1,380,054**	**151,553,585**
Financial Liabilities								
Deposits and placements with banks and other financial institutions	2,550,428	1,282,146	23,880	146,800	243,158	–	–	4,246,412
Securities sold under repurchase agreements	–	–	–	–	–	–	–	–
Recourse obligation on loans sold to Cagamas Berhad	44,207	10,884	18,389	723,632	2,829,395	–	–	3,626,507
Derivative financial liabilities	4,192	15,912	49,133	92,429	240,182	38,582	–	440,430
Deposits from customers	41,873,439	16,160,515	13,913,639	15,391,213	4,281,808	–	–	91,620,614
Term funding	1,282,224	1,192,991	77,376	1,918,450	2,050,066	668,197	–	7,189,304
Bills and acceptances payable	–	–	–	–	–	–	–	–
Debt issued and other borrowed funds	11,146	16,061	92,502	390,058	3,683,312	1,860,943	–	6,054,022
Total Undiscounted Financial Liabilities	**45,765,636**	**18,678,509**	**14,174,919**	**18,662,582**	**13,327,921**	**2,567,722**	**–**	**113,177,289**
Contingent liabilities	513,092	678,996	892,915	1,681,064	3,385,193	528,690	–	7,679,950
Commitments	5,601,809	2,472,898	3,227,778	5,406,328	3,572,944	8,295,351	–	28,577,108
Total commitments and guarantees	**6,114,901**	**3,151,894**	**4,120,693**	**7,087,392**	**6,958,137**	**8,824,041**	**–**	**36,257,058**

51. RISK MANAGEMENT (CONT'D.)

51.3 Liquidity Risk and Funding Management (Cont'd.)

51.3.1 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

51.3.1a Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

Group 31 March 2013	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Financial Assets								
Cash and short-term funds	11,800,682	–	–	–	–	–	–	11,800,682
Securities purchased under resale agreements	–	–	–	–	200,605	–	–	200,605
Deposits and placements with banks and other financial institutions	–	2,017,618	5,818	6,043	358,606	–	–	2,388,085
Derivative financial assets	36,553	34,533	31,608	86,349	191,355	29,861	–	410,259
Financial assets held-for-trading	211,723	631,335	243,264	277,216	3,286,080	3,436,203	436,843	8,522,664
Financial investments available-for-sale	727,485	703,954	49,486	92,549	1,966,063	2,486,266	1,433,539	7,459,342
Financial investments held-to-maturity	1,099,758	1,897,104	42,813	48,344	1,079,290	4,505,825	–	8,673,134
Gross loans, advances and financing	4,628,825	6,150,142	8,775,680	9,721,471	47,846,824	36,565,253	–	113,688,195
Amount due from originators	757	3,582	4,455	9,254	361,609	–	–	379,657
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	2,907,435	–	2,907,435
Total Undiscounted Financial Assets	**18,505,783**	**11,438,268**	**9,153,124**	**10,241,226**	**55,290,432**	**49,930,843**	**1,870,382**	**156,430,058**
Financial Liabilities								
Deposits and placements of banks and other financial institutions	1,221,435	1,120,414	396,045	47,141	438,882	–	–	3,223,917
Securities sold under repurchase agreements	–	–	–	–	–	–	–	–
Recourse obligation on loans sold to Cagamas Berhad	22,007	3,582	4,455	30,386	3,488,119	–	–	3,548,549
Derivative financial liabilities	37,106	25,233	43,682	105,168	178,522	16,383	–	406,094
Deposits from customers	43,325,357	14,643,509	11,869,895	13,336,381	3,007,175	–	–	86,182,317
Term funding	390,435	1,125,737	180,370	496,078	4,142,178	685,170	–	7,019,968
Bills and acceptances payable	725,456	989,306	239,395	–	–	–	–	1,954,157
Debt issued and other borrowed funds	13,178	7,242	85,507	126,290	3,419,153	1,893,905	–	5,545,275
Total Undiscounted Financial Liabilities	**45,734,974**	**17,915,023**	**12,819,349**	**14,141,444**	**14,674,029**	**2,595,458**	**–**	**107,880,277**
Contingent liabilities	629,538	608,166	795,833	1,436,835	2,879,593	555,452	100	6,905,517
Commitments	8,102,332	2,263,746	3,765,684	5,901,649	3,035,091	7,168,911	–	30,237,413
Total commitments and guarantees	**8,731,870**	**2,871,912**	**4,561,517**	**7,338,484**	**5,914,684**	**7,724,363**	**100**	**37,142,930**

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.3 Liquidity Risk and Funding Management (Cont'd.)

51.3.1 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

51.3.1a Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

Company 31 March 2014	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Financial Assets								
Cash and short-term funds	53,189	–	–	–	–	–	–	53,189
Deposits and placements with banks and other financial institutions	–	–	212,103	–	–	–	–	212,103
Financial investments available-for-sale	–	–	–	–	–	–	186,834	186,834
Total Undiscounted Financial Assets	**53,189**	**–**	**212,103**	**–**	**–**	**–**	**186,834**	**452,126**
Financial Liabilities								
Term funding	–	208,802	28,478	721,819	648,671	500,000	–	2,107,770
Total Undiscounted Financial Liabilities	**–**	**208,802**	**28,478**	**721,819**	**648,671**	**500,000**	**–**	**2,107,770**

Company 31 March 2013	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Financial Assets								
Cash and short-term funds	42,350	–	–	–	–	–	–	42,350
Deposits and placements with banks and other financial institutions	–	55,675	–	–	–	–	–	55,675
Financial investments available-for-sale	–	–	–	–	–	–	17,259	17,259
Total Undiscounted Financial Assets	**42,350**	**55,675**	**–**	**–**	**–**	**–**	**17,259**	**115,284**
Financial Liabilities								
Term funding	–	208,737	27,518	327,852	687,721	511,219	–	1,763,047
Total Undiscounted Financial Liabilities	**–**	**208,737**	**27,518**	**327,852**	**687,721**	**511,219**	**–**	**1,763,047**

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.4 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two categories of market risk: Traded Market Risk ("TMR") and Non-Traded Market Risk ("NTMR"). Assessment, control and monitoring of these risks are the responsibility of Group Market Risk ("GMR").

Traded Market Risk

The TMR management process is depicted in the table below.

Identification	• Identify of market risks within existing and new products • Review market-related information review such as market trend and economic data
Assessment/ Measurement	• Value-at-Risk ("VaR") • Annual Loss Limit ("ALL") • al-at-Risk ("CaR") Historical Stress Loss ("HSL") • Other Detailed Management Controls
Control/ Mitigation	• VaR Limit • HSL Limit • Concentration Limits • Greek Limits (Annual/Monthly/Daily) • Concentration Limits • Greek Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Present Value of One Basis Point ("PV01") • Stealth Limits • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Instruments/Currencies/Countries
Monitoring/ Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Executive Management approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

VaR, ALL, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Loss limits serve to alert management on the need to take relevant and appropriate action once they are triggered.

To complement VaR, HSL is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, HSL is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, ALL and HSL, additional sensitivity controls (e.g. Greeks Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.4 Market Risk Management (Cont'd.)

Traded Market Risk (Cont'd.)

GMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GCC, RMCD and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits. Business Units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

GMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

Non-Traded Market Risk

Interest Rate Risk/Rate of Return Risk in the Banking Book

The interest rate risk/rate of return risk in the banking book ("IRR/RORBB") risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products • Reivew market-related information such as market trend and economic data
Assessment/ Measurement	• VaR • Earnings-at-Risk ("EaR") • PV01 • Other Detailed Management Controls
Control/ Mitigation	• VaR Limits • EaR Limits • PV01 Limits • Other Deailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending/financing and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of Group's capital.

The Board's oversight of IRR/RORBB is supported by the GCC. GCC is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration Group-wide business strategies. GCC consistently oversees the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of IRR/RORBB is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to manage IRR/RORBB, and maintained an acceptable gapping profile as a result. In accordance with the Group's policy, positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Board-established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of IRR/RORBB which applies recent historic market conditions to estimate the potential loss in economic value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.4 Market Risk Management (Cont'd.)

Non-Traded Market Risk (Cont'd.)

Interest Rate Risk/Rate of Return Risk in the Banking Book (Cont'd.)

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to IRR/RORBB within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by MFRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IIRR/RORBB is calculated daily and reported to GCC.

Market Risk Sensitivity

(i) Interest Rate Risk/Rate of Return Risk

Interest rate risk/rate of return risk ("IRR/ROR") is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rate and is managed through gap and sensitivity analysis. Interest/profit rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The Group has adopted IRR/ROR hedging measures to cushion the interest/profit rate volatility.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in interest/profit rate with all other variables remaining constant.

	31 March 2014 IRR/ROR		31 March 2013 IRR/ROR	
	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000
Traded market risk				
Group				
Impact on profit before taxation	(106,426)	114,448	(222,397)	244,645
Impact on equity	–	–	–	–
Company				
Impact on profit before taxation	–	–	–	–
Impact on equity	–	–	–	–
Non-traded market risk				
Group				
Impact on profit before taxation	476,410	(476,410)	447,107	(447,107)
Impact on equity	(196,282)	214,064	(115,170)	126,732
Company				
Impact on profit before taxation	(1,717)	1,717	(1,717)	1,717
Impact on equity	–	–	–	–

Note: The sensitivity analysis presented for non-traded market risk excluded non-interest bearing assets and liabilities. The disclosure presented conforms with the Group's method of managing IRR/ROR in the banking book by including all fixed and floating rate financial assets and liabilities.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.4 Market Risk Management (Cont'd.)

Market Risk Sensitivity (Cont'd.)

(ii) Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates to exposure on the Group's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group from exposure to excessive foreign exchange risk.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in exchange rates with all other variables remaining constant.

	31 March 2014 Currency rate		31 March 2013 Currency rate	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Impact on profit before taxation				
Group				
USD	3,915	(3,915)	10,479	(10,479)
SGD	2,627	(2,627)	(1,857)	1,857
EUR	(2,024)	2,024	332	(332)
JPY	(524)	524	(679)	679
GBP	(3)	3	28	(28)
Others	(2,645)	2,645	(677)	677
Company				
Others	–	–	–	–
Impact on equity				
Group				
USD	32,066	(32,066)	23,340	(23,340)
SGD	1,090	(1,090)	(1,037)	1,037
EUR	18	(18)	15	(15)
Company				
Others	–	–	–	–

(iii) Equity Price Risk

Equity price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limits and VaR limits.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in equity prices with all other variables remaining constant.

	31 March 2014 Equity price		31 March 2013 Equity price	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Group				
Impact on profit before taxation	18,264	(18,264)	20,983	(20,983)
Impact on equity	31,359	(31,359)	40,396	(40,396)
Company				
Impact on profit before taxation	–	–	–	–
Impact on equity	–	–	–	–

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.5 Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk and Shariah compliance risk. It excludes strategic, systemic and reputational risk.

It is increasingly recognised that operational risk is the most widespread risk facing financial institutions today.

Operational Risk Appetite ("ORA") is integral part of the Group's operational risk management framework, which sets the acceptable tolerance levels for operational risk. The ORA statements and measurements are classified based on operational risk loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing.

- Fraud (internal & external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management

Operational Risk Management ("ORM") is the discipline of continual and systematic process which includes risk identification, assessment, monitoring and reporting of risk for decision making and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. ORM provides the oversight of operational risk, including the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents.

The Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking business continuity planning. These are supported by independent reviews by the Group Internal Audit team.

51.5.1 Business Continuity Management

The Business Continuity Management ("BCM") function forms an integral part of ORM. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and establishment of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of Group's stakeholders by protecting our brand and reputation.

The Group is continuously reviewing the level of business operations resiliency to enhance the BCM capability throughout all critical departments and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

51.6 Legal And Regulatory Risk

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is overseen by Group CEOs Committee, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risk is appropriately managed.

A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Regulatory Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Group.

The compliance monitoring and reporting system is essentially a mechanism through which businesses monitor their compliance to rules and regulations as well as provide monthly, quarterly and exception reporting that is carried out online. This reaffirms our commitment to a centralised compliance infrastructure that embraces regular self-assessment by staff, thus providing management the assurance that staff are aware and comply with internal and external requirements.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

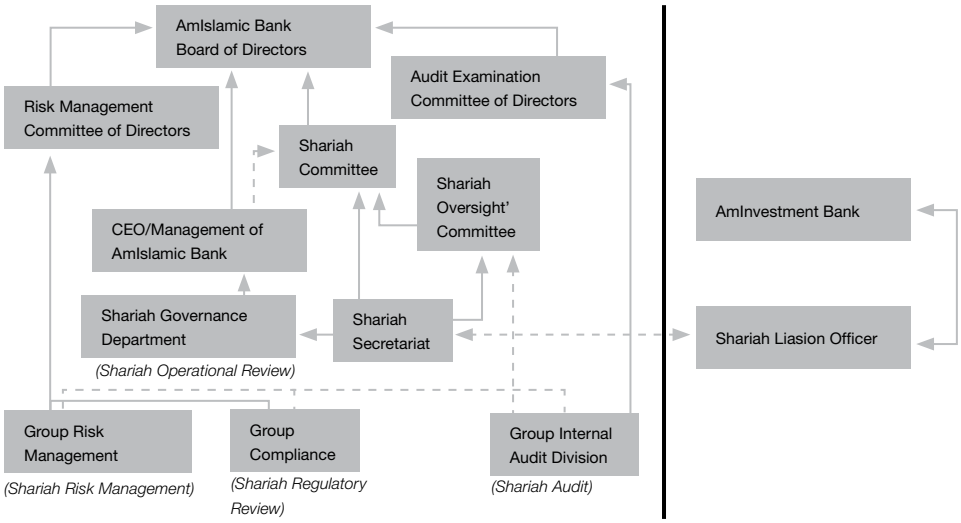
51.6 Legal And Regulatory Risk (Cont'd.)

Compliance awareness is performed on a regular basis to ensure staff keeps abreast of banking, insurance, capital markets and anti-money laundering laws as well as other regulatory developments. The awareness helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics. In addition to the training provided, the Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations to various search modes.

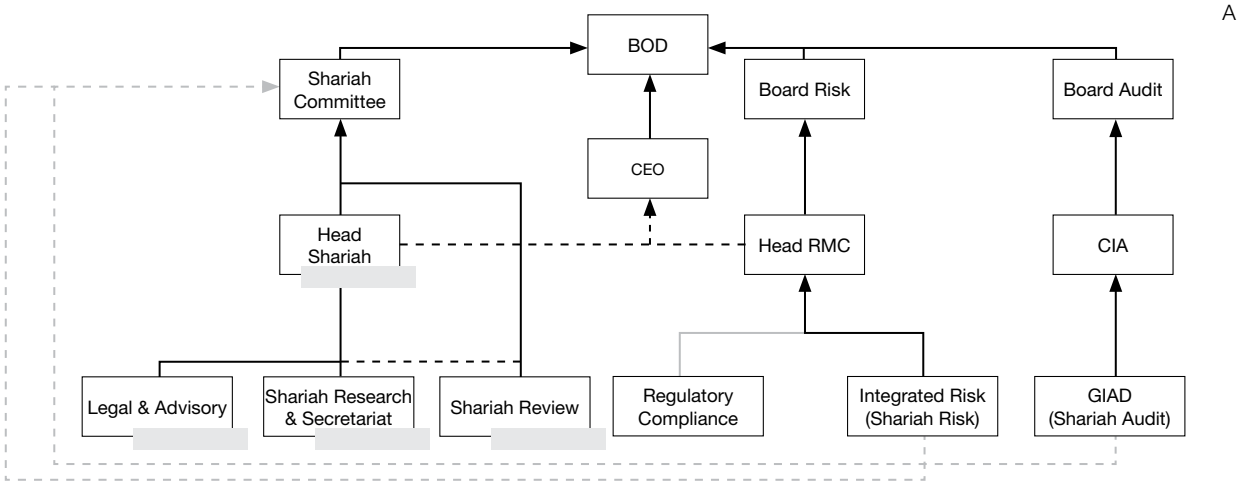
Regulatory Compliance also provides advice on regulatory matters and measures to be implemented by the Group to facilitate compliance with rules and regulations. To further promote understanding, the department facilitates briefings, disseminates information and leads coordination efforts.

51.7 Shariah Risk Management Control

Shariah Governance Framework for Group Islamic Banking Operations



Shariah Governance Framework for Group Takaful Operations



Shariah governance framework is put in place in the organisational structure of the Group for its Islamic banking and takaful operations, which includes establishment of the Shariah Committee for AmIslamic Bank and AmFamily Takaful Berhad ("AmTakaful") in line with the requirement of BNM's "Shariah Governance Framework for Islamic Financial Institutions". Requirements on Shariah compliance have been further strengthened with the coming into force of the IFSA. AmIslamic Bank and AmTakaful has established independent Shariah Committee respectively.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.7 Shariah Risk Management Control (Cont'd.)

AmIslamic Bank's Shariah Governance Structure leverages on the Group's shared platforms such as Group Risk Management Department (Shariah Risk Management), Group Compliance Department (Shariah Regulatory Review), and Group Internal Audit Division (Shariah Audit) for key Shariah functions.

The AmTakaful performs Shariah Risk Management internally under its integrated risk management framework while Shariah Audit functions leverage on the Group's shared platforms such as Group Internal Audit Division. Shariah compliance is collaboratively undertaken by the internal compliance, Shariah review and outsourced audit functions which supported by the integrated risk management control function, Shariah research and legal advisory capabilities. Shariah review and Shariah research functions are in house role which functionally report to Shariah Committee.

As a prudential measure, AmIslamic Bank and AmTakaful has continued to enhance its overall Shariah governance in line with the regulatory policies and requirements under IFSA.

AmInvestment Bank leverages on the Shariah Secretariat of AmIslamic Bank in referring matters to the Shariah Committee. AmInvestment Bank also has the option to engage external Shariah Advisor registered and approved by the Securities Commission Malaysia.

Board of Directors

The Board is accountable and responsible for the overall oversight on Shariah framework and Shariah compliance, including the appointment of Shariah Committee members. The Board performs its oversight through various committees such as AEC, RMCD and Shariah Committee.

Audit Examination Committee

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the Group is Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Division.

Risk Management Committee of Directors

RMCD is a Board committee responsible for assisting the Board in ensuring risk management and control process is in place and functioning, including Shariah risk management through Group Risk Management Department and Shariah regulatory review through Group Compliance Department.

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating products and services, and the relevant documentation in relation to Islamic Banking operation. The Shariah Committee also provides advice on business zakat, charity and other social programs.

The Shariah Committee reports functionally to the Board and this provides for the independence of the Shariah Committee in exercising their duties.

Shariah Oversight Committee

For AmIslamic Bank, the Shariah Oversight Committee, which is a sub-committee to its Shariah Committee, performs an oversight function for the key Shariah functions of Shariah review, Shariah audit, and Shariah risk management. Shariah Oversight Committee shall provide guidance and advice on matters pertaining to Shariah non-compliant incidents as well as treatment of Shariah non-compliant income (if any).

Chief Executive Officer/Management

The CEO/Management is responsible to make reference to the Shariah Committee/Shariah Oversight Committee on Shariah issues and to take necessary measures for implementation of Shariah Committee/Shariah Oversight Committee's advice and decisions. The CEO/Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance framework. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah risk.

Shariah Governance Department

The Shariah Governance Department of AmIslamic Bank operates as a one-stop centre for all Shariah related operational issues of Islamic banking businesses. This includes providing day-to-day Shariah advisory and support function, Shariah operational review, Shariah research, and as Secretariat to the Shariah Committee and Shariah Oversight Committee. In addition, the Shariah Governance Department also performs the zakat and charity management.

Notes to the Financial Statements

51. RISK MANAGEMENT (CONT'D.)

51.7 Shariah Risk Management Control (Cont'd.)

Shariah Department

For AmTakaful, the Shariah department consist of Shariah Review Function which performs independent reviews of Takaful business operations on regular basis to ensure Shariah compliance and Shariah Research Function which conducts in-depth Shariah research to support product innovation and resolving Shariah related operational issues which includes Shariah consultation on day-to-day operation while serve Shariah Committee as its Secretariat. Besides independent Shariah review and research function, Shariah department is a one-stop centre for Shariah expertise to be engaged as well by the stakeholders on Shariah risk, Shariah audit and Shariah compliance and legal advisory while preserving the objective of risk, compliance and audit respectively.

Group Internal Audit Division

A designated team within the Group Internal Audit Division is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking operations and Takaful operation through Shariah audit function. Areas of audit include product structure documentation, adequacy of systems, internal controls and computation, staff competency and adequacy of the Shariah governance process.

Group Compliance Department

Undertakes the Shariah compliance review for AmIslamic Bank from a regulatory perspective. This is executed based on the Shariah Regulatory Review Framework, which consists of the Compliance Monitoring and Reporting ("CMR") and Shariah Compliance Assessment. CMR is a periodical self-assessment by the Departments via a structured process and Compliance Assessment is performed to review on department's compliance with regulatory requirements including Shariah regulatory requirements and effectiveness of the self-assessment performed.

Group Risk Management Department

Shariah risk management leverages on existing infrastructure within Group Risk Management Department in managing the Shariah risk. The unique Shariah risks shall be identified according to existing risk types, credit risk, operational risk, and market risk.

51.7.1 Shariah non-compliant income

The governance structure and control has been emplaced by AmIslamic Bank and AmTakaful as to facilitate all business activities, products and services offered, and legal in order to mitigate Shariah non-compliant incidents.

For any reported Shariah non-compliant incident relating to Islamic banking or Takaful operations, the matter will be deliberated with Shariah Oversight Committee of AmIslamic Bank and Shariah Committee of AmTakaful respectively for confirmation as to whether the non-compliant event is either actual or potential Shariah non-compliance. Upon confirmation by the respective Committees and where certain amount of income is to be de-recognised, the amount will be treated in the manner as advised by the Shariah Oversight Committee or the Shariah Committee, including channelling to Baitulmal and other identified charitable bodies.

As at 31 March 2014, there is no record of Shariah non-compliant event reported and therefore no Shariah non-compliant income declared.

Notes to the Financial Statements

52. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7 Financial Instruments: Disclosure and Presentation, which requires the fair value information to be disclosed.

(a) Financial instruments not measured at fair value (excluding those financial instruments where the carrying amounts are reasonable approximation of their fair values)

	Group		Company	
31 March 2014	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Financial investments held-to-maturity	3,897,565	3,167,575	–	–
Loans, advances and financing[1]	23,990,078	24,711,370	–	–
	27,887,643	**27,878,945**	**–**	**–**
Financial Liabilities				
Recourse obligation on loans and financing sold to Cagamas Berhad	3,318,263	3,358,801	–	–
Term funding	6,644,641	6,670,232	1,906,000	1,900,860
Debt capital	4,766,198	4,974,266	–	–
	14,729,102	**15,003,299**	**1,906,000**	**1,900,860**

	Group		Company	
31 March 2013	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Financial investments held-to-maturity	6,219,804	6,243,785	–	–
Loans, advances and financing[1]	23,747,161	25,127,918	–	–
	29,966,965	**31,371,703**	**–**	**–**
Financial Liabilities				
Recourse obligation on loans and financing sold to Cagamas Berhad	3,337,941	3,324,672	–	–
Term funding	6,255,969	6,609,250	1,506,000	1,514,740
Debt capital	4,205,232	4,605,743	–	–
	13,799,142	**14,539,665**	**1,506,000**	**1,514,740**

[1] excluding loans, advances and financing or RM63,180.5 million (2013: RM58,839.2 million) where the carrying amounts are reasonable approximation of their fair values.

Notes to the Financial Statements

52. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured at fair value and for which fair values are disclosed

Group 31 March 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
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
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	–	3,161,843	5,732	3,167,575
Loans, advances and financing	–	24,711,370	–	24,711,370
	890,406	**42,857,933**	**6,149**	**43,754,488**
Financial liabilities measured at fair value				
Derivative financial liabilities	33,175	508,049	–	541,224
Financial liabilities for which fair values are disclosed				
Recourse obligation on loans and financing sold to Cagamas Berhad	–	3,358,801	–	3,358,801
Term funding	–	6,670,232	–	6,670,232
Debt capital	–	4,974,266	–	4,974,266
	33,175	**15,511,348**	**–**	**15,544,523**

Group 31 March 2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
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
	982,582	**12,701,394**	**435**	**13,684,411**
Financial liabilities measured at fair value				
Derivative financial liabilities	9,992	412,663	–	422,655
	9,992	**412,663**	**–**	**422,655**

Notes to the Financial Statements

52. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured at fair value and for which fair values are disclosed (Cont'd.)

Company 31 March 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial investments available-for-sale				
- Equities	186,825	–	–	186,825
Financial liabilities for which fair values are disclosed				
Term funding	–	1,900,860	–	1,900,860

Company 31 March 2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial investments available-for-sale				
- Equities	17,250	–	–	17,250

Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Financial assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than six months), demand deposits and savings accounts without a specific maturity, the carrying amounts approximate to their fair value. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was initially recognised.

(b) Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were initially recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(c) Contingent liabilities and undrawn credit facilities

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallise. The Group and Company assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provision is necessary to be made.

(d) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with remaining maturities of less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements with maturities of more than six months, the fair values are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

(e) Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Notes to the Financial Statements

52. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair value (Cont'd.)

(e) Derivatives (Cont'd.)

Derivative products valued using a valuation technique with significant non-market observable inputs are long dated contracts (interest rate swaps, currency swaps, forwards foreign exchange contracts, option contracts and certain credit default swaps). These derivatives are valued using models that calculate the present value such as credit models (e.g., default rate models or credit spread models) and the binomial model for options. The models incorporate various non-observable assumptions that include the credit spread of the reference asset for credit default swaps, and market rate volatilities.

(f) Financial investments available-for-sale

Financial investments available-for-sale valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

(g) Other trading assets

Other trading assets valued using a valuation technique consists of certain debt securities and asset–backed securities. The Group and Company value the securities using discounted cash flow valuation models which incorporate observable and unobservable data. Observable inputs include assumptions regarding current rates of interest and broker statements. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

(h) Recourse obligation on loans sold to Cagamas Berhad

The fair values for recourse obligation on loans sold to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

The Group and Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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.

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 or Company. Therefore, unobservable inputs reflect the Group's and the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Company's own data.

Notes to the Financial Statements

52. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair value (Cont'd.)

(h) Recourse obligation on loans sold to Cagamas Berhad (Cont'd.)

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.

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

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 for the year ended 31 March 2014:

	Financial investments available-for-sale	Financial investments available-for-sale
	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
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	**417**	**435**

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

	Financial investments available-for-sale	Financial investments available-for-sale
	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Total gains/(losses) included in:		
- impairment loss on financial investments	(18)	(14)

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

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

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

Notes to the Financial Statements

53. NET ASSETS PER SHARE (RM)

Net assets per share represent the reporting date total assets less total liabilities and non-controlling interests expressed as an amount per ordinary share.

Net assets per share is calculated as follows:

	Group		Company	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Total assets	**132,353,257**	**127,572,261**	**9,983,950**	**9,656,759**
Less:				
Total liabilities	118,258,868	114,630,931	1,958,626	1,553,877
Non-controlling interests	951,448	873,594	–	–
	119,210,316	115,504,525	1,958,626	1,553,877
Net assets	**13,142,941**	**12,067,736**	**8,025,324**	**8,102,882**
Issued and fully paid up ordinary shares of RM1.00 each ('000)	**3,014,185**	**3,014,185**	**3,014,185**	**3,014,185**
Net assets per share (RM)	**4.36**	**4.00**	**2.66**	**2.69**

54. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group comprises the following main business segments:

(a) Retail banking

Retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as auto financing, mortgages and other consumer loans, financing, credit cards and line of credit, asset financing and small business, personal financing, retail distribution, transactional banking services and deposits.

(b) Business banking

Business banking operations consist of provision of trade services, cash management and transactional banking services.

(c) Investment banking

Investment banking caters to the business needs of large corporate customers and financial institutions and provides customers with extensive range of financial solutions. Investment banking encompasses debt capital markets and equity capital markets services, equity derivatives, corporate finance, structured finance, share-broking, futures broking, funds management and private banking where it provides wealth management services to high net worth individuals, family groups and companies.

(d) Corporate and institutional banking

Corporate and institutional banking focuses on deepening and expanding corporate and institutional banking relationships with the Group's corporate clients, as well as offering of a wider spectrum of the Group's commercial, investment and transactional banking products and services through the overseas business operations and providing real estate management services.

(e) Insurance

The insurance segment offers a broad range of life and general insurance products.

Notes to the Financial Statements

54. BUSINESS SEGMENT ANALYSIS (CONT'D.)

The Group comprises the following main business segments: (Cont'd.)

(f) Markets

The markets operations focus on activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments.

(g) Group functions and others

Group functions and others comprise activities which complement and support the operations of the main business units and non-core operations of the Group.

Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Operating Revenue

Operating revenue of the Group comprises all types of revenue derived from the business segments but after elimination of all related companies' transactions.

Major Customers

No revenues from one single customer amounted to greater than 10% of the Group's revenues for the current and previous financial years.

Group 31 March 2014	Retail Banking RM'000	Business Banking RM'000	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Insurance RM'000	Markets RM'000	Group Functions and Others RM'000	Total RM'000
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)
of which:								
Depreciation of Property and Equipment	(26,401)	(907)	(3,173)	(1,147)	(17,445)	(1,638)	(18,627)	(69,338)
Amortisation of Intangible Assets	(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 net of writebacks	(239,971)	(7,568)	(78,522)	(210)	(8,428)	(3,385)	205,875	(132,209)
Profit before taxation and zakat	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)
Profit for the year	**646,159**	**394,222**	**26,053**	**365,733**	**187,935**	**119,504**	**131,449**	**1,871,055**
Other information:								
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, advances and financing	49,565,499	18,971,137	1,247,713	19,360,133	223,764	–	(79,733)	89,288,513
Net loans, advances and 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

Notes to the Financial Statements

54. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group 31 March 2013	Retail Banking RM'000	Business Banking RM'000	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Insurance RM'000	Markets RM'000	Group Functions and Others RM'000	Total RM'000
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)
of which:								
Depreciation of Property and Equipment	(25,395)	(946)	(3,997)	(1,146)	(12,018)	(1,576)	(17,261)	(62,339)
Amortisation of Intangible Assets	(9,860)	(1,090)	(1,391)	(215)	(49,224)	(5,036)	(33,155)	(99,971)
Profit/(loss) before provisions	1,051,822	513,643	95,791	435,245	79,418	223,784	(117,395)	2,282,308
Provisions net of writebacks	(265,143)	(72,577)	(3,026)	47,777	(2,475)	9,058	143,065	(143,321)
Profit before taxation and zakat	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)
Profit for the year	**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, advances and financing	49,040,728	17,511,246	947,296	17,104,812	142,796	–	12,371	84,759,249
Net loans, advances and 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 in Singapore, Indonesia, Brunei and Hong Kong are not significant in relation to the Group's activities in Malaysia.

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

Notes to the Financial Statements

55. INSURANCE BUSINESS

(I) NET INCOME FROM INSURANCE BUSINESS

	Group	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000
Income from insurance business (Note a)		
General insurance	1,544,065	1,022,659
Life insurance and Family Takaful	513,035	457,351
	2,057,100	1,480,010
Insurance claims and commission (Note b)		
Insurance commission	223,035	126,513
General insurance claims	973,084	618,998
Life insurance and Family Takaful claims	389,065	484,260
	1,585,184	1,229,771
	471,916	**250,239**
(a) Income from insurance business		
Gross Premium		
- insurance contract	2,252,028	1,718,802
- change in unearned premium provision	37,950	17,195
	2,289,978	1,735,997
Premium ceded		
- insurance contract	(207,453)	(187,648)
- change in unearned premium provision	(25,425)	(68,339)
	(232,878)	(255,987)
	2,057,100	**1,480,010**
(b) Insurance claims		
Insurance claims		
- gross benefits and claims paid	1,418,024	1,078,528
- claims ceded to reinsurers	(162,335)	(163,176)
- change in contract liabilities - insurance contract	66,165	195,371
- change in contract liabilities ceded to reinsurers - insurance contract	40,295	(7,465)
	1,362,149	**1,103,258**

(II) INSURANCE RECEIVABLES

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Amount owing by reinsurance and cedants	91,718	73,905
Due premiums including agents/brokers and co-insurers balances	69,481	82,303
Allowance for impairment	(9,002)	(19,253)
	152,197	**136,955**

Notes to the Financial Statements

55. INSURANCE BUSINESS (CONT'D.)

(II) INSURANCE RECEIVABLES (CONT'D.)

The movement in allowance for impairment is as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	19,253	8,723
Arising from acquisition of AmGeneral Insurance Berhad	–	11,997
Charge for the year	(10,251)	(1,467)
Balance at end of financial year	**9,002**	**19,253**

(III) INSURANCE PAYABLES

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Amount due to agents and intermediaries	30,139	23,029
Amounts due to reinsurers/retakaful operators and cedants	52,201	95,785
	82,340	**118,814**

(IV) INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

31 March 2014 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	1,086,544	(245,756)	840,788
Provision for incurred but not reported claims ("IBNR")	480,140	(94,509)	385,631
Provision for risk margin for adverse deviations ("PRAD")	143,905	(46,555)	97,350
Provision for outstanding claims (I)	1,710,589	(386,820)	1,323,769
Provision for unearned premiums (II)	775,937	(71,495)	704,442
	2,486,526	**(458,315)**	**2,028,211**
(I) Provision for outstanding claims			
Balance at beginning of financial year	1,636,423	(427,382)	1,209,041
Arising from the acquisition of Kurnia	–	–	–
Claims incurred in the current accident year	589,302	(49,958)	539,344
Movements in claims incurred in prior accident years	475,129	(41,389)	433,740
Claims paid during the year	(990,265)	131,909	(858,356)
Balance at end of financial year	**1,710,589**	**(386,820)**	**1,323,769**
(II) Provision for unearned premiums			
Balance at beginning of financial year	813,887	(96,920)	716,967
Arising from the acquisition of Kurnia	–	–	–
Premiums written in the year	1,701,099	(169,558)	1,531,541
Premiums earned during the year	(1,739,049)	194,983	(1,544,066)
Balance at end of financial year	**775,937**	**(71,495)**	**704,442**

Notes to the Financial Statements

55. INSURANCE BUSINESS (CONT'D.)

(IV) INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE (CONT'D.)

31 March 2013 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	1,115,127	(284,397)	830,730
Provision for incurred but not reported claims ("IBNR")	382,170	(85,264)	296,906
Provision for risk margin for adverse deviations ("PRAD")	139,126	(57,721)	81,405
Provision for outstanding claims (I)	1,636,423	(427,382)	1,209,041
Provision for unearned premiums (II)	813,887	(96,919)	716,968
	2,450,310	**(524,301)**	**1,926,009**
(I) Provision for outstanding claims			
Balance at beginning of financial year	499,811	(60,804)	439,007
Arising from the acquisition of Kurnia	1,123,524	(357,991)	765,533
Claims incurred in the current accident year	819,635	(148,555)	671,080
Movements in claims incurred in prior accident years	(87,519)	35,436	(52,083)
Claims paid during the financial year	(719,028)	104,532	(614,496)
Balance at end of financial year	**1,636,423**	**(427,382)**	**1,209,041**
(II) Provision for unearned premiums			
Balance at beginning of financial year	356,128	(82,573)	273,555
Arising from the acquisition of Kurnia	474,954	(82,685)	392,269
Premiums written in the financial year	1,203,752	(129,949)	1,073,803
Premiums earned during the financial year	(1,220,947)	198,288	(1,022,659)
Balance at end of financial year	**813,887**	**(96,919)**	**716,968**

Notes to the Financial Statements

55. INSURANCE BUSINESS (CONT'D.)

(V) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE AND FAMILY TAKAFUL

31 March 2014 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Life and family takaful insurance	**2,586,141**	**(39,454)**	**2,546,687**
The life and family takaful insurance contract liabilities and its movements are further analysed as follows:			
Actuarial liabilities	2,289,614	(14,668)	2,274,946
Provision for outstanding claims	154,807	(24,786)	130,021
Unallocated surplus	45,447	–	45,447
Available-for-sale fair value reserves	(2,259)	–	(2,259)
Net assets value attributable to unitholders	98,532	–	98,532
	2,586,141	**(39,454)**	**2,546,687**
At 31 March 2013	2,537,576	(30,022)	2,507,554
Premiums received	–	–	–
Liabilities paid for death, maturities, surrenders, benefits and claims	16,608	–	16,608
Benefits and claims experience variation	–	–	–
Increase in actuarial reserve	59,614	(234)	59,380
Credit of interest or change in unit-prices	–	–	–
Adjustments due to changes in assumptions:			
Mortality/morbidity	–	–	–
Longevity	–	–	–
Investment returns	–	–	–
Expenses	(37,773)	(9,198)	(46,971)
Lapse and surrender rates	–	–	–
Discount rate	–	–	–
Foreign exchange adjustment	–	–	–
Net asset value attributable to unitholders	10,116	–	10,116
Available-for-sale fair value reserves	–	–	–
Unallocated surplus	–	–	–
Deferred tax effects:			
Available-for-sale fair value reserves	–	–	–
Unallocated surplus	–	–	–
At 31 March 2014	**2,586,141**	**(39,454)**	**2,546,687**

31 March 2013 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Life and family takaful insurance	**2,537,576**	**(30,022)**	**2,507,554**
The life and family takaful insurance contract liabilities and its movements are further analysed as follows:			
Actuarial liabilities	2,228,857	(30,022)	2,198,835
Provision for outstanding claims	116,904	–	116,904
Unallocated surplus	19,615	–	19,615
Available-for-sale fair value reserves	23,927	–	23,927
Net assets value attributable to unitholders	148,273	–	148,273
	2,537,576	**(30,022)**	**2,507,554**

Notes to the Financial Statements

55. INSURANCE BUSINESS (CONT'D.)

(VI) GENERAL INSURANCE BUSINESS

General insurance contract liabilities

Gross General Insurance Contract Liabilities for FY2014 - business transferred to AmGeneral Insurance Berhad

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		306,188	305,250	365,793	374,672	413,903	420,102	445,149	387,443			
One year later		304,546	321,371	387,191	353,555	397,287	383,651	406,046				
Two year later		301,801	338,804	365,341	361,791	383,846	388,763					
Three year later		312,101	332,850	356,672	352,207	377,610						
Four year later		308,009	331,674	350,556	351,345							
Five year later		305,010	329,969	349,958								
Six year later		303,253	328,390									
Seven year later		303,164										
Current estimate of accumulative claims incurred		303,164	328,390	349,958	351,345	377,610	388,763	406,046	387,443			
At the end of accident year		(122,194)	(125,538)	(155,715)	(165,530)	(150,304)	(163,862)	(160,853)	(141,587)			
One year later		(222,174)	(249,176)	(286,105)	(269,798)	(288,999)	(288,216)	(292,191)				
Two year later		(258,574)	(283,516)	(310,083)	(312,015)	(333,078)	(341,853)					
Three year later		(282,069)	(301,880)	(328,789)	(332,926)	(355,553)						
Four year later		(292,486)	(313,626)	(339,469)	(340,631)							
Five year later		(296,304)	(320,130)	(342,999)								
Six year later		(300,169)	(321,560)									
Seven year later		(301,259)										
Cumulative payments to-date		(301,259)	(321,560)	(342,999)	(340,631)	(355,553)	(341,853)	(292,191)	(141,587)			
Gross general insurance contract liabilities	1,463	1,905	6,831	6,959	10,714	22,057	46,910	113,855	245,856	456,550	131	456,681
Current estimate of surplus/(deficiency)		(256)	(2,110)	(1,758)	(2,196)	(5,166)	(4,398)	(21,153)				
% surplus/(deficiency) of initial case reserve		-15.5%	-44.7%	-33.8%	-25.8%	-30.6%	-10.3%	-22.8%				

Net General Insurance Contract Liabilities for FY2014 - business transferred to AmGeneral Insurance Berhad

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		262,959	261,465	322,866	347,605	374,582	376,097	387,761	359,362			
One year later		264,314	293,286	341,821	332,336	363,616	353,642	362,738				
Two year later		263,664	309,197	330,196	336,909	352,397	354,936					
Three year later		271,696	309,065	323,492	329,135	347,516						
Four year later		272,149	304,667	317,621	328,523							
Five year later		270,954	302,417	317,273								
Six year later		269,698	303,184									
Seven year later		269,533										
Current estimate of accumulative claims incurred		269,533	303,184	317,273	328,523	347,516	354,936	362,738	359,362			
At the end of accident year		(113,276)	(116,697)	(146,557)	(157,275)	(141,356)	(150,932)	(150,805)	(135,288)			
One year later		(197,812)	(230,911)	(254,790)	(253,461)	(269,008)	(264,954)	(273,543)				
Two year later		(230,314)	(263,306)	(276,871)	(292,847)	(307,815)	(311,574)					
Three year later		(248,574)	(280,288)	(298,189)	(311,561)	(327,712)						
Four year later		(257,886)	(291,321)	(307,632)	(318,908)							
Five year later		(263,147)	(296,565)	(310,990)								
Six year later		(266,847)	(298,219)									
Seven year later		(267,758)										
Cumulative payments to-date		(267,758)	(298,219)	(310,990)	(318,908)	(327,712)	(311,574)	(273,543)	(135,288)			
Gross general insurance contract liabilities	657	1,775	4,966	6,283	9,615	19,805	43,362	89,196	224,073	399,732	131	399,863
Current estimate of surplus/(deficiency)		(236)	(1,712)	(1,598)	(2,010)	(4,782)	(4,335)	(19,125)				
% surplus/(deficiency) of initial case reserve		-15.3%	-52.6%	-34.1%	-26.4%	-31.8%	-11.1%	-27.3%				

Notes to the Financial Statements

55. INSURANCE BUSINESS (CONT'D.)

(VI) GENERAL INSURANCE BUSINESS (CONT'D.)

General insurance contract liabilities (Cont'd.)

Gross General Insurance Contract Liabilities for FY2014

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		756,216	734,527	613,855	603,717	686,160	708,370	781,507	201,859			
One year later		772,413	745,644	637,571	620,246	670,097	675,350	764,095				
Two year later		792,636	783,463	662,375	603,498	656,716	672,863					
Three year later		833,209	794,683	651,843	597,696	646,879						
Four year later		825,778	781,331	644,693	595,237							
Five year later		811,559	777,723	646,822								
Six year later		811,699	782,825									
Seven year later		851,898										
Current estimate of accumulative claims incurred		851,898	782,825	646,822	595,237	646,879	672,863	764,095	201,859			
At the end of accident year		(204,490)	(232,479)	(214,699)	(197,287)	(231,202)	(226,495)	(231,974)	(14,273)			
One year later		(477,415)	(507,214)	(407,737)	(415,751)	(440,794)	(442,504)	(329,371)				
Two year later		(599,995)	(626,401)	(522,919)	(494,662)	(517,447)	(467,986)					
Three year later		(698,485)	(703,687)	(557,766)	(522,613)	(527,998)						
Four year later		(750,619)	(731,825)	(573,807)	(531,034)							
Five year later		(766,323)	(740,786)	(579,161)								
Six year later		(772,642)	(741,881)									
Seven year later		(774,650)										
Cumulative payments to-date		(774,650)	(741,881)	(579,161)	(531,034)	(527,998)	(467,986)	(329,371)	(14,273)			
Gross general insurance claims liabilities (direct and facultative)	–	77,248	40,945	67,661	64,203	118,881	204,877	434,724	187,587	1,196,125	57,782	1,253,908
Current estimate of surplus/(deficiency)		(40,747)	(22,702)	(17,320)	(28,030)	(48,307)	(66,447)	(167,003)				
% surplus/(deficiency) of initial case reserve		-111.6%	-124.4%	-34.4%	-77.5%	-68.4%	-48.0%	-62.4%				

Net General Insurance Contract Liabilities for FY2014

Accident year	Before 2007 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		664,663	652,589	536,934	519,721	471,328	486,942	655,245	179,983			
One year later		678,900	662,466	557,679	525,710	467,721	495,686	651,242				
Two year later		696,675	696,066	573,952	521,546	470,766	493,743					
Three year later		732,335	699,770	573,126	520,484	465,465						
Four year later		718,126	696,975	571,289	517,573							
Five year later		717,376	706,127	569,660								
Six year later		731,008	703,636									
Seven year later		743,629										
Current estimate of accumulative claims incurred		743,629	703,636	569,660	517,573	465,465	493,743	651,242	179,983			
At the end of accident year		(192,907)	(217,938)	(201,741)	(180,785)	(178,304)	(171,108)	(212,471)	(13,879)			
One year later		(446,026)	(465,821)	(381,232)	(371,773)	(327,681)	(333,646)	(302,411)				
Two year later		(560,350)	(576,397)	(485,047)	(438,746)	(380,392)	(352,999)					
Three year later		(650,071)	(640,942)	(516,922)	(462,304)	(387,774)						
Four year later		(685,604)	(661,588)	(531,819)	(467,792)							
Five year later		(694,915)	(680,583)	(534,997)								
Six year later		(715,655)	(681,631)									
Seven year later		(717,324)										
Cumulative payments to-date		(717,324)	(681,631)	(534,997)	(467,792)	(387,774)	(352,999)	(302,411)	(13,879)			
Net general insurance liabilities (direct and facultative)	–	26,305	22,005	34,663	49,781	77,691	140,744	348,831	166,104	866,124	57,782	923,906
Current estimate of surplus/(deficiency)		(13,548)	(10,177)	(12,833)	(22,982)	(33,126)	(45,322)	(128,254)				
% surplus/(deficiency) of initial case reserve		-106.2	-86.0%	-58.8%	-85.8%	-74.3%	-47.5%	-58.1%				

Notes to the Financial Statements

55. INSURANCE BUSINESS (CONT'D.)

(VI) GENERAL INSURANCE BUSINESS (CONT'D.)

General insurance contract liabilities (Cont'd.)

Gross General Insurance Contract Liabilities for FY2013 - business transferred to AmGeneral Insurance Berhad

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		263,766	306,188	305,250	365,793	374,672	413,903	420,102	445,149			
One year later		287,094	304,546	321,371	387,191	353,555	397,287	383,651				
Two year later		285,594	301,801	338,804	365,341	361,791	383,846					
Three year later		286,459	312,101	332,850	356,672	352,207						
Four year later		295,974	308,009	331,674	350,556							
Five year later		284,677	305,010	329,969								
Six year later		283,324	303,253									
Seven year later		283,517										
Current estimate of accumulative claims incurred		283,517	303,253	329,969	350,556	352,207	383,846	383,651	445,149			
At the end of accident year		(106,496)	(122,194)	(125,538)	(155,715)	(165,530)	(150,304)	(163,862)	(160,853)			
One year later		(205,183)	(222,174)	(249,176)	(286,105)	(269,798)	(288,999)	(288,216)				
Two year later		(228,848)	(258,574)	(283,516)	(310,083)	(312,015)	(333,078)					
Three year later		(253,400)	(282,069)	(301,880)	(328,789)	(332,926)						
Four year later		(267,459)	(292,486)	(313,626)	(339,469)							
Five year later		(275,727)	(296,304)	(320,130)								
Six year later		(278,120)	(300,169)									
Seven year later		(281,516)										
Cumulative payments to-date		(281,516)	(300,169)	(320,130)	(339,469)	(332,926)	(333,078)	(288,216)	(160,853)			
Gross general insurance contract liabilities	1,064	2,001	3,084	9,839	11,087	19,281	50,768	95,435	284,296	476,855	436	477,291
Current estimate of surplus/(deficiency)		(134)	(497)	(1,787)	(4,186)	(3,538)	(8,277)	(15,810)				
% surplus/(deficiency) of initial case reserve		-7.2%	-19.2%	-22.2%	-60.7%	-22.5%	-19.5%	-19.9%				

Net General Insurance Contract Liabilities for FY2013 - business transferred to AmGeneral Insurance Berhad

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		242,842	262,959	261,465	322,866	347,605	374,582	376,097	387,761			
One year later		249,008	264,314	293,286	341,821	332,336	363,616	353,642				
Two year later		258,309	263,664	309,197	330,196	336,909	352,397					
Three year later		249,074	271,696	309,065	323,492	329,135						
Four year later		256,040	272,149	304,667	317,621							
Five year later		256,501	270,954	302,417								
Six year later		255,335	269,698									
Seven year later		254,465										
Current estimate of accumulative claims incurred		254,465	269,698	302,417	317,621	329,135	352,397	353,642	387,761			
At the end of accident year		(98,616)	(113,276)	(116,697)	(146,557)	(157,275)	(141,356)	(150,932)	(150,805)			
One year later		(184,448)	(197,812)	(230,911)	(254,790)	(253,461)	(269,008)	(264,954)				
Two year later		(206,566)	(230,314)	(263,306)	(276,871)	(292,847)	(307,815)					
Three year later		(227,786)	(248,574)	(280,288)	(298,189)	(311,561)						
Four year later		(240,499)	(257,886)	(291,321)	(307,632)							
Five year later		(248,117)	(263,147)	(296,565)								
Six year later		(251,229)	(266,847)									
Seven year later		(253,090)										
Cumulative payments to-date		(253,090)	(266,847)	(296,565)	(307,632)	(311,561)	(307,815)	(264,954)	(150,805)			
Gross general insurance contract liabilities	335	1,375	2,851	5,852	9,989	17,575	44,583	88,688	236,956	408,204	239	408,443
Current estimate of surplus/(deficiency)		(120)	(446)	(1,464)	(3,741)	(3,150)	(8,834)	(14,685)				
% surplus/(deficiency) of initial case reserve		-9.6%	-18.5%	-33.4%	-59.9%	-21.8%	-24.7%	-19.8%				

Notes to the Financial Statements

55. INSURANCE BUSINESS (CONT'D.)

(VI) GENERAL INSURANCE BUSINESS (CONT'D.)

General insurance contract liabilities (Cont'd.)

Gross General Insurance Contract Liabilities for FY2013

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		732,007	756,216	734,527	613,855	603,717	686,160	708,370	197,802			
One year later		749,716	772,413	745,644	637,571	620,246	670,097	692,360				
Two year later		776,423	792,636	783,463	662,375	603,498	669,058					
Three year later		791,637	833,209	794,683	651,843	601,431						
Four year later		810,737	825,778	781,331	654,578							
Five year later		777,853	811,559	781,222								
Six year later		775,911	813,400									
Seven year later		812,965										
Current estimate of accumulative claims incurred		812,965	813,400	781,222	654,578	601,431	669,058	692,360	197,802			
At the end of accident year		(198,629)	(204,490)	(232,479)	(214,699)	(197,287)	(231,202)	(226,495)	(13,663)			
One year later		(405,633)	(477,415)	(507,214)	(407,737)	(415,751)	(440,794)	(308,326)				
Two year later		(555,957)	(599,995)	(626,401)	(522,919)	(494,662)	(461,280)					
Three year later		(642,597)	(698,485)	(703,687)	(557,766)	(503,211)						
Four year later		(708,157)	(750,619)	(731,825)	(562,292)							
Five year later		(735,919)	(766,323)	(734,341)								
Six year later		(746,443)	(768,561)									
Seven year later		(749,997)										
Cumulative payments to-date		(749,997)	(768,561)	(734,341)	(562,292)	(503,211)	(461,280)	(308,326)	(13,663)			
Gross general insurance claims liabilities (direct and facultative)	–	62,968	44,839	46,881	92,286	98,220	207,778	384,034	184,139	1,121,145	37,987	1,159,132
Current estimate of surplus/(deficiency)		(23,760)	(17,337)	(15,835)	(22,077)	(32,241)	(67,898)	(105,462)				
% surplus/(deficiency) of initial case reserve		-61.0%	-63.0%	-51.0%	-31.0%	-49.0%	-49.0%	-38.0%				

Net General Insurance Contract Liabilities for FY2013

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		657,114	664,663	652,589	536,934	519,721	471,328	486,942	166,463			
One year later		673,011	678,900	662,466	557,679	525,710	467,721	498,912				
Two year later		696,985	696,675	696,066	573,952	521,546	474,273					
Three year later		710,643	732,335	699,770	573,126	523,737						
Four year later		727,789	718,126	696,975	574,937							
Five year later		706,925	717,376	697,432								
Six year later		703,120	718,409									
Seven year later		713,833										
Current estimate of accumulative claims incurred		713,833	718,409	697,432	574,937	523,737	474,273	498,912	166,463			
At the end of accident year		(188,335)	(192,907)	(217,938)	(201,741)	(180,785)	(178,304)	(171,108)	(12,493)			
One year later		(381,650)	(446,026)	(465,821)	(381,232)	(371,773)	(327,681)	(234,253)				
Two year later		(523,962)	(560,350)	(576,397)	(485,047)	(438,746)	(341,782)					
Three year later		(603,575)	(650,071)	(640,942)	(516,922)	(445,271)						
Four year later		(664,332)	(685,604)	(661,588)	(521,129)							
Five year later		(681,472)	(694,915)	(663,617)								
Six year later		(688,006)	(696,519)									
Seven year later		(690,304)										
Cumulative payments to-date		(690,304)	(696,519)	(663,617)	(521,129)	(445,271)	(341,782)	(234,253)	(12,493)			
Net general insurance liabilities (direct and facultative)	–	23,529	21,890	33,815	53,808	78,466	132,491	264,659	153,970	762,628	37,970	800,598
Current estimate of surplus/(deficiency)		(8,373)	(9,250)	(11,913)	(13,700)	(25,758)	(41,851)	(71,070)				
% surplus/(deficiency) of initial case reserve		-55.0%	-73.0%	-54.0%	-34.0%	-49.0%	-46.0%	-37.0%				

Notes to the Financial Statements

55. INSURANCE BUSINESS (CONT'D.)

(VII) REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARE

During the previous financial year, the AmGeneral Holdings Berhad ("AMGH") (a 51% owned subsidiary) had issued RM600 million of Redeemable Cumulative Convertible Preference Share ("RCCPS") and the salient features of the RCCPS were as follows:

The RCCPS are redeemable during the redemption period from 27 September 2012 to 26 September 2027 ("maturity date"). The RCCPS will be redeemed during the redemption period or at the maturity date with the redemption price equal to the issue price.

The RCCPS confer on the holders the right to a fixed cumulative preference dividend calculated at 1% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the RCCPS, in priority to any other classes of shares to the extent that there are profits available for distribution and compliance with the capital adequacy requirements as stipulated by Bank Negara Malaysia.

The RCCPS holders are entitled at any time to convert all or any of the RCCPS held to ordinary shares in AMGH on the basis of one RCCPS for one new ordinary share.

(VIII) INVESTMENT PROPERTIES

Investment property of general insurance business

Cost/Carrying amount	31 March 2014 RM'000	31 March 2013 (Restated) RM'000
At beginning of financial year	7,713	–
Arising from acquisition of subsidiary	–	7,713
At end of financial year	**7,713**	**7,713**

At 31 March 2014, had the investment property of the Group been carried under the fair value model, the fair value would have been RM12,120,000 (2013: RM7,713,000). The fair value is determined based on desktop valuation that reflects market conditions at the end of the reporting period by an accredited independent valuer whereby valuation was based on comparison method that makes comparison to similar properties that were either transacted recently or listed for sale within the same location or other comparable localities (Level 2 in the fair value hierarchy).

Investment property of life insurance business

	31 March 2014 RM'000	31 March 2013 RM'000
At beginning of financial year	80,165	84,715
Fair value adjustments	4,180	200
Reclassification	–	(4,750)
At end of financial year	**84,345**	**80,165**
Investment properties consist of the following:		
Leasehold land and buildings	23,990	49,320
Freehold land and building	60,355	30,845
	84,345	**80,165**

The fair value adjustment of RM4,180,000 (2013: RM200,000) has been recognised in the income statement during the financial year.

Investment properties are stated at fair value, which has been determined based on valuations performed by PPC International Sdn Bhd, an accredited independent valuer. PPC International Sdn Bhd is a specialist in valuing these types of investment properties. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. The valuation were based on Comparison Approach method which make reference to comparable properties which have been sold or being offered for sale (Level 2 of the fair value hierarchy).

Notes to the Financial Statements

56. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Offsetting of financial assets and financial liabilities.

Financial assets and financial liabilites subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:-

Group	Gross amount of recognised financial assets/ liabilities RM'000	Gross amounts offset in the statements of financial position RM'000	Amounts presented in the statements of financial position RM'000	Amount not offset in the Statements of financial position		Net amount RM'000
				Financial instruments RM'000	Cash collateral received/ pledged RM'000	
31 March 2014						
Derivative financial assets	528,810	–	528,810	–	113,100	415,710
Other assets	278,660	(122,911)	155,749	–	–	155,749
	807,470	**(122,911)**	**684,559**	**–**	**113,100**	**571,459**
Derivative financial liabilities	541,224	–	541,224	–	295,147	246,077
Other liabilities	537,039	(122,911)	414,128	–	–	414,128
	1,078,263	**(122,911)**	**955,352**	**–**	**295,147**	**660,205**
31 March 2013						
Derivative financial assets	383,257	–	383,257	–	14,771	368,486
Other assets	352,289	(136,657)	215,632	–	–	215,632
	735,546	**(136,657)**	**598,889**	**–**	**14,771**	**584,118**
Derivative financial liabilities	422,655	–	422,655	–	195,753	226,902
Other liabilities	591,452	(136,657)	454,795	–	–	454,795
	1,014,107	**(136,657)**	**877,450**	**–**	**195,753**	**681,697**

57. SIGNIFICANT EVENTS

On 26 August 2013, the Company announced that Bank Negara Malaysia ("BNM") (via letter dated 26 August 2013) has no objection in principle for the Company to commence negotiations with several shortlisted global insurers in relation to the establishment of a new strategic partnership for its life insurance and family takaful businesses. This exercise is subject to the prior approval of the Minister of Finance and BNM before the Company and the selected strategic partner may enter into any agreement in relation thereto.

On 19 December 2013, the Company announced that it has reached an agreement with MetLife International Holdings, Inc. ("MetLife"), a wholly-owned subsidiary of MetLife Inc. to seek regulatory approval of a proposed strategic partnership involving AmLife Insurance Berhad ("AmLife") and AmFamily Takaful Berhad ("AmTakaful") (the "Proposal").

On 1 April 2014, the Company announce that its wholly-owned subsidiary, AMAB Holdings Sdn Bhd ("AMAB"), and MetLife, a wholly-owned subsidiary of MetLife, Inc., have received the approval of the Minister of Finance and Bank Negara Malaysia for the Proposal.

On 28 April 2014, AMAB entered into conditional share sale agreements with MetLife for the sale of equity interests held by AMAB in each of AmLife and 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:-

(i) '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

(ii) '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.

Notes to the Financial Statements

57. SIGNIFICANT EVENTS (CONT'D.)

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:

Group	31 March 2014 RM'000
Asset	
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	**3,126,042**
Liabilities	
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	**2,835,367**
Net assets of subsidiaries held for sale	**290,675**

58. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements except as disclosed in Note 57.

Notes to the Financial Statements

59. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE INFORMATION

The Group and the Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include MFRS 10, Consolidated Financial Statements, MFRS 13, Fair Value Measurement and Amendments to MFRS 101, Presentation of Financial Statements. In addition, the application of MFRS 12, Disclosure of Interests in Other Entities resulted in additional disclosures in the consolidated financial statements of the Group.

Several other amendments apply for the first time in the current financial year. However, they do not impact the consolidated financial statements of the Group and the separate financial statements of the Company. The nature and the impact of the new standards and amendments are described below.

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

MFRS 10 introduces a new and broader definition of control compared to the previous MFRS 127, Consolidated and Separate Financial Statements ("MFRS 127").

(i) Consolidation of collective investment schemes

For financial years up to 31 March 2013, certain collective investment schemes were previously accounted for as financial investments available-for-sale and financial investments held-for-trading in accordance with MFRS 139, Financial Instruments: Recognition and Measurement. At the date of initial application of MFRS 10 (1 April 2013), the Group reassessed its investments based on the new requirements of MFRS 10 and has concluded that the Group has control over the collective investment schemes disclosed in Note 15(b).

The Group has consolidated the financial statements of these collective investment schemes. The assets, liabilities and equities of the collective investment schemes have been retrospectively consolidated in the financial statements of the Group. The opening balances as at 1 April 2012 and comparative information in the financial year ended 31 March 2013 have been restated.

(ii) Equity accounting of AmFIRST Real Estate Investment Trust ("AmFIRST REIT")

Arising from the reassessment of the Group's investments, the Group identified and concluded that it has significant influence over AmFIRST REIT (previously accounted for as financial investment available-for-sale in accordance with MFRS 139) and should therefore account for it as an investment in associate. The equity accounting of AmFIRST REIT has been retrospectively applied to the financial statements.

The effects of adopting MFRS 10 are disclosed in Note 59(f).

(b) MFRS 12, Disclosure of Interests in Other Entities ("MFRS 12")

MFRS 12 sets out, amongst others, the requirements for disclosures relating to an entity's interests in subsidiaries and associates. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries as MFRS 12 requires the details of subsidiaries with material non-controlling interests to be disclosed.

The Group has made the relevant disclosure in Note 15(a) to the financial statements.

(c) MFRS 13, Fair Value Measurement ("MFRS 13")

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure the fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group reassessed its policy for measuring fair value. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 52 and Note 55.

(d) Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income ("MFRS 101")

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income ("OCI") in the statements of comprehensive income. Items that will be reclassified ("recycled") to the income statement at a future point in time (e.g., net gain or loss on financial investments available-for-sale) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affected presentation only and had no impact on the Group's and the Company's financial position or performance.

Notes to the Financial Statements

59. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(e) Finalisation of the Purchase Price Allocation ("PPA") exercise in relation to the acquisition of AmGeneral Insurance Berhad

During the financial year, the Group has completed its allocation of cost of business combination to the assets and liabilities and contingent liabilities assumed. The fair value adjustment and intangible assets identified on acquisition are based on the finalised PPA exercise. The details on fair value adjustments are disclosed in Note 15(a).

(f) Financial effects arising from changes in accounting policies and restatement of comparative information

(i) Reconciliations of on the Group's consolidated statements of financial position as at 31 March 2013 and 1 April 2012

Group	As previously stated RM'000	Effect of adopting MFRS 10 RM'000	Other restatements RM'000	As restated RM'000
As at 31 March 2013				
Assets				
Cash and short-term funds	11,233,573	546,575	–	11,780,148
Securities purchased under resale agreements	200,605	–	–	200,605
Deposits and placements with banks and other financial institutions	2,322,657	–	–	2,322,657
Derivative financial assets	383,257	–	–	383,257
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
Financial investments held-to-maturity	6,219,804	–	–	6,219,804
Loans, advances and financing	82,586,332	–	–	82,586,332
Statutory deposits with Bank Negara Malaysia	2,907,435	–	–	2,907,435
Deferred tax assets	136,244	158	15,319	151,721
Investment in associates	20,935	223,721	–	244,656
Other assets	2,864,266	10,553	(4,077)	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
Liabilities				
Deposits and placements of banks and other financial institutions	3,152,946	–	–	3,152,946
Recourse obligation on loans sold to Cagamas Berhad	3,337,941	–	–	3,337,941
Derivative financial liabilities	422,655	–	–	422,655
Deposits from customers	84,859,987	(30,000)	–	84,829,987
Term funding	6,255,969	–	–	6,255,969
Bills and acceptances payable	1,964,800	–	–	1,964,800
Debt capital	4,205,232	–	–	4,205,232
Redeemable cumulative convertible preference share	–	–	183,490	183,490
Deferred tax liabilities	32,043	32	92,446	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
Equity				
Share capital	3,014,185	–	–	3,014,185
Reserves	9,018,995	50,495	(15,939)	9,053,551
Non-controlling interests	1,100,050	(24)	(226,432)	873,594

Notes to the Financial Statements

59. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(f) Financial effects arising from changes in accounting policies and restatement of comparative information (Cont'd.)

(i) Reconciliations of on the Group's consolidated statements of financial position as at 31 March 2013 and 1 April 2012 (Cont'd.)

Group	As previously stated RM'000	Effect of adopting MFRS 10 RM'000	Other restatements RM'000	As restated RM'000
As at 1 April 2012				
Assets				
Cash and short-term funds	7,813,159	105,094	–	7,918,253
Securities purchased under resale agreements	517,306	–	–	517,306
Deposits and placements with banks and other financial institutions	1,892,166	–	–	1,892,166
Derivative financial assets	380,129	–	–	380,129
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
Financial investments held-to-maturity	1,429,843	–	–	1,429,843
Loans, advances and financing	75,683,401	–	–	75,683,401
Statutory deposits with Bank Negara Malaysia	2,582,411	–	–	2,582,411
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
Investment properties	84,715	–	–	84,715
Property and equipment	224,531	–	–	224,531
Intangible assets	1,954,799	–	–	1,954,799
Liabilities				
Deposits and placements of banks and other financial institutions	3,914,568	–	–	3,914,568
Obligations on securities sold under repurchase agreements	41,195	–	–	41,195
Recourse obligation on loans sold to Cagamas Berhad	3,126,109	–	–	3,126,109
Derivative financial liabilities	441,684	–	–	441,684
Deposits from customers	77,307,156	(30,000)	–	77,277,156
Term funding	4,957,323	–	–	4,957,323
Bills and acceptances payable	871,948	–	–	871,948
Debt capital	4,021,231	–	–	4,021,231
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
Equity				
Share capital	3,014,185	–	–	3,014,185
Reserves	8,096,904	33,844	–	8,130,748
Non-controlling interests	380,865	(24)	–	380,841

Notes to the Financial Statements

59. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE INFORMATION (CONT'D.)

(f) Financial effects arising from changes in accounting policies and restatement of comparative information (Cont'd.)

(ii) Reconciliations of on the Group's consolidated income statement for the year ended 31 March 2013

Group	As previously stated RM'000	Effect of adopting MFRS 10 RM'000	Other restatements RM'000	As restated RM'000
Interest income	4,487,833	35,596	–	4,523,429
Interest expense	(2,265,312)	931	(40,600)	(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	(45,893)	(44,851)	1,003,251
Share in result of associate	653	12,806	–	13,459
Other operating expenses	(2,005,951)	(1,900)	(33,713)	(2,041,564)
Allowances for impairment on loans and financing	(173,287)	–	–	(173,287)
Impairment (loss)/writeback on:				
Financial investment	800	–	–	800
Doubtful sundry receivables - net	(5,234)	–	–	(5,234)
Foreclosed properties	(9,086)	–	–	(9,086)
Fixed assets	1,347	–	–	1,347
Provision for commitments and contingencies	51,568	–	–	51,568
Transfer from profit equalisation reserve	(9,429)	–	–	(9,429)
Taxation and zakat	(486,410)	–	10,911	(475,499)
Non-controlling interests	58,054	25	(15,315)	42,764

(iii) Reconciliations of on the Group's consolidated statement of comprehensive income for the year ended 31 March 2013

Group	As previously stated RM'000	Effect of adopting MFRS 10 RM'000	Other restatements RM'000	As restated RM'000
Foreign exchange differences on translation of				
- foreign operations	(4,815)	–	–	(4,815)
- net investment hedge	(3,066)	–	–	(3,066)
Net movement on cash flow hedges	(1,178)	–	–	(1,178)
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

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2014 and the results for the financial year 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:

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Note	Group 31 March 2014 RM'000	Group 31 March 2013 RM'000
ASSETS			
Cash and short-term funds	ii	2,941,329	3,546,395
Deposits and placements with banks and other financial institutions	iii	1,118,383	1,548,383
Derivative financial assets		7,699	7,924
Financial assets held-for-trading	iv	64,694	1,216,381
Financial investments available-for-sale	v	3,854,715	1,197,335
Financial investments held-to-maturity	vi	1,335,055	1,920,361
Financing and advances	vii	24,445,039	21,987,306
Statutory deposits with Bank Negara Malaysia		891,000	771,000
Deferred tax assets	viii	292	212
Other assets	ix	574,891	332,467
Property and equipment	x	409	519
Intangible assets	xi	28	54
TOTAL ASSETS		**35,233,534**	**32,528,337**
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits and placements of banks and other financial institutions	xii	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	xiii	25,423,364	23,176,547
Term funding	23(b)	550,000	550,000
Bills and acceptances payable		–	722,821
Subordinated Sukuk Musyarakah	25(c)	1,149,302	1,000,000
Deferred tax liabilities	viii	7,255	15,945
Other liabilities	xiv	387,526	351,098
TOTAL LIABILITIES		32,716,047	30,247,587
Share capital/Capital funds	xv	495,761	495,761
Reserves		2,021,726	1,784,989
TOTAL ISLAMIC BANKING FUNDS		2,517,487	2,280,750
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		**35,233,534**	**32,528,337**
COMMITMENTS AND CONTINGENCIES	xxiv	**8,467,022**	**8,553,161**

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

	Note	Group 31 March 2014 RM'000	Group 31 March 2013 RM'000
Income derived from investment of depositors' funds and others	xvi	1,673,142	1,487,690
Allowance for impairment on financing and advances	xvii	(208,471)	(136,087)
Provision/(Writeback) for commitment and contingencies		600	(699)
Impairment writeback for sundry debtors		51	–
Transferred to profit equalization reserve		(10,743)	(9,429)
Total attributable income		1,454,579	1,341,475
Income attributable to the depositors	xviii	(826,909)	(740,466)
Profit attributable to the Group		627,670	601,009
Income derived from Islamic Banking Funds	xix	120,930	161,653
Total net income		748,600	762,662
Operating expenditure	xx	(365,181)	(353,382)
Finance cost		(67,461)	(61,120)
Profit before taxation and zakat		315,958	348,160
Taxation and zakat	xxi	(67,915)	(77,847)
Profit after taxation and zakat		**248,043**	**270,313**

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Group 31 March 2014 RM'000	Group 31 March 2013 RM'000
Profit after taxation and zakat	248,043	270,313
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Net change in revaluation of financial investments available-for-sale	(14,915)	2,609
Exchange differences on translation of foreign operations	317	52
Income tax relating to the components of other comprehensive income	3,729	(652)
Other comprehensive income/(loss) for the year, net of tax	(10,869)	2,009
Total comprehensive income for the year	**237,174**	**272,322**

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

		Non-Distributable					Distributable	
Group	Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Profit equalisation reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 April 2012	460,877	609,068	359,716	–	(9,159)	(1,031)	437,743	1,857,214
Profit for the year	–	–	–	–	–	–	270,313	270,313
Other comprehensive income, net	–	–	–	–	1,957	52	–	2,009
Total comprehensive income for the year	–	–	–	–	1,957	52	270,313	272,322
Issuance of Shares of RM1.00 each	34,884	115,117	–	–	–	–	–	150,001
Transfer from retained earnings	–	–	64,550	–	–	–	(64,550)	–
Transfer to profit equalisation reserve	–	–	–	1,495	–	–	–	1,495
Net utilisation of profit equalisation reserve for the financial year	–	–	–	(182)	–	–	182	–
Transfer to ESS shares recharged difference on purchase price of shares vested	–	–	–	–	–	–	(282)	(282)
At 31 March 2013	**495,761**	**724,185**	**424,266**	**1,313**	**(7,202)**	**(979)**	**643,406**	**2,280,750**
At 1 April 2013	495,761	724,185	424,266	1,313	(7,202)	(979)	643,406	2,280,750
Profit for the year	–	–	–	–	–	–	248,043	248,043
Other comprehensive income/(loss), net	–	–	–	–	(11,186)	317	–	(10,869)
Total comprehensive income/(loss)	–	–	–	–	(11,186)	317	248,043	237,174
Issuance of Shares of RM1.00 each	–	–	–	–	–	–	–	–
Transfer from retained earnings	–	–	59,079	–	–	–	(59,079)	–
Utilisation of profit equalisation reserve for the financial year	–	–	–	(53)	–	–	53	–
Transfer to ESS shares recharged difference on purchase price of shares vested	–	–	–	–	–	–	(437)	(437)
At 31 March 2014	**495,761**	**724,185**	**483,345**	**1,260**	**(18,388)**	**(662)**	**831,986**	**2,517,487**

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Group 31 March 2014 RM'000	Group 31 March 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	315,958	348,160
Add/(less) adjustments for:		
Accretion of discount less amortisation of premium	(77,395)	(51,076)
Allowance for impairment on financing and advances	294,391	209,135
Depreciation of property and equipment	153	171
Amortisation of intangible assets	31	83
Impairment writeback on sundry receivables	(51)	–
Transfer to profit equalization reserve	10,743	9,429
(Gain)/loss on sale of financial assets held-for-trading	(1,176)	14,327
Net gain on revaluation of financial assets held-for-trading	(1,413)	(17,086)
Net loss/(gain) on sale of financial investments available-for-sale	877	(1,582)
Net loss on revaluation of derivatives	7	2
Provision for commitments and contingencies	(600)	699
Shares/options granted under Executives' Share Scheme	606	1,300
Operating profit before working capital changes	542,131	513,562
(Increase)/decrease in operating assets		
Deposit and placements with banks and other financial institutions	430,000	(430,000)
Financial assets held-for-trading	1,154,951	308,562
Financing and advances	(2,752,124)	(3,705,018)
Other assets	(237,428)	(7,843)
Statutory deposits with Bank Negara Malaysia	(120,000)	(212,000)
Increase/(decrease) in operating liabilities		
Deposits from customers	2,246,817	4,913,400
Deposits and placements of banks and other financial institutions	772,996	1,019,991
Bills and acceptances payable	(722,821)	204,399
Recourse obligation on financing sold to Cagamas Berhad	(5,353)	123,635
Other liabilities	3,788	78,266
Cash generated from operating activites	1,312,957	2,806,954
Zakat paid	(1,726)	(1,314)
Tax paid	(58,132)	(36,068)
Net cash generated from operating activities	1,253,099	2,769,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial investments	(2,007,419)	(1,920,742)
Purchase of property and equipment	(43)	(48)
Purchase of intangible assets	(5)	(11)
Net cash used in investing activities	(2,007,467)	(1,920,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	149,302	150,001
Proceeds received from Subordinated Sukuk Musharakah	–	200,000
Net cash generated from financing activities	149,302	350,001
Net (decrease)/increase in cash and cash equivalents	(605,066)	1,198,772
Cash and cash equivalents at beginning of year	3,546,395	2,347,623
Cash and cash equivalents at end of year	**2,941,329**	**3,546,395**

The accompanying notes form an integral part of the Islamic banking financial statements.

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

The Shariah Committee comprises five (5) members and is responsible and accountable on matters related to Shariah. This includes:

(i) advising Board of Directors and Management on Shariah matters;
(ii) endorsing and validating products and services, and the operations in relation to Islamic Banking; and
(iii) providing advice and guidance on management of zakat and charity funds.

The Shariah Committee members also sit in the Shariah Oversight Committee, a sub-committee to the Shariah Committee performing an oversight function to assess work carried out by functions such as Shariah review, Shariah audit, Shariah regulatory review and Shariah risk management. The Shariah Oversight Committee is also responsible to provide guidance and advice on matters pertaining to Shariah non-compliance incidents and Shariah non-compliance income (if any).

(ii) CASH AND SHORT-TERM FUNDS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Cash and bank balances	25,245	8,340
Money on call and deposits maturing within one month:		
Other financial institutions	2,916,084	3,538,055
	2,941,329	**3,546,395**

(iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Licensed banks	400,000	150,000
Licensed investment bank	300,000	–
Bank Negara Malaysia	300,000	1,250,000
Other financial institutions	118,383	148,383
	1,118,383	**1,548,383**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(iv) FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
At Fair Value		
Money Market Securities:		
Malaysian Government Investment Certificates	–	278,127
Bank Negara Monetary Notes	–	374,810
	–	652,937
Unquoted Securities:		
In Malaysia:		
Private debt securities	54,695	502,660
Outside Malaysia:		
Private debt securities	9,999	60,784
	64,694	563,444
Total	**64,694**	**1,216,381**

(v) FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
At Fair Value		
Money Market Securities:		
Malaysian Government Investment Certificates	300,050	–
Islamic negotiable instruments of deposit	996,795	746,570
Bank Negara Monetary Notes	1,969,876	–
	3,266,721	746,570
Unquoted Securities:		
In Malaysia:		
Private debt securities	587,994	425,210
Outside Malaysia:		
Private debt securities	–	25,555
	587,994	450,765
Total	**3,854,715**	**1,197,335**

(vi) FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
At amortised cost		
Money Market Securities:		
Bank Negara Monetary Notes	–	697,390
Unquoted Securities:		
In Malaysia:		
Private debt securities	1,335,055	1,222,971
	1,335,055	**1,920,361**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(vii) FINANCING AND ADVANCES

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Cash lines	838,903	78,718
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	24,998,974	22,492,168
Allowance for impairment on financing and advances:		
Collective allowance	(534,465)	(490,410)
Individual allowance	(19,470)	(14,452)
Net financing and advances	**24,445,039**	**21,987,306**

Financing and advances analysed by concepts are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Ijarah/Al-Ijarah Thumma Al-Bai'	11,127,224	10,969,715
Bai' Bithaman Ajil	5,123,788	4,931,567
Murabahah	1,161,831	1,254,362
Musyarakah	24,392	7,934
Other Islamic contracts	7,561,739	5,328,590
	24,998,974	**22,492,168**

The maturity structure of financing and advances are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Maturing within one year	5,058,788	4,138,935
Over one to three years	2,946,503	2,639,831
Over three to five years	4,395,796	3,108,537
Over five years	12,597,887	12,604,865
	24,998,974	**22,492,168**

Gross financing and advances analysed by type of customers are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Domestic non-bank financial institutions	19,029	13,597
Domestic business enterprises		
- Small medium enterprises	3,625,381	2,799,718
- Others	7,357,903	6,125,067
Government and statutory bodies	405,202	381,005
Individuals	13,518,427	13,107,229
Other domestic entities	571	10,044
Foreign individual and entities	72,461	55,508
	24,998,974	**22,492,168**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(vii) FINANCING AND ADVANCES (CONT'D.)

Financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Fixed rate:		
Housing financing	209,307	235,394
Hire purchase receivables	9,883,978	9,497,105
Other financing	5,398,943	5,108,570
Variable rate:		
Cost-plus	6,120,963	4,281,951
Base financing rate plus	3,385,783	3,369,148
	24,998,974	**22,492,168**

Gross financing and advances analysed by sectors are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Agriculture	977,689	539,450
Mining and quarrying	89,001	38,274
Manufacturing	2,212,036	2,339,470
Electricity, gas and water	196,279	129,920
Construction	1,955,097	1,377,520
Wholesale, retail trade, restaurants and hotels	858,708	782,493
Transport, storage and communication	867,477	610,273
Finance and insurance	180,567	13,597
Real estate	2,385,628	1,884,837
Business activities	935,431	564,052
Education and health	433,681	746,870
Household	13,588,275	13,161,741
of which:		
- purchase of residential properties	1,107,496	823,587
- purchase of transport vehicles	2,331,727	10,214,396
- others	10,149,052	2,123,758
Others	319,105	303,671
Gross financing and advances	**24,998,974**	**22,492,168**

Movements in impaired financing and advances are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	268,443	237,724
Impaired during the financial 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 financial year	**348,515**	**268,443**
Gross impaired financing and advances as % of gross financing and advances	1.4%	1.2%

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(vii) FINANCING AND ADVANCES (CONT'D.)

Impaired financing and advances analysed by sectors are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Agriculture	1,395	359
Mining and quarrying	127	22
Manufacturing	32,191	16,725
Electricity, gas and water	57	106
Construction	12,029	1,997
Wholesale, retail trade, restaurants and hotels	10,680	7,599
Transport, storage and communication	5,480	211
Finance and insurance	614	–
Real estate	3,240	9,124
Business activities	6,275	4,375
Education and health	4,734	13,017
Household	271,681	214,908
of which:		
- purchase of residential properties	37,620	31,339
- purchase of transport vehicles	212,523	149,502
- others	21,538	34,067
Others	12	–
Impaired financing and advances	**348,515**	**268,443**

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Collective allowance		
Balance at beginning of financial year	490,410	460,411
Allowance made during the financial year	240,823	195,964
Amount written off	(196,768)	(165,965)
Balance at end of financial year	**534,465**	**490,410**
Collective allowance as a % of gross financing and advances less individual allowance	2.1%	2.2%
Individual allowance		
Balance at beginning of financial year	14,452	16,324
Allowance made during the financial year	53,568	13,171
Amount written off	(48,550)	(15,043)
Balance at end of financial year	**19,470**	**14,452**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(viii) DEFERRED TAX ASSETS/LIABILITY

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Deferred tax assets	292	212
Deferred tax liabilities	(7,255)	(15,945)
	(6,963)	**(15,733)**

The movements on the deferred tax account are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	(15,733)	37,699
Transfer to income statements	5,041	(52,780)
Recognised in other comprehensive income	3,729	(652)
	(6,963)	**(15,733)**

Group 31 March 2014	Balance at beginning of financial year RM'000	Recognised in income statement RM'000	Recognised in other comprehensive income RM'000	Balance at end financial year RM'000
Deferred tax assets				
Excess of capital allowance over depreciation	(5)	(2)	–	(7)
Other temporary differences	217	82	–	299
	212	**80**	**–**	**292**
Deferred tax liabilities				
Excess of capital allowance over depreciation	(49)	13	–	(36)
Deferred charges	(21,016)	2,312	–	(18,704)
Other temporary differences	2,287	2,657	–	4,944
Profit equalisation reserve	414	(21)	–	393
Available-for-sale reserve	2,419	–	3,729	6,148
	(15,945)	**4,961**	**3,729**	**(7,255)**

Group 31 March 2013	Balance at beginning of financial year RM'000	Recognised in income statement RM'000	Recognised in other comprehensive income RM'000	Balance at end financial year RM'000
Deferred tax assets				
Excess of capital allowance over depreciation	(12)	7	–	(5)
Other temporary differences	1,553	(1,336)	–	217
	1,541	**(1,329)**	**–**	**212**
Deferred tax liabilities				
Collective allowance for impaired financing and advances	51,465	(51,465)	–	–
Excess of capital allowance over depreciation	(66)	17	–	(49)
Deferred charges	(18,642)	(2,374)	–	(21,016)
Other temporary differences	(493)	2,780	–	2,287
Profit equalisation reserve	823	(409)	–	414
Available-for-sale reserve	3,071	–	(652)	2,419
	36,158	**(51,451)**	**(652)**	**(15,945)**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(ix) OTHER ASSETS

	Group 31 March 2014 RM'000	Group 31 March 2013 RM'000
Trade debtors	2,867	1,067
Other receivables, deposits and prepayments	62,618	31,227
Amount due from related company	261,327	25,467
Amount due from originators	118,239	123,610
Profit receivable	33,347	35,639
Tax recoverable	21,676	31,391
Deferred charges	74,817	84,066
	574,891	**332,467**

(x) PROPERTY AND EQUIPMENT

Group	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
31 March 2014					
Cost					
At beginning of financial year	600	426	525	185	1,736
Additions	–	6	26	11	43
At end of financial year	600	432	551	196	1,779
Accumulated Depreciation					
At beginning of financial year	258	364	445	150	1,217
Depreciation for the financial year	78	29	35	11	153
At end of financial year	336	393	480	161	1,370
Net Book Value					
As at 31 March 2014	**264**	**39**	**71**	**35**	**409**
31 March 2013					
Cost					
At beginning of financial year	600	412	495	180	1,687
Additions	–	14	30	5	49
At end of financial year	600	426	525	185	1,736
Accumulated Depreciation					
At beginning of financial year	174	332	401	139	1,046
Depreciation for the financial year	84	32	44	11	171
At end of financial year	258	364	445	150	1,217
Net Book Value					
As at 31 March 2013	**342**	**62**	**80**	**35**	**519**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(xi) INTANGIBLE ASSETS
Computer Software

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Cost		
At beginning of financial year	892	881
Additions	5	11
At end of financial year	897	892
Accumulated Depreciation		
At beginning of financial year	838	755
Amortisation for the financial year	31	83
At end of financial year	869	838
Net Carrying Amount	**28**	**54**

(xii) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Mudharabah Fund:		
Other financial institutions	1,394,065	1,113,771
Licensed Islamic banks	–	50,000
Licensed investment banks	479,407	–
Licensed banks	449,982	500,397
Non-Mudharabah Fund:		
Licensed investment banks	138	36,628
Other financial institutions	14,949	272,429
Licensed banks	249,556	341,234
Licensed Islamic banks	498,686	–
Bank Negara Malaysia	35,805	35,133
	3,122,588	**2,349,592**

(xiii) DEPOSITS FROM CUSTOMERS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
(i) By type of deposit:		
Savings deposits		
Wadiah	1,841,983	1,738,366
Mudharabah	6,002	5,586
Demand deposits		
Wadiah	3,742,024	4,865,376
Mudharabah	34,991	30,621
Term deposits		
Wakalah	2,375,226	1,020,284
Negotiable instruments of deposits		
Bai' Bithaman Ajil	21,017	20,560
General investment deposits		
Mudharabah	17,347,972	15,361,368
Structured deposits		
Mudharabah	54,149	134,386
	25,423,364	**23,176,547**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(xiii) DEPOSITS FROM CUSTOMERS (CONT'D.)

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Business enterprises	14,176,635	12,369,568
Government and statutory bodies	6,029,372	4,410,332
Individuals	4,372,805	5,771,131
Others	844,552	625,516
	25,423,364	**23,176,547**

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Due within six months	16,096,656	14,558,385
Over six months to one year	2,996,669	1,659,410
Over one to three years	272,441	306,670
Over three to five years	432,598	12,133
	19,798,364	**16,536,598**

(xiv) OTHER LIABILITIES

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
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 due from head office	3,341	35,425
Lease deposits and advance rentals	6,001	9,563
Profit equalisation reserve	1,571	1,659
	387,526	**351,098**

The movements in profit equalisation reserve are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Balance at beginning of financial year	1,659	3,294
Provision/(write back) during the financial year	10,743	9,429
Transfer to non-distributable PER	–	(1,495)
Utilisation during the financial year	(10,831)	(9,569)
Balance at end of financial year	**1,571**	**1,659**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(xv) CAPITAL FUNDS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Allocated:		
Balance at beginning and end of financial year	**563,381**	**563,381**
Utilised:		
Balance at beginning of financial year	495,761	460,877
Utilised during the financial year	–	34,884
Balance at end of financial year	**495,761**	**495,761**

(xvi) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Income derived from investment of:		
(i) General investment deposits	1,122,115	1,017,352
(ii) Other deposits	523,771	462,940
(iii) Special Investment deposits	27,256	7,398
	1,673,142	**1,487,690**

(i) Income derived from investment of general investment deposits:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Finance income and hibah:		
Financing and advances	1,048,276	914,620
Financial assets held-for-trading	9,384	42,411
Financial investments available-for-sale	4,121	–
Financial investments held-to-maturity	10,459	9,651
Financing income on impaired financing	753	187
Others	222	–
	1,073,215	966,869
Net gain/(loss) from sale of financial assets held-for-trading	885	(11,412)
Gain on revaluation of financial assets held-for-trading	1,903	13,088
Foreign exchange	8,465	7,686
Loss from sale of financial investments available-for-sale	(8)	(10,215)
Others	(1)	(1)
	11,244	(854)
Fee and commission income:		
Commission	155	9,415
Other fee income	37,501	41,922
	37,656	51,337
Total	**1,122,115**	**1,017,352**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(xvi) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(ii) Income derived from investment of other deposits:

	Group 31 March 2014 RM'000	Group 31 March 2013 RM'000
Finance income and hibah:		
Financing and advances	306,286	261,616
Financial assets held-for-trading	4,999	19,156
Financial investments held-to-maturity	61,532	33,995
Financial investments available-for-sale	1,205	–
Impaired financing and advances	220	53
Deposits and placements with financial institutions	136,189	133,075
Others	65	–
	510,496	447,895
Gain from sale of financial investments available-for-sale	(1)	(2,921)
Gain/(loss) from sale of financial assets held-for-trading	529	(2,915)
Gain/(loss) on revaluation of financial assets held-for-trading	(727)	3,998
Foreign exchange	2,473	2,199
Others	(1)	(1)
	2,273	360
Fee and commission income:		
Commission	2,531	2,693
Other fee income	8,471	11,992
	11,002	14,685
Total	**523,771**	**462,940**

(iii) Income derived from investment of specific investment deposits

Finance income and hibah:		
Financing and advances	**27,256**	**7,398**

(xvii) ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Group 31 March 2014 RM'000	Group 31 March 2013 RM'000
Allowance for impairment on financing and advances:		
Individual allowance, net	53,568	13,171
Collective allowance, net	240,823	195,964
	294,391	209,135
Impaired financing and advances recovered, net	(85,920)	(73,048)
	208,471	**136,087**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(xviii) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Deposits from customers:		
Mudharabah Fund	479,865	495,226
Non-Mudharabah Fund	139,984	69,222
Deposits and placements of banks and other financial institutions:		
Mudharabah Fund	84,195	41,791
Non-Mudharabah Fund	33,963	48,626
Others	88,902	85,601
	826,909	**740,466**

(xix) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Finance income and hibah:		
Financing and advances	22,324	106,143
Financial investments available-for-sale	71,663	31,754
Deposits and placements with financial institutions	887	783
	94,874	138,680
(Loss)/gain from sale of financial investments available-for-sale	(866)	1,582
	(866)	1,582
Fee and commission income:		
Commission	4,270	5,785
Other fee income	22,652	15,606
	26,922	21,391
Total	**120,930**	**161,653**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(xx) OPERATING EXPENDITURE

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Personnel costs	13,072	10,013
Establishment costs	1,515	1,458
Marketing and communication expenses	4,655	5,341
Administration and general expenses	345,939	336,570
	365,181	**353,382**

(xxi) TAXATION AND ZAKAT

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Taxation	66,759	76,217
Zakat	1,156	1,630
Taxation and zakat	**67,915**	**77,847**

(xxii) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic banking business comprises the following:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Income derived from investment of depositors' funds and others	1,673,142	1,487,690
Less: Income attributable to depositors	(826,909)	(740,466)
Income attributable to the Group	846,233	747,224
Income derived from Islamic Banking Funds	120,930	161,653
Less: Finance cost	(67,461)	(61,120)
	899,702	847,757
Intercompany income and expenses	40,267	36,144
	939,969	**883,901**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(xxiii) CAPITAL ADEQUACY RATIO

(a) The aggregated capital adequacy ratios under the Islamic banking business of the Group are as follows:

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Before deducting proposed dividends:		
Common Equity tier 1 ("CET 1")	10.431%	10.084%
Tier 1 Capital Ratio	10.431%	10.084%
Total Capital Ratio	16.356%	15.197%
After deducting proposed dividends:		
Common Equity tier 1 ("CET 1")	9.809%	10.084%
Tier 1 Capital Ratio	9.809%	10.084%
Total Capital Ratio	15.734%	15.197%

The capital adequacy ratios of the Islamic banking business of the Group are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (Basel II) and the Capital Adequacy Framework for Islamic Banks Capital Components ("CAFIB"). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

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

	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Common Equity Tier 1 ("CET1") Capital		
Ordinary shares	495,371	495,242
Share premium	724,185	724,185
Retained earnings	831,533	642,818
Unrealised gains and losses on available-for-sale financial instruments	(18,442)	(7,256)
Statutory reserve	483,345	424,266
Profit equalisation reserve	1,260	1,313
Less: Regulatory adjustments applied on CET1 Capital		
Other intangibles	(28)	(54)
Deferred tax assets	(292)	(212)
Profit equalisation reserve	(1,260)	(1,313)
CET1 Capital	**2,515,672**	**2,278,989**
Additional Tier 1 Capital		
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	–	–
Less : Regulatory adjustments applied on Tier 1 Capital	–	–
Tier 1 Capital	**2,515,672**	**2,278,989**
Tier 2 Capital		
Tier 2 Capital instruments meeting all relevant criteria for inclusion	350,000	–
Tier 2 Capital instruments (subject to gradual phase-out treatment)	800,000	900,000
Collective impairment provisions and regulatory reserves	279,038	255,665
Less : Regulatory adjustments applied on Tier 2 Capital	–	–
Tier 2 Capital	**1,429,038**	**1,155,665**
Total Capital	**3,944,710**	**3,434,654**
Credit RWA	22,941,447	21,067,101
Less : Credit RWA absorbed by Restricted Profit Sharing Investment Account	(407,455)	(455,945)
Total Credit RWA	22,533,992	20,611,156
Market RWA	68,731	583,120
Operational RWA	1,515,669	1,406,226
Total Risk Weighted Assets	**24,118,392**	**22,600,502**

Notes to the Financial Statements

60. ISLAMIC BANKING BUSINESS (CONT'D.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (CONT'D.)

(xxiv) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic banking business of the Group makes various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

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

Group	31 March 2014 Principal Amount RM'000	31 March 2013 Principal Amount RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
up to one year	4,113,057	4,896,985
over one year	1,024,041	1,066,005
Unutilised credit card lines	613,662	467,164
Forward asset purchases	170,000	–
	5,920,760	6,430,154
Contingent Liabilities		
Obligations under underwriting agreements	25,000	80,000
Certain transaction-related contingent items	706,662	580,655
Short-term self liquidating trade-related contingencies	60,205	58,850
Direct credit substitutes	205,876	199,388
	997,743	918,893
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	1,110,511	623,738
Equity and commodity related contracts:		
- One year or less	117,913	159,844
- Over one year to two years	320,095	117,297
- Over two to three years	–	303,235
	8,467,022	**8,553,161**

Notes to the Financial Statements

61. 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 dated 25 March 2010, the breakdown of the retained earnings of the Group as at the end of the reporting period, into realised and unrealised profits is as follows:

	Group		Company	
	31 March 2014 RM'000	31 March 2013 (Restated) RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Total retained earnings:				
- Realised	8,043,026	7,380,468	2,454,052	2,544,374
- 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 group retained earnings	**5,527,704**	**4,506,179**	**2,454,052**	**2,544,374**

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

AMMB Banking Group

Pillar 3 Disclosures

as at 31 March 2014

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1.0 Scope of Application

The Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework (Basel II) ("RWCAF") and Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3") is applicable to all banking institutions licensed under the Financial Services Act 2013 ("FSA") and all Islamic banks licensed under the Islamic Financial Services Act 2013 ("IFSA"). The Pillar 3 disclosure requirements aim to enhance transparency on the risk management practices and capital adequacy of banking institutions.

The FSA and IFSA have come into effect on 30 June 2013, providing for the regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market, to promote financial stability and for related, consequential or incidental matters. The FSA and IFSA have replaced the Banking and Financial Institutions Act 1989 ("BAFIA") and Islamic Banking Act 1983 ("IBA") respectively. On 27 June 2013, BNM has issued the Capital Adequacy Framework (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Basel II – Risk Weighted Assets) which provide the framework and guidelines on computation of risk weighted assets ("RWA"), replacing the previous Guidelines on Risk - Weighted Capital Adequacy Framework (Basel II – Risk Weighted Assets Computation) issued on 19 April 2007.

The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the RWCAF apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank") – which offers Islamic banking services.

AmBank has provided explicit guarantee against the liabilities of its wholly owned Labuan offshore banking subsidiary, AmInternational (L) Ltd. ("AMIL"), a Labuan company licensed under the Labuan Financial Services and Securities Act to carry out Labuan banking business. In accordance with the RWCAF, the capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank and AMIL.

The following information has been provided in order to highlight the capital adequacy of our regulated banking subsidiaries and a pro-forma view of the Group position on an aggregated basis. The information provided has been verified by the Group internal auditors and certified by the Group Managing Director.

BNM guidelines on capital adequacy require regulated banking subsidiaries to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. Each of these entities is independently held by AMMB as a regulated banking institution – there are no cross-shareholdings within or between these entities. Each entity's standalone and consolidated capital adequacy position and more detailed quantitative disclosures are provided within their respective published financial statements that are available via our website at www.ambankgroup.com.

With effect from 1 January 2013, the capital adequacy ratios are computed in accordance to BNM's guidelines on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) issued by the Prudential Financial Policy Department on 28 November 2012, which is based on the Basel III capital accord. Prior to that, the capital adequacy ratios of the banking subsidiaries of AMMB were computed in accordance to BNM's Risk Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) (as applicable), which are based on the Basel II capital accord. Each banking entity has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk, based on BNM's Guidelines on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Basel II – Risk Weighted Assets).

1.0 Scope of Application

The minimum regulatory capital adequacy requirements for the risk weighted capital ratios are as follows:

Calendar year	Common Equity Tier 1 ("CET1") Capital ratio	Tier 1 Capital ratio	Total Capital ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015	4.5%	6.0%	8.0%

The minimum regulatory capital adequacy requirements as stipulated in the above table have not factored in capital buffers that will be introduced in calendar year 2016 onwards.

1.1 Basis of Consolidation

For statutory accounting purposes, the consolidated financial statements of AMMB comprise the financial statements of the Company and the financial statements of all its controlled entities (individually referred to as "group entities") where it is determined that there is a capacity to control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

For purposes of this Pillar 3 Disclosures, the consolidation basis used is the same as that used for regulatory capital adequacy purposes. The following table shows the differences between the scope of statutory and regulatory consolidation.

Type of entity	Accounting treatment	
	Statutory reporting	Basel III regulatory reporting
Subsidiaries licensed under FSA or IFSA or engaged in financial activities	Fully consolidated	Deducted from capital at the banking subsidiary entity level; Fully consolidated in the calculation of capital adequacy at the banking subsidiary consolidated level
Subsidiaries engaged in non-financial activities	Fully consolidated	Risk weighted at the banking subsidiary entity level; Consolidated in calculation of capital adequacy at the banking subsidiary consolidated level
Associates and jointly controlled entities which are licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Deducted in calculation of capital
Associates and jointly controlled entities which are not licensed under FSA or IFSA or engaged in financial activities	Equity accounted	Reported as investment and risk weighted

Apart from regulatory requirements and statutory constraints, there is no current or foreseen material, practical or legal impediments to the transfer of funds or regulatory capital within the Group.

Any such transfers would require the approvals of the respective Board of Directors ("Board"), as well as the concurrence of BNM.

2.0 Capital Management

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at Group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to simulate the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its balance sheet, off balance sheet, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Chief Executive Officers Committee ("Group CEOs Committee"). The Group Assets and Liabilities Committee ("GALCO"), which is a sub-committee within the Group CEOs Committee, is the governance committee within the Group CEOs Committee that is responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ended 31 March 2014 ("FY 2014"), these ranges are 7.5% to 9.5% for the Common Equity Tier 1 Capital Ratio, 9.5% to 11.5% for the Tier 1 Capital Ratio, and 13.5% to 15.5% for the Total Capital Ratio. The Group has been operating within these ranges.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the parent company, AMMB and its group entities when due.

2.0 Capital Management

Table 2.1: Capital Adequacy Ratio

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

	31 MARCH 2014			
	AmBank	AmIslamic Bank	AmInvestment Bank	Group*
Before deducting proposed dividends:				
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:				
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 MARCH 2013			
	AmBank (Restated)	AmIslamic Bank	AmInvestment Bank	Group* (Restated)
Before deducting proposed dividends:				
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:				
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:

1) Group figures presented in this Report represent an aggregation of the consolidated capital position and RWA of our regulated banking institutions - as noted above, the consolidated positions of each entity are published at www.ambankgroup.com.

2) The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank and its wholly-owned offshore banking subsidiary company, AmInternational (L) Ltd ("AMIL").

3) The restated comparative capital adequacy ratios and balances of AmBank in the respective tables were due to

   (a) The effect of the pooling of interests method arising from the acquisition of a subsidiary. AmCard Services Berhad ("AmCard") and transfer of assets, liabilities, activities, business and undertakings of the credit card business from MBF Cards (M'sia) Sdn Bhd ("MBF Cards"). AmBank, AmCard and MBF Cards are under common control, accordingly, the abovementioned acquisitions had been accounted for by the Group AmBank via the pooling of interests method and;

   (b) consolidation of collective investment scheme, AmCash Premium. At the date of initial application of MFRS 10, Consolidated Financial Statements ("MFRS 10") (1 April 2013), the Group and AmBank reassessed its investment in this collective investment scheme based on the new requirements of MFRS 10 and have concluded that AmBank has control over the investment.

2.0 Capital Management

Table 2.2 Risk-Weighted Assets and Capital Requirements

The aggregated breakdown of RWA by exposures in major risk category of AMMB Banking Group are as follows:

			31 MARCH 2014					
	Exposure class	RM'000	Gross exposures/ Exposure at default ("EAD") before credit risk mitigation ("CRM") RM'000	Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1.	**Credit risk**							
	On balance sheet exposures							
	Sovereigns/central banks		17,174,218	17,174,218	–	–	–	–
	Banks, development financial institutions ("DFIs") & multilateral development banks		8,551,010	8,551,010	1,951,904	–	1,951,904	156,152
	Insurance companies, securities firms and fund managers		32,857	32,857	32,857	–	32,857	2,629
	Corporates		47,296,504	43,855,834	38,305,092	450,133	37,854,959	3,028,397
	Regulatory retail		35,399,658	35,205,927	26,678,048	–	26,678,048	2,134,244
	Residential mortgages		10,500,745	10,479,600	3,724,103	–	3,724,103	297,928
	Higher risk assets		126,280	126,280	189,420	–	189,420	15,154
	Other assets		3,538,111	3,538,111	3,122,662	–	3,122,662	249,813
	Securitisation exposures		171,382	171,382	113,723	–	113,723	9,098
	Equity exposures		9,386	9,386	9,386	–	9,386	751
	Defaulted exposures		1,170,846	1,158,636	1,281,205	–	1,281,205	102,496
	Total for on balance sheet exposures		**123,970,997**	**120,303,242**	**75,408,401**	**450,133**	**74,958,268**	**5,996,661**
	Off balance sheet exposures:							
	Over the counter ("OTC") derivatives		2,321,708	2,321,708	1,329,526	–	1,329,526	106,362
	Credit derivatives		16	16	8	–	8	1
	Off balance sheet exposures other than OTC derivatives or Credit derivatives		11,675,486	10,764,482	9,692,778	–	9,692,778	775,422
	Defaulted exposures		36,032	31,234	46,786	–	46,786	3,743
	Total for off balance sheet exposures		**14,033,242**	**13,117,440**	**11,069,098**	**–**	**11,069,098**	**885,528**
	Total on and off balance sheet exposures		**138,004,239**	**133,420,682**	**86,477,499**	**450,133**	**86,027,366**	**6,882,189**
2.	**Large exposures risk requirement**				**143,864**	**–**	**143,864**	**11,509**
3.	**Market risk**	**Long Position**	**Short Postion**					
	Interest rate risk/Rate of return risk							
	- General interest rate risk/Rate of return risk	63,551,645	61,400,042		1,632,951	–	1,632,951	130,636
	- Specific interest rate risk/Rate of return risk	2,661,247	323,439		332,826	–	332,826	26,626
	Foreign currency risk	277,493	58,777		277,493	–	277,493	22,199
	Equity risk							
	- General risk	210,328	2,122		208,206	–	208,206	16,656
	- Specific risk	210,328	2,122		302,574	–	302,574	24,206
	Option risk	1,283,449	2,147,956		192,573	–	192,573	15,406
	Total	**68,194,490**	**63,934,458**		**2,946,623**	**–**	**2,946,623**	**235,730**
4.	**Operational risk**				**7,072,899**	**–**	**7,072,899**	**565,832**
5.	**Total RWA and capital requirements**				**96,640,885**	**450,133**	**96,190,752**	**7,695,260**

On 28 December 2012, as part of an arrangement between AmBank and AmIslamic Bank in relation to a Restricted Profit Sharing Investment Account ("PSIA") agreement, AmBank records as 'deposits and placements with banks and other financial institutions' its exposure in the arrangement, whereas AmIslamic Bank records its exposure as 'financing and advances'. The PSIA is a contract based on Shariah concept of Mudharabah between AmBank and AmIslamic Bank to finance a specific business venture where AmBank solely provides capital and the business ventures are managed solely by AmIslamic Bank as the entrepreneur. The PSIA exposes AmBank to the risks and rewards of the financing, and accordingly AmBank accounts for all impairment allowances and risk - weighted assets arising from the PSIA financing.

As at 31 March 2014, the gross exposure and collective allowance relating to the PSIA financing were **RM450.1 million** and **RM2.5 million** respectively (31 March 2013: RM500.9 million and RM2.1 million respectively). There was no individual allowance provided for the PSIA financing. PSIA assets excluded from the risk weighted capital adequacy computation of AmIslamic Bank amounted to **RM450.1 million** and the risk weight on these PSIA assets are accounted for in the computation of capital adequacy of AmBank.

2.0 Capital Management

Table 2.2 Risk-Weighted Assets and Capital Requirements (Cont'd.)

The aggregated breakdown of RWA by exposures in major risk category of AMMB Banking Group are as follows:

			31 MARCH 2013 (Restated)					
	Exposure class	RM'000	Gross exposures/ EAD before CRM RM'000	Net exposures/ EAD after CRM RM'000	Risk weighted assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum capital requirement at 8% RM'000
1.	**Credit risk**							
	On balance sheet exposures							
	Sovereigns/central banks		16,761,345	16,761,345	–	–	–	–
	Banks, DFIs & MDBs		6,470,634	6,470,634	1,423,106	–	1,423,106	113,848
	Insurance companies, securities firms and fund managers		24,380	24,380	24,380	–	24,380	1,950
	Corporates		41,934,232	39,377,764	35,167,747	500,866	34,666,881	2,773,350
	Regulatory retail		35,690,129	35,486,347	26,813,000	–	26,813,000	2,145,040
	Residential mortgages		9,683,796	9,667,984	3,537,080	–	3,537,080	282,966
	Higher risk assets		124,979	124,979	187,469	–	187,469	14,998
	Other assets		3,071,418	3,071,418	2,553,566	–	2,553,566	204,285
	Securitisation exposures		84,001	84,001	64,746	–	64,746	5,180
	Equity exposures		208,239	208,239	208,239	–	208,239	16,659
	Defaulted exposures		1,391,703	1,245,773	1,429,947	–	1,429,947	114,396
	Total for on balance sheet exposures		**115,444,856**	**112,522,864**	**71,409,280**	**500,866**	**70,908,414**	**5,672,673**
	Off balance sheet exposures:							
	OTC derivatives		2,289,966	2,289,966	1,245,518	–	1,245,518	99,641
	Credit derivatives		68	68	20	–	20	2
	Off balance sheet exposures other than OTC derivatives or Credit derivatives		11,733,784	11,102,466	10,032,121	–	9,942,112	795,369
	Defaulted exposures		94,437	90,479	135,718	–	135,718	10,857
	Total for off balance sheet exposures		**14,118,255**	**13,482,979**	**11,413,377**	**–**	**11,323,368**	**905,869**
	Total on and off balance sheet exposures		**129,563,111**	**126,005,843**	**82,822,657**	**500,866**	**82,231,782**	**6,578,543**
2.	**Large exposures risk requirement**				**120,393**	**–**	**–**	**9,631**
		Long Position	**Short Postion**					
3.	**Market risk**							
	Interest rate risk/Rate of return risk							
	- General interest rate risk/Rate of return risk	60,092,692	54,648,113		2,591,305	–	2,591,305	207,304
	- Specific interest rate risk/Rate of return risk	5,565,859	79,756		964,789	–	964,789	77,183
	Foreign currency risk	243,427	61,055		243,427	–	243,427	19,474
	Equity risk							
	- General risk	242,949	34,574		212,393	–	212,393	16,991
	- Specific risk	242,949	34,574		235,462	–	235,462	18,837
	Option risk	1,038,718	2,398,407		71,071	–	71,071	5,686
	Total	**67,426,594**	**57,256,479**		**4,318,447**	**–**	**4,318,447**	**345,476**
4.	**Operational risk**				**5,989,031**	**–**	**5,989,031**	**479,122**
5.	**Total RWA and capital requirements**				**94,424,410**	**500,866**	**93,923,544**	**7,513,884**

3.0 Capital Structure

Table 3.3 Capital Structure summarises the aggregated capital position of the Group. The capital structure includes capital under the following headings:

- Common Equity Tier 1 Capital;
- Additional Tier 1 Capital; and
- Tier 2 Capital

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines. The Additional Tier 1 and Tier 2 capital instruments of the Group that were issued prior to 2013 do not meet all qualifying criteria for full recognition of capital instruments under the Basel III accord, on the requirements for loss absorbency at the point of non-viability, and write-off or conversion mechanisms for achieving principal loss absorption and/or loss absorbency at the point of non-viability. These Additional Tier 1 and Tier 2 capital instruments qualify for the gradual phase-out treatment under the transitional arrangements of the Basel III accord. Under this treatment, the amount of capital instruments that can be recognised for each banking entity (and its consolidated group level) shall be capped at 90% of the base in 2013 (as counted separately for Additional Tier 1 Capital and Tier 2 Capital respectively), with the cap reducing by 10% in each subsequent year. To the extent that an instrument is redeemed or derecognised after 1 January 2013, the amount serving as the base is not reduced.

3.1 Common Equity Tier 1 Capital

Common Equity Tier 1 Capital consists of the following:

(a) Paid-up Ordinary Share Capital

Paid-up ordinary share capital is an item of capital issued by an entity to an investor, which is fully paid-up and where the proceeds of issue are immediately and fully available. There is no obligation to pay a coupon or dividend to the equity holder of ordinary shares. The capital is available for unrestricted and immediate use to cover risks and losses, and enable the entity to continue trading. It can only be redeemed on the winding up of the entity.

(b) Share Premium

Share premium is used to record premium arising from new shares issued in the group entity.

(c) Retained Earnings

Retained earnings at the end of the financial year and eligible reserves are accumulated resources included in the shareholders' funds in an entity's statement of financial position, with certain regulatory adjustments applied. The retained earnings is included in Common Equity Tier 1 Capital net of any interim and/or final dividend declared, and net of any interim losses. Quarterly interim profits have been included in Common Equity Tier 1 Capital subject to review/audit by the external auditors.

(d) Other Disclosed Reserves

Other disclosed reserves comprise the following:

(i) Statutory reserve

Statutory reserve is maintained in compliance with the provisions of the BAFIA and is not distributable as cash dividends. When FSA came into effect to replace the repealed BAFIA, the maintenance of this reserve is in accordance with Section 47(2) f of the FSA.

(ii) Capital Reserve and Merger Reserve

The capital reserve and merger reserve represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring which involved capital reduction and was accounted for using the merger accounting method.

(iii) Foreign Currency Translation Reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's presentation currency.

(iv) Available-for-Sale Reserve

This comprises the unrealised fair value gains and losses on financial investments available-for-sale. Where the available-for-sale reserve is a net gain outstanding balance, the banking subsidiary can recognise 45% of the total outstanding balance as part of Common Equity Tier 1 Capital. Where the available-for-sale reserve is a net loss outstanding balance, the entire outstanding balance is deducted in Common Equity Tier 1 Capital.

(e) Cash Flow Hedging Reserve

Cash flow hedge reserve relates to the amount of the hedging of the items that are not fair valued in the statement of financial position (including projected cash flows). The amount of the cash flow hedging reserve is derecognised in the calculation of CET 1 Capital.

3.0 Capital Structure

3.2 Additional Tier 1 Capital

The amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90% of the total qualifying Additional Tier 1 Capital balance outstanding as at 1 January 2013. For 2014, the amount of Additional Tier 1 Capital that can be recognised in the computation of the capital adequacy ratios are capped at 80% of the total qualifying Additional Tier 1 Capital balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. As at 1 January 2013 and at present, only AmBank has Additional Tier 1 Capital Instrument in issuance. Table 3.1 outlines the application of the grandfathering provisions in respect of the Additional Tier 1 Capital Instruments of AmBank. Details of the Additional Tier 1 Capital Instruments are outlined below.

Table 3.1 Additional Tier 1 Capital Instruments of AmBank and the Basel III Gradual Phase-Out Treatment

Base for Additional Tier 1 Capital Instruments outstanding on 1 January 2013	
Instruments	**RM'000**
Non-cumulative Non-voting Guaranteed	750,100
Innovative Tier 1 Capital - Tranche 1	300,000
Innovative Tier 1 Capital - Tranche 2	185,000
Non-Innovative Tier 1 Capital - Tranche 1	200,000
Non-Innovative Tier 1 Capital - Tranche 2	300,000
Total qualifying base	**1,735,100**

Calendar year	Cap on Additional Tier 1 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	Cap, RM'000
2013	90%	1,561,590
2014	80%	1,388,080
2015	70%	1,214,570
2016	60%	1,041,060
2017	50%	867,550
2018	40%	694,040
2019	30%	520,530
2020	20%	347,020
2021	10%	173,510
2022	0%	0

Innovative Tier 1 Capital

Innovative Tier 1 Capital comprises deeply subordinated debt instruments which despite their legal form, have loss absorbency qualities and can therefore be included as Tier 1 Capital. The Innovative Tier 1 securities in issue and their primary terms are as follows:

(a) Non-cumulative Non-voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are subordinated and guaranteed by AmBank. The gross proceeds from the issuance was on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank's working capital requirements.

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, a floating rate per annum equal to three (3) month USD LIBOR plus 2.90% if not redeemed on 27 January 2016. The non-cumulative dividends are payable on a semi-annual basis.

(ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances. In each case, not less than 30 or more than 60 days' notice (which notice shall be irrevocable) must be given.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

3.0 Capital Structure

(b) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier 1 Capital Securities under its RM500 million Innovative Tier 1 Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25% per annum) and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi-annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the first issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

Non-innovative Tier 1 Capital

In the financial year 2009, AmBank issued RM500 million Non-Innovative Tier 1 Capital ("NIT1") in nominal value comprising:

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and

(ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank (collectively known as "Stapled Capital Securities").

The proceeds from the NIT1 programme were used as working capital. The Stapled Capital Securities cannot be traded separately until the occurrence of certain assignment events. Upon occurrence of an assignment event, the Stapled Capital Securities will "unstaple", leaving the investors to hold only the NCPCS while ownership of the SubNotes will be assigned to AmBank pursuant to the forward purchase contract entered into by AmBank unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities. If none of the assignment events as stipulated under the terms of the Stapled Capital Securities occur, the Stapled Capital Securities will unstaple on the 20th interest payment date or 10 years from the issuance date of the SubNotes.

The SubNotes have a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank as referred to above.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of AmBank on the 20th interest payment date or 10 years from the issuance date of the SubNotes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The SubNotes have a tenor of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of assignment events as stipulated under the terms of the Stapled Capital Securities.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of AmBank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of AmBank but in priority to the rights and claims of the ordinary shareholders of AmBank. The SubNotes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of AmPremier.

3.3 Tier 2 capital

The main components of Tier 2 Capital are collective impairment provisions and regulatory reserves (subject to a maximum of 1.25% of total credit risk weighted assets determined under the Standardised Approach) and subordinated debt instruments.

The amount of Tier 2 Capital issued prior to 2013 that can be recognised in the computation of the capital adequacy ratios of the banking subsidiaries, at both the entity and consolidated level for 2013, has been capped at 90% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. For 2014, the amount of such Tier 2 Capital that can be recognised in the computation of the capital adequacy ratios is capped at 80% of the total qualifying Tier 2 Capital balance outstanding as at 1 January 2013. This is in accordance with the transitional gradual phase-out treatment under the Basel III regime. Tables 3.2(a) and 3.2(b) outline the application of the grandfathering provisions in respect of the Tier 2 Capital Instruments for AmBank and AmIslamic respectively. AmInvestment does not have any Tier 2 Capital Instruments in issuance as at 1 January 2013 and at present. Details of the Tier 2 Capital Instruments are outlined below.

Table 3.2(a) Tier 2 Capital Instruments of AmBank and the Basel III Gradual Phase Out Treatment

Base for Tier 2 Capital Instruments outstanding on 1 January 2013	
Instruments	**RM'000**
Medium Term Notes ("MTN") - Tranche 1	200,000
MTN – Tranche 2	165,000
MTN – Tranche 3	75,000
MTN – Tranche 4	45,000
MTN – Tranche 5	75,000
MTN – Tranche 6	600,000
MTN – Tranche 7	97,800
MTN – Tranche 8	710,000
Total qualifying base	**1,967,800**

3.0 Capital Structure

Calendar year	Cap on Tier 2 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	Cap, RM'000
2013	90%	1,771,020
2014	80%	1,574,240
2015	70%	1,377,460
2016	60%	1,180,680
2017	50%	983,900
2018	40%	787,120
2019	30%	590,340
2020	20%	393,560
2021	10%	196,780
2022	0%	0

Table 3.2(b) Tier 2 Capital Instruments of AmIslamic and the Basel III Gradual Phase-Out Treatment

Base for Tier 2 Capital Instruments outstanding on 1 January 2013	
Instruments	RM'000
Subordinated Sukuk Musyarakah – Tranche 1	600,000
Subordinated Sukuk Musyarakah – Tranche 2	200,000
Subordinated Sukuk Musyarakah – Tranche 3	200,000
Total qualifying base	**1,000,000**

Calendar year	Cap on Tier 2 Capital Instruments that can be recognised in capital adequacy computation each year	
	Cap %	Cap, RM'000
2013	90%	900,000
2014	80%	800,000
2015	70%	700,000
2016	60%	600,000
2017	50%	500,000
2018	40%	400,000
2019	30%	300,000
2020	20%	200,000
2021	10%	100,000
2022	0%	0

Medium term notes

In the financial year 2008, AmBank implemented a RM2.0 billion nominal value MTN Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenor of up to 20 years from the date of the first issuance under the MTN Programme. The MTNs shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTNs issued under the MTN Programme was included as Tier 2 Capital under BNM's capital adequacy framework. Effective 1 January 2013, the MTNs are eligible for gradual phase-out treatment under the transitional arrangement of the Basel III accord, for recognition as Tier 2 Capital for capital adequacy calculation.

3.0 Capital Structure

The salient features of the MTNs issued are as follows:

(i) Tranche 3 amounting to RM75 million was issued on 14 March 2008 is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(ii) Tranche 5 amounting to RM75 million was issued on 28 March 2008 is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iii) Tranche 6 amounting to RM600 million was issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25% per annum.

(iv) Tranche 7 amounting to RM97.8 million issued on 10 December 2009 is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.75% per annum

(v) Tranche 8 amounting to RM710.0 million issued on 16 October 2012 is for a tenor of 10 years Non-Callable 5 years and bears interest at 4.45% per annum.

The interest rate of the MTN will step up by 0.5% per annum as follows:
(i) Tranche 3 – at the beginning of the 8th year
(ii) Tranche 5 – at the beginning of the 8th year
(iii) Tranche 6 – at the beginning of the 11th year
(iv) Tranche 7 – at the beginning of the 6th year

and every anniversary thereafter, preceding the maturity date of the MTN. The step up feature does not apply to Tranche 8.

Total MTN outstanding in issuance has amounted to RM1,557.8 million (31 March 2013: RM1,557.8 million).

Basel III Subordinated Notes
On 30 December 2013, AmBank established a new 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.

Subordinated Sukuk Musyarakah
On 30 September 2011, AmIslamic Bank implemented a new Subordinated Sukuk Musharakah programme ("Sukuk Musharakah") of up to RM2.0 billion. The purpose of the programme is to increase AmIslamic Bank's Tier 2 Capital.

The Subordinated Sukuk Musharakah is for a period of ten (10) years. AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments

3.0 Capital Structure

On the same date, RM600.0 million Subordinated Securities were issued under this programme.The first tranche of the Sukuk Musharakah carries a profit rate of 4.40% per annum and is payable on a semi-annual basis.

On 31 January 2012, AmIslamic Bank issued the second tranche of the Sukuk Musharakah of RM200.0 million. The second tranche carries a profit rate of 4.35% per annum, and is payable on a semi-annual basis.

On 24 December 2012, AmIslamic Bank issued the third tranche of the Sukuk Musharakah of RM200.0 million. The third tranche carries a profit rate of 4.45% per annum, and is payable on a semi-annual basis.

AmIslamic Bank has repurchased on the market and subsequently cancelled RM200.0 million of the Subordinated Sukuk Musharakah between 19 December 2013 and 20 January 2014. The repurchases were granted prior approval by BNM and represent the portion of the Subordinated 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. The nominal value purchased by tranche, and the remaining outstanding balance as at 31 March 2014, are as follows:

RM'000	At 31 March 2013	Nominal value purchased and cancelled in FY 2014	At 31 March 2014
First Tranche	600,000	120,000	480,000
Second Tranche	200,000	10,000	190,000
Third Tranche	200,000	70,000	130,000
Total	**1,000,000**	**200,000**	**800,000**

Basel III Subordinated Sukuk Murabahah

On 28 February 2014, AmIslamic 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 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.

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.

On 28 February 2014, AmIslamic 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, AmIslamic 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.

The full amount of both tranches issued qualify for recognition of capital adequacy ratio computation.

3.0 Capital Structure

Table 3.3: Capital Structure

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

	31 March 2014			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
CET1 Capital				
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 financial investments available-for-sale	(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 financial investments available-for-sale	–	–	(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)
CET1 Capital	**6,676,902**	**2,350,109**	**318,669**	**9,740,268**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,388,080	–	–	1,388,080
Tier 1 Capital	**8,064,982**	**2,350,109**	**318,669**	**11,128,348**
Tier 2 Capital				
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)
Tier 2 Capital	**2,470,453**	**1,429,038**	**–**	**4,164,562**
Total Capital	**10,535,435**	**3,779,147**	**318,669**	**15,292,910**
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
Total Risk Weighted Assets	**70,632,094**	**23,907,409**	**1,502,678**	**96,190,751**

** 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).

3.0 Capital Structure

Table 3.3: Capital Structure (Cont'd.)

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

	31 March 2013			
	AmBank RM'000 (Restated)	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000 (Restated)
CET1 Capital				
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 financial investments available-for-sale	(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 financial investments available-for-sale	–	–	(1,711)	(1,739)
Deduction in excess of Tier 2 capital**	–	–	(110,010)	(23,267)
CET1 capital	**6,373,444**	**2,125,394**	**395,837**	**9,084,225**
Additional Tier 1 Capital				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,561,590	–	–	1,561,590
Tier 1 Capital	**7,935,034**	**2,125,394**	**395,837**	**10,645,815**
Tier 2 Capital				
Tier 2 capital instruments (subject to gradual phase-out treatment)	1,557,800	9 00,000	–	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)
Tier 2 Capital	**2,286,107**	**1,155,665**	**–**	**3,466,271**
Total Capital	**10,221,141**	**3,281,059**	**395,837**	**14,112,086**
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
Total Risk Weighted Assets	**69,392,884**	**22,442,549**	**1,537,277**	**92,749,662**

** 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.

4.0 General Risk Management

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework which provides the catalyst to setting the risk/reward profile required by the Board, together with the related business strategies, limit framework and policies required to enable successful execution.

The Risk Appetite Framework is approved annually by the Board taking into account the Group's desired external rating and targeted profitability/ return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Board Approved Risk Appetite Statement

The Group strategic goals are to sustain the top quartile ROE, and to maintain the credit rating of BBB+ or better (from international rating agencies) for the next one to two years. This is supported by sustainable asset quality and continued portfolio diversification within retail, non-retail, and insurance businesses, with greater contribution from non-interest income, complemented by robust management of liquidity, disciplined execution of interest rate risk/rate of return risk in the balance sheet, and with support from strong level of capital.

The Group intends to maintain sufficient quantity and quality of capital in excess of Basel III requirement for Common Equity Tier 1, Tier 1 Capital, and Total Capital. Our capital requirements are robustly tested over a three year period.

We enforce conservative approach to liquidity management, maintaining stable and diversified funding base consistent with Basel III liquidity matrix (Net Stable Funds Ratio, and Liquidity Coverage Ratios). Our targeted Adjusted Loan Deposit Ratio is within 90% range with continually improving current account and savings account ("CASA") deposit composition and market share.

The Group manages Operational Risk by setting the operational risk appetite statements and measurements that the Group is willing to tolerate to support its business strategies and objectives. The Group manages its reputational risk by not engaging in any activity that has potential to result in a material event or loss that would be outside the expectations of its stakeholders. The Group also manages its regulatory compliance risk by setting positive compliance culture and ensuring that the letter and spirit of regulatory requirements, applicable laws, rules, and standards in the respective jurisdictions are complied with.

The Group manages Shariah risk by ensuring that its operations, business, affairs and activities are in compliance with rulings of the BNM's Shariah Advisory Council ("SAC") and the bank's Shariah Committee.

The Group manages trading activities by instituting appropriate governance, culture, and controls to promote acceptable trading behaviour.

Risk Management Governance

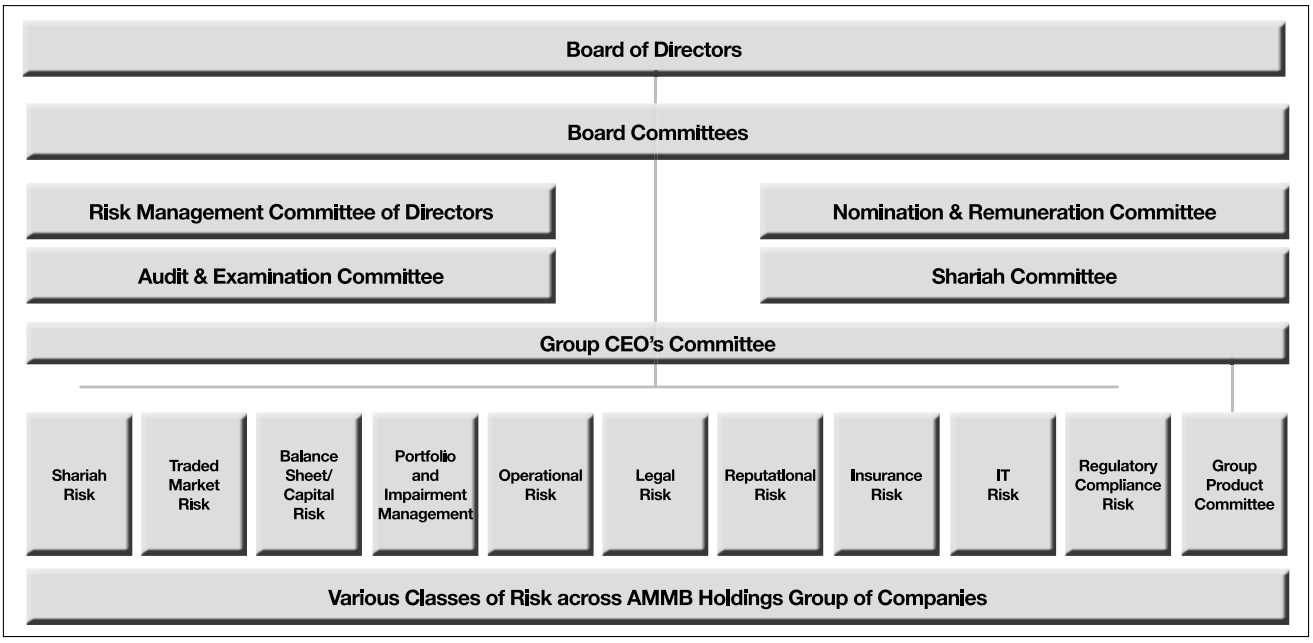
The Board is ultimately responsible for the management of risks within the Group. The RMCD is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the Group. The committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, reputational risk, product risk and business and IT risk.

In July 2013, the Group Product Committee ("GPC") was re-established as a sub-committee of the Group CEOs Committee. The GPC is to oversee activities in managing products for the Group; and to advise and report to the Group CEOs Committee on product related matters.

4.0 General Risk Management

The following chart sets out the organisational structure of the Group CEO's Committee and an overview of the Group CEO's Committee's roles and responsibilities.



Strategic Risk'
Strategic risk is the risk of not achieving the Group's corporate strategic goals. The Group's overall strategic planning reflects the Group's vision and mission, taking into consideration the Group's internal capabilities and external factors.

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/initiatives.

Reputational Risk
The Group recognises that maintaining its reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and business partners and the conduct of our business activities.

The Group seeks to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

4.1 Internal Capital Adequacy Assessment Process

The core objectives of the Group's Internal Capital Adequacy Assessment Process ("ICAAP") Policy are to:

- Protect the interests of depositors, creditors and shareholders;
- Ensure the safety and soundness of the Group's capital position; and
- Ensure that the capital base supports the Group's Risk Appetite, and strategic business objectives, in an efficient and effective manner.

The requirements of the ICAAP Policy are consistent and calibrated with the Group's Risk Appetite as set and approved by the Board.

4.0 General Risk Management

The following key principles underpin the ICAAP.

4.1.1 The Group must maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the Group maintains, on a continuous basis, an adequate level of capitalisation which is sized following the identification, measurement, monitoring, and effective management and oversight of material risks across the Group, consistent with:

- Group Risk Appetite, including the Group's target credit rating category;
- Regulatory Capital requirements;
- The Board and Management's targeted financial performance, and
- The Group's planned asset growth and strategic business objectives.

4.1.2 Management Oversight
The ICAAP must be subject to Board and senior management oversight, form an integral part of the Group's capital management and decision making processes, and will:

- Undergo regular, effective and comprehensive review;
- Satisfy regulatory requirements;
- Be capable of independent assessment and validation;
- Be incorporated into the Group's overall risk management strategy and governance frameworks.

4.1.3 Capital Management Plan and Framework
The ICAAP must include an approved Capital Management Framework and Plan including:

- A strategy for maintaining capital resources over time;
- Measures that would be taken in the event capital falls below a targeted level;
- Measures to ensure that the Group is in compliance with minimum regulatory standards; and
- Stressed capital plans with clearly documented assumptions consistent with the Group's strategic planning cycles.

4.1.4 The Group's quality and level of capital must be commensurate with the level of risks in the business. Sufficient capital should be maintained to:

- Meet minimum prudential requirements in all jurisdictions in which the Group operates, also any ratings agency requirements, including maintaining appropriate buffers over minimum capital levels;
- Be consistent with the Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- Ensure there is sufficient capital to support the regulatory capital requirements of the business, including those resulting from the outcomes of stress testing.

The Group will have appropriately established capital targets for each major capital type including:

- Minimums;
- Triggers; and
- Target operating ranges

4.1.5 Capital allocation:

- The Group's capital, excluding any amount held centrally for strategic contingencies (e.g. acquisitions) should be allocated to individual business units using regulatory capital allocation principles;
- Capital allocation should be consistent with the Group's regulatory capital measurement framework and risk adjusted performance requirements; and
- The Group should only retain capital that is required to meet its economic, operational, prudential and strategic requirements. Consideration should be given to returning capital in excess of that required to shareholders.

4.1.6 Material Risks

- The Group must have clearly articulated definitions of each material risk type to be included in the ICAAP; and
- Processes to identify and determine the materiality of current risk types, change to existing risk types and new risk types must be established.

4.0 General Risk Management

4.1.7 The Board must be notified and the regulator advised as soon as practicable of any:

- Significant departure from its ICAAP
- Concerns that the Board has about its capital adequacy along with proposed measures to address those concerns; and
- Significant changes in its capital.

4.1.8 The cost of capital should be reviewed annually. The cost of capital should be set with reference to the Group's long term ROE objectives.

ICAAP Framework

Requirements of the Banks

Principal 1:

- Banks have an ICAAP in relation to their risk profile and a strategy for maintaining capital levels

Principal 3:

- Banks are expected to operate above the minimum regulatory capital ratios and should have the liability to hold capital in excess of the minimum

Requirements of the Regulator

Principal 2:

- Regulators to review and evaluate the Bank's ICAAP strategies
- Regulators to monitor and ensure Bank's compliance with regulatory capital ratios
- Regulators undertake appropriate supervisory action if unsatisfactory results

Principal 4:

- Early intervention by the Regulator to prevent capital from falling below the required minimum levels

Internal Capital Adequacy Assessment Process

Board and Management Oversight

- Material Risks identified
- Material Thresholds
- Group Risk Appetite
- Sufficient Capital Adequacy
- Targeted Financial Performance
- Planned Asset Growth & Strategic business objectives
- Policy/Frameworks

Sound Capital Assessment

- Identification, Measurement and Reporting of Material Risks
- Stressed Plans
- Compliance with minimum regulatory standards
- Clear linkage between risks and capital
- Capital Plan

Comprehensive Risk Assessment and Management Processes

- Credit Risk
- Market Risk
- Operational Risk
- Credit Residual Risk
- Rate Risk in the Banking Book
- Credit Concentration Risk
- Goodwill Risk
- Liquidity & Funding Risk
- Contagion Risk
- Business/Strategic Risk
- Reputation Risk
- Shariah Risk

Monitoring and Reporting

- Level and Trend of Material Risks
- Sensitivity Analysis of key assumptions
- Regulatory Reporting to Board and Senior Management

Internal Control and Review

- Independent reviews of ICAAP (internal and external audit)
- Ongoing compliance monitoring
- Stress Testing
- Documented processes/ frameworks

Overview of ICAAP process and setting Internal Capital Targets

5.0 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral & tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customer under Watchlist • Undertake post mortem review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk (please refer to Section 14 for discussion on Shariah Governance Structure).

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using credit rating model. The model consists of quantitative and qualitative scores that are then translated into rating grades. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

For retail credits, credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes.

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings;
- enhancement to pricing models;
- loan/financing loss provision calculation;
- stress-testing; and
- enhancement to portfolio management.

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The Group's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others:

- Concentration threshold/review trigger:
  - single counterparty credit;
  - industry sector; and
  - country
- Asset writing strategies for industry sectors and portfolio composition (by Risk Grade and Security Indicator);
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure exceeding certain thresholds are escalated to Credit and Commitments Committee ("CACC") for approval. In the event such exposure exceeds CACC authority it will be reported to Executive Committee of Directors ("EXCO"). Portfolio credit risk is reported to the relevant management and board committees.

5.0 Credit Risk Management

The Group CEOs Committee regularly meets to review the quality and diversification of the Group's loan/financing portfolio, approve new and amended credit risk policy, and review the portfolio risk profile against the Group Risk Appetite Framework.

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Group applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Loans and Financing

All loans, financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed.

A loan/financing is classified as impaired under the following circumstances:

(a) where the principal or interest/profit or both is past due[1] or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the loan/financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under impaired loan as required under the Group's Classified Account Management Policy.

(c) for loans/financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Notwithstanding that, these loans/financing shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/R") facilities, these loans/financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

5.1.2 Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

(a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

Loans/financing and advances, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective provisions are computed after making the necessary adjustments to reflect current economic conditions.

[1] For credit card facilities, an account is "past due" when the card member fails to settle the minimum monthly repayment due before the next billing date.

5.0 Credit Risk Management

Table 5.1: Distribution of gross credit exposures by sector

The aggregated distribution of credit exposures by sector of AMMB Banking Group are as follows:

	31 MARCH 2014													
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures														
Sovereigns/central banks	–	–	–	–	117,013	–	–	13,900,363	–	–	2,856,709	–	300,133	17,174,218
Banks, DFIs and MDBs	–	–	–	–	–	–	–	8,470,498	–	798	69,627	–	10,087	8,551,010
Insurance companies, Securities firms and Fund managers	–	–	–	–	–	–	–	32,857	–	–	–	–	–	32,857
Corporates	3,868,523	3,141,998	8,184,045	1,579,238	6,989,052	4,204,303	2,962,251	3,893,145	7,014,735	1,917,043	1,455,196	1,812,837	274,138	47,296,504
Regulatory retail	114,786	29,936	255,287	4,036	268,335	339,228	120,030	246,421	83,601	114,835	167,611	33,611,769	43,783	35,399,658
Residential mortgages	–	–	–	–	–	–	–	–	–	–	–	10,500,745	–	10,500,745
Higher risk assets	–	–	–	–	–	–	–	918	417	–	–	22,439	102,506	126,280
Other assets	129	–	286	–	1,956	83	367	42,402	315	162,581	–	590,692	2,739,300	3,538,111
Securitisation exposures	–	–	–	–	–	–	91,586	74,397	–	–	5,399	–	–	171,382
Equity exposures	–	–	18	–	–	–	1,860	5,642	1,650	36	–	–	180	9,386
Defaulted exposures	11,786	640	107,372	290	107,624	38,338	45,640	9,309	7,984	6,921	12,277	809,635	13,030	1,170,846
Total for on balance sheet exposures	**3,995,224**	**3,172,574**	**8,547,008**	**1,583,564**	**7,483,980**	**4,581,952**	**3,221,734**	**26,675,952**	**7,108,702**	**2,202,214**	**4,566,819**	**47,348,117**	**3,483,157**	**123,970,997**
Off balance sheet exposures														
OTC derivatives	4,450	9,672	60,516	–	9,338	6,197	45,270	2,151,603	2,671	26,132	–	–	5,859	2,321,708
Credit derivatives	–	–	–	–	–	–	–	16	–	–	–	–	–	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	392,020	187,942	2,071,798	213,777	2,384,702	941,012	468,837	570,925	1,219,557	276,164	386,925	2,540,348	21,479	11,675,486
Defaulted exposures	–	–	4,072	–	17,692	4,175	500	5,190	–	4,183	12	86	122	36,032
Total for off balance sheet exposures	**396,470**	**197,614**	**2,136,386**	**213,777**	**2,411,732**	**951,384**	**514,607**	**2,727,734**	**1,222,228**	**306,479**	**386,937**	**2,540,434**	**27,460**	**14,033,242**
Total on and off balance sheet exposures	**4,391,694**	**3,370,188**	**10,683,394**	**1,797,341**	**9,895,712**	**5,533,336**	**3,736,341**	**29,403,686**	**8,330,930**	**2,508,693**	**4,953,756**	**49,888,551**	**3,510,617**	**138,004,239**

5.0 Credit Risk Management

Table 5.1: Distribution of gross credit exposures by sector (Cont'd.)

The aggregated distribution of credit exposures by sector of AMMB Banking Group are as follows: (Cont'd.)

	31 MARCH 2013 (Restated)													
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures														
Sovereigns/central banks	–	–	–	–	–	–	–	15,366,013	–	–	1,095,199	–	300,133	16,761,345
PSEs	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Banks, DFIs and MDBs	–	–	–	–	–	28	–	6,448,453	–	22,153	–	–	–	6,470,634
Insurance companies, Securities firms and Fund managers	–	–	–	–	–	–	–	24,380	–	–	–	–	–	24,380
Corporates	3,174,861	2,044,789	7,336,671	1,003,781	4,996,655	5,019,076	2,672,568	4,569,435	6,968,632	1,223,747	1,326,450	1,402,198	195,369	41,934,232
Regulatory retail	119,843	30,533	318,774	7,547	320,652	469,516	187,984	274,220	39,936	183,704	116,841	33,618,780	1,799	35,690,129
Residential mortgages	–	–	–	–	–	–	–	–	–	–	–	9,683,796	–	9,683,796
Higher risk assets	–	–	27	–	–	–	–	869	1,331	–	–	20,150	102,602	124,979
Other assets	185	82	213	31	382	309	56	208,616	312	339,036	–	492,727	2,029,469	3,071,418
Investment	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securitisation exposures	53,958	–	–	–	–	–	–	24,176	–	–	5,867	–	–	84,001
Equity exposures	–	–	42	–	124	240	1,550	4,060	3,903	38	–	–	198,282	208,239
Defaulted exposures	9,721	9,218	235,035	311	71,173	50,284	155,852	23,394	60,457	11,521	31,727	730,763	2,247	1,391,703
Total for on balance sheet exposures	**3,358,568**	**2,084,622**	**7,890,762**	**1,011,670**	**5,388,986**	**5,539,453**	**3,018,010**	**26,943,616**	**7,074,571**	**1,780,199**	**2,576,084**	**45,948,414**	**2,829,901**	**115,444,856**
Off balance sheet exposures														
OTC derivatives	2,966	6,780	46,990	–	9,169	12,843	61,998	2,125,144	485	18,688	–	–	4,903	2,289,966
Credit derivatives	–	–	–	–	–	–	–	68	–	–	–	–	–	68
Off balance sheet exposures other than OTC derivatives or Credit derivatives	371,598	225,716	2,366,528	209,327	2,547,355	953,400	356,617	524,600	1,280,866	302,996	171,310	2,585,568	25,798	11,921,679
Defaulted exposures	30	4,000	31,987	–	41,672	12,188	815	1,088	2,300	44	–	287	26	94,437
Total for off balance sheet exposures	**374,594**	**236,496**	**2,445,505**	**209,327**	**2,598,196**	**978,431**	**419,430**	**2,650,900**	**1,283,651**	**321,728**	**171,310**	**2,585,855**	**30,727**	**14,306,150**
Total on and off balance sheet exposures	**3,733,162**	**2,321,118**	**10,336,267**	**1,220,997**	**7,987,182**	**6,517,884**	**3,437,440**	**29,594,516**	**8,358,222**	**2,101,927**	**2,747,394**	**48,534,269**	**2,860,628**	**129,751,006**

5.0 Credit Risk Management

Table 5.2: Impaired and past due loans, advances and financing, individual and collective allowances by sector
The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances, charges for individual impairment allowances and write offs during the year by sector of AMMB Banking Group are as follows:

	31 MARCH 2014														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	7,385	4,132	227,053	24,250	36,051	44,512	62,616	1,769	7,920	24,511	13,816	1,213,010	1,679	–	**1,668,704**
Past due loans/financing	66,989	18,726	283,365	24,915	173,997	148,449	374,429	12,651	174,772	102,005	73,499	13,599,269	5,781	–	**15,058,847**
Individual allowances	11	3,127	108,930	21,240	3,366	205	8,746	–	123	2,754	–	19,050	–	–	**167,552**
Collective allowances	–	–	–	–	–	–	–	–	–	–	–	–	–	1,950,556	**1,950,556**
Charges for individual allowances	(5,161)	4,079	131,331	(3,249)	3,858	5,905	41,908	–	(4,788)	3,229	29,324	(6,743)	(5,523)	–	**194,170**
Write-offs against individual allowances	–	15,638	120,927	–	14,784	7,308	39,248	–	567	4,080	32,669	–	245	–	**235,466**

	31 MARCH 2013 (Restated)														
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	20,598	17,888	254,786	25,906	51,111	49,908	18,593	28,287	18,244	18,898	56,066	1,109,221	10,963	–	**1,680,469**
Past due loans/financing	95,204	24,238	362,739	26,315	177,364	163,568	127,190	28,900	146,782	79,861	278,567	14,329,421	11,706	–	**15,851,855**
Individual allowances	5,172	14,686	98,525	24,489	14,292	1,698	6,086	–	5,478	4,215	3,345	2,368	5,768	–	**186,122**
Collective allowances	–	–	––	–	–	–	–	–	–	–	–	–	–	1,986,973	**1,986,973**
Charges for individual allowances	(6,356)	162,567	102,835	(4,775)	17,297	3,986	7,262	855	1,792	344	1,952	(895)	2,313	–	**289,177**
Write-offs against individual allowances	–	147,881	30,859	168	34,903	5,222	2,270	898	9,737	–	2,431	68	1,517	–	**235,954**

5.0 Credit Risk Management

Table 5.3: Geographical distribution of credit exposures

The aggregated geographic distribution of credit exposures of AMMB Banking Group are as follows:

	31 MARCH 2014		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/central banks	16,651,813	522,405	17,174,218
Banks, DFIs and MDBs	7,376,076	1,174,934	8,551,010
Insurance companies, securities firms & fund managers	155	32,702	32,857
Corporates	45,904,310	1,392,194	47,296,504
Regulatory retail	35,399,658	–	35,399,658
Residential mortgages	10,500,745	–	10,500,745
Higher risk assets	125,356	924	126,280
Other assets	3,351,681	186,430	3,538,111
Securitisation exposures	171,382	–	171,382
Equity exposures	9,350	36	9,386
Defaulted exposures	1,170,846	–	1,170,846
Total for on balance sheet exposures	**120,661,372**	**3,309,625**	**123,970,997**
Off balance sheet exposures			
OTC derivatives	2,321,708	–	2,321,708
Credit derivatives	16	–	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,436,709	238,777	11,675,486
Defaulted exposures	36,032	–	36,032
Total for off balance sheet exposures	**13,794,465**	**238,777**	**14,033,242**
Total on and off balance sheet exposures	**134,455,837**	**3,548,402**	**138,004,239**

	31 MARCH 2013 (Restated)		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On balance sheet exposures			
Sovereigns/central banks	16,761,345	–	16,761,345
Banks, DFIs and MDBs	6,063,073	407,561	6,470,634
Insurance companies, securities firms & fund managers	–	24,380	24,380
Corporates	40,847,172	1,087,060	41,934,232
Regulatory retail	35,690,129	–	35,690,129
Residential mortgages	9,683,796	–	9,683,796
Higher risk assets	123,987	992	124,979
Other assets	2,719,599	351,819	3,071,418
Securitisation exposures	84,001	–	84,001
Equity exposures	208,201	38	208,239
Defaulted exposures	1,391,703	–	1,391,703
Total for on balance sheet exposures	**113,573,006**	**1,871,850**	**115,444,856**
Off balance sheet exposures			
OTC derivatives	2,289,966	–	2,289,966
Credit derivatives	68	–	68
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,788,441	133,238	11,921,679
Defaulted exposures	94,437	–	94,437
Total for off balance sheet exposures	**14,172,912**	**133,238**	**14,306,150**
Total on and off balance sheet exposures	**127,745,918**	**2,005,088**	**129,751,006**

5.0 Credit Risk Management

Table 5.4: Geographical distribution of impaired and past due loans, advances and financing, individual and collective allowances

The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances by geographic distribution of AMMB Banking Group are as follows:

	31 MARCH 2014		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	1,650,220	18,484	1,668,704
Past due loans/financing	15,058,847	–	15,058,847
Individual allowances	155,630	11,920	167,550
Collective allowances	1,935,785	14,771	1,950,556

	31 MARCH 2013 (Restated)		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	1,680,469	–	1,680,469
Past due loans/financing	15,851,856	–	15,851,856
Individual allowances	186,122	–	186,122
Collective allowances	1,973,115	13,858	1,986,973

Table 5.5: Residual contractual maturity by major types of credit exposure

The aggregated residual contractual maturity by major types of gross credit exposures of AMMB Banking Group are as follows:

	31 MARCH 2014								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/central banks	8,253,072	3,150,733	317,409	394,031	–	441,417	4,596,838	20,718	17,174,218
Banks, DFIs and MDBs	5,312,847	1,820,747	696,008	125,202	51,671	114,844	114,133	315,558	8,551,010
Insurance companies, securities firms & fund managers	156	–	–	–	–	–	32,701	–	32,857
Corporates	13,161,438	3,737,631	3,119,316	1,771,135	4,303,371	6,636,274	14,565,681	1,659	47,296,505
Regulatory retail	1,940,375	90,704	143,553	327,587	2,965,523	5,980,690	23,951,226	–	35,399,658
Residential mortgages	1,368	415	1,498	3,974	64,215	137,601	10,291,674	–	10,500,745
Higher risk assets	462	26	62	119	607	1,373	23,201	100,430	126,280
Other assets	1,349,617	3,908	4,904	10,159	–	341,784	–	1,827,739	3,538,111
Securitisation exposures	4,040	–	–	–	–	–	167,342	–	171,382
Equity exposures	5,641	–	–	–	–	–	3,565	180	9,386
Defaulted exposures	158,260	15,026	19,209	35,194	156,358	159,898	626,901	–	1,170,846
Total for on balance sheet exposures	**30,187,276**	**8,819,190**	**4,301,959**	**2,667,401**	**7,541,745**	**13,813,881**	**54,373,262**	**2,266,284**	**123,970,998**
Off balance sheet exposures									
OTC derivatives	58,650	54,064	48,995	111,199	577,074	721,878	749,848	–	2,321,708
Credit derivatives	–	–	–	–	10	–	6	–	16
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,486,075	983,395	1,218,169	2,116,651	1,747,166	1,040,647	3,083,383	–	11,675,486
Defaulted exposures	13,253	1,363	5,186	6,114	6,158	193	3,765	–	36,032
Total for off balance sheet exposures	**1,557,978**	**1,038,822**	**1,272,350**	**2,233,964**	**2,330,408**	**1,762,718**	**3,837,002**	**–**	**14,033,242**
Total on and off balance sheet exposures	**31,745,254**	**9,858,012**	**5,574,309**	**4,901,365**	**9,872,153**	**15,576,599**	**58,210,264**	**2,266,284**	**138,004,240**

5.0 Credit Risk Management

Table 5.5: Residual contractual maturity by major types of credit exposure

The aggregated residual contractual maturity by major types of gross credit exposures of AMMB Banking Group are as follows:

	31 MARCH 2013 (Restated)								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On balance sheet exposures									
Sovereigns/central banks	9,621,137	3,137,478	–	–	15,272	426,115	3,547,200	14,143	16,761,345
Banks, DFIs & MDBs	3,423,813	1,536,701	536,916	305,761	380,798	20,467	266,178	–	6,470,634
Insurance companies, securities firms & fund managers	5	–	24,375	–	–	–	–	–	24,380
Corporates	10,912,168	3,208,395	3,827,416	1,514,419	4,734,176	5,334,721	12,401,555	1,382	41,934,232
Regulatory retail	2,383,681	46,001	98,378	252,862	3,322,940	5,837,492	23,748,775	–	35,690,129
Residential mortgages	16,421	995	1,114	4,244	46,530	122,851	9,491,641	–	9,683,796
Higher risk assets	462	16	16	58	421	688	22,916	100,402	124,979
Other assets	1,541,468	3,582	4,455	9,254	–	361,608	165	1,150,886	3,071,418
Securitisation exposures	65	–	–	–	–	–	83,936	–	84,001
Equity exposures	5,455	–	–	–	–	–	4,502	198,282	208,239
Defaulted exposures	263,269	105,042	72,259	91,567	124,320	127,156	608,090	–	1,391,703
Total for on balance sheet exposures	**28,167,944**	**8,038,210**	**4,564,929**	**2,178,165**	**8,624,457**	**12,231,098**	**50,174,958**	**1,465,095**	**115,444,856**
Off balance sheet exposures									
OTC derivatives	54,474	91,563	38,267	84,880	385,627	696,361	938,794	–	2,289,966
Credit derivatives	–	39	–	–	–	18	11	–	68
Off balance sheet exposures other than OTC derivatives or Credit derivatives	1,969,129	836,707	1,468,404	1,981,490	1,856,390	671,691	3,137,768	100	11,921,679
Defaulted exposures	21,806	11,934	3,382	30,297	23,988	945	2,085	–	94,437
Total for off balance sheet exposures	**2,045,409**	**940,243**	**1,510,053**	**2,096,667**	**2,266,005**	**1,369,015**	**4,078,658**	**100**	**14,306,150**
Total on and off balance sheet exposures	**30,213,353**	**8,978,453**	**6,074,982**	**4,274,832**	**10,890,462**	**13,600,113**	**54,253,616**	**1,465,195**	**129,751,006**

5.0 Credit Risk Management

Table 5.6: Reconciliation of changes to loans/financing impairment allowances

The reconciliation of changes to aggregated loan/financing impairment allowances of AMMB Banking Group are as follows:

	31 MARCH 2014	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of financial year	186,122	1,948,313
Effect arising from the pooling of interests	–	38,660
As restated	186,122	1,986,973
Charge for the year – net	216,719	602,110
Amount written-off	(235,466)	(639,938)
Exchange differences	177	1,411
Balance at end of financial year	**167,552**	**1,950,556**

	(Charge off)/ recoveries RM'000
Bad debts written off during the year	(73,098)
Bad debt recoveries during the year	821,567

	31 MARCH 2013 (Restated)	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at beginning of financial year	134,359	2,049,217
Charge for the year – net	287,717	455,288
Amount written-off	(235,954)	(563,277)
Amount transferred from AmIslamic Bank	–	1,871
Amount transferred to AmBank	–	(1,871)
Effect arising from the pooling of interests	–	40,536
Exchange differences	–	5,209
Balance at end of financial year	**186,122**	**1,986,973**

	(Charge off)/ recoveries RM'000
Bad debts written off during the year	(83,251)
Bad debt recoveries during the year	644,948

* As at 31 March 2014, the gross exposure and collective allowance relating to the PSIA financing are RM450.1 million and RM2.5 million (31 March 2013: RM500.9 million and RM2.1 million) respectively.

There was no individual allowance provided for the PSIA financing.

6.0 Credit Risk Exposure under the Standardised Approach

The Group adopts the list of eligible External Credit Assessment Institutions ("ECAIs") that is allowed by BNM for the following exposure classes:

- Sovereigns and Central Banks
- Banking Institutions
- Corporate
- Securitisations

Depending on the exposure class, the following ratings by the following ECAIs are allowed:

- Standard & Poor's Rating Services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Rating ("Fitch")
- Rating and Investment Information, Inc
- RAM
- Malaysian Rating Corporation Berhad ("MARC")

Table 6.1: Credit exposures by risk weights under the Standardised Approach

The breakdown of credit risk exposures by risk weights of AMMB Banking Group are as follows:

31 MARCH 2014 Exposures after netting and credit risk mitigation												
Risk weights	Sovereigns & Central Banks RM'000	Banks, FDIs and MDBs RM'000	Insurance Cos, Securities firm & Fund Manager RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting & CRM RM'000	Total Risk Weighted Assets RM'000
0%	17,174,218	14,221	–	3,454,129	–	–	–	410,290	–	–	21,052,858	–
20%	200	8,149,006	–	2,811,319	11,875	–	–	6,449	164,923	–	11,143,772	2,228,753
35%	–	–	–	–	–	10,116,493	–	–	–	–	10,116,493	3,540,772
50%	–	2,422,531	–	366,948	32,072	537,724	–	–	–	–	3,359,275	1,679,638
75%	–	–	–	–	36,581,523	–	–	–	–	–	36,581,523	27,436,142
100%	–	66	53,470	45,901,636	1,250,663	121,405	–	3,121,372	–	9,386	50,457,998	50,457,998
150%	–	–	–	272,787	286,481	–	143,036	–	–	–	702,304	1,053,456
1250%	–	–	–	–	–	–	–	–	6,459	–	6,459	80,739
Total	**17,174,418**	**10,585,824**	**53,470**	**52,806,819**	**38,162,614**	**10,775,622**	**143,036**	**3,538,111**	**171,382**	**9,386**	**133,420,682**	**86,477,498**

31 MARCH 2013 (Restated) Exposures after netting and credit risk mitigation												
Risk weights	Sovereigns & Central Banks RM'000	Banks, FDIs and MDBs RM'000	Insurance Cos, Securities firm & Fund Manager RM'000	Corporates RM'000	Regulatory retail RM'000	Residental mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Securitisation exposures RM'000	Equity exposures RM'000	Total Exposures after Netting & CRM RM'000	Total Risk Weighted Assets RM'000
0%	16,761,345	34,782	–	2,793,495	–	–	–	497,677	–	–	20,087,299	–
20%	40,448	6,505,926	–	1,900,834	88,775	–	–	25,220	69,963	–	8,631,166	1,726,233
35%	–	–	–	–	–	8,658,936	–	–	–	–	8,658,936	3,030,628
50%	–	1,938,271	–	413,603	45,381	1,129,526	–	–	10,394	–	3,537,175	1,768,587
75%	–	–	–	–	36,964,673	–	–	–	–	–	36,964,673	27,723,505
100%	313	9,063	65,062	43,088,085	1,273,666	119,603	–	2,548,522	–	208,239	47,312,553	47,312,552
150%	–	–	–	496,485	170,814	–	143,098	–	–	–	810,397	1,215,596
1250%	–	–	–	–	–	–	–	–	3,644	–	3,644	45,556
Total	**16,802,106**	**8,488,042**	**65,062**	**48,692,502**	**38,543,309**	**9,908,065**	**143,098**	**3,071,419**	**84,001**	**208,239**	**126,005,843**	**82,822,657**

6.0 Credit Risk Exposure under the Standardised Approaach

Table 6.2: Rated Exposures according to Ratings by ECAIs

	31 MARCH 2014					
	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance companies, Securities firms and Fund managers	53,470	–	–	–	–	53,470
Corporates	57,115,590	2,220,910	233,798	–	33	54,660,849
Total	**57,169,060**	**2,220,910**	**233,798**	**–**	**33**	**54,714,319**

	31 MARCH 2013 (Restated)					
	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Credit exposures (using corporate risk weights)						
Insurance companies, Securities firms and Fund managers	65,062	–	–	–	–	65,062
Corporates	52,099,719	1,218,565	300,208	107,971	–	50,472,975
Total	**52,164,781**	**1,218,565**	**300,208**	**107,971**	**–**	**50,538,037**

6.0 Credit Risk Exposure under the Standardised Approaach

Exposure class	31 MARCH 2014 Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+ F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Information Inc.	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFI and MDB	104,813	104,813	–	–	–	–
Rated Credit Exposures						
Corporates	–	–	–	–	–	–
Total	**104,813**	**104,813**	**–**	**–**	**–**	**–**

Exposure class	31 MARCH 2013 Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+ F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Information Inc.	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFI and MDB	133,446	133,446	–	–	–	–
Rated Credit Exposures						
Corporates	69,608	69,608	–	–	–	–
Total	**203,054**	**203,054**	**–**	**–**	**–**	**–**

Exposure Class	31 MARCH 2014 Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance Sheet Exposures						
Sovereigns and Central banks	17,174,418	522,405	16,652,013	–	–	–
Total	**17,174,418**	**522,405**	**16,652,013**	**–**	**–**	**–**

Exposure Class	31 MARCH 2013 Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance Sheet Exposures						
Sovereigns and Central banks	16,802,106	–	16,552,975	–	–	249,131
Total	**16,802,106**	**–**	**16,552,975**	**–**	**–**	**249,131**

6.0 Credit Risk Exposure under the Standardised Approaach

Exposure class	31 MARCH 2014					
	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	10,481,010	1,070,567	927,474	925,132	62	7,557,775
Total	**10,481,010**	**1,070,567**	**927,474**	**925,132**	**62**	**7,557,775**

Exposure class	31 MARCH 2013 (Restated)					
	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures						
Banks, DFIs and MDBs	8,354,596	2,116,024	1,090,982	2,455,735	61	2,691,794
Total	**8,354,596**	**2,116,024**	**1,090,982**	**2,455,735**	**61**	**2,691,794**

Table 6.3: Securitisation according to Ratings by ECAIs

Exposure class	31 MARCH 2014			
	Ratings of Securitisation by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	171,382	164,923	–	6,459
Total	**171,382**	**164,923**	**–**	**6,459**

Exposure class	31 MARCH 2013			
	Ratings of Securitisation by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
On and off balance sheet exposures				
Securitisation exposures	84,001	69,963	10,394	3,644
Total	**84,001**	**69,963**	**10,394**	**3,644**

7.0 Credit Risk Mitigation

Main types of collateral taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities
- Non-exchange traded debt securities/sukuk
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, this is not be supported by collateral.

In addition to rating customer's probability of default via an internal risk rating system, the Group uses Security Indicators ("SIs") in its non-retail portfolio to assess the strength of collateral supporting its exposures.

Processes for collateral management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the risk grade of a transaction through its explicit support of the borrower/customer, where borrower's/customer's risk grade will be enhanced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the borrower/customer is not recognised as part of the risk grade enhancement.

Use of credit derivatives and netting for risk mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation

The Group carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan/Financing to Value metrics.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

7.0 Credit Risk Mitigation

Table 7.1: Credit Risk Mitigation

The aggregated exposures and eligible guarantees, credit derivatives and collateral of the AMMB Banking Group are as follows:

Exposures	31 MARCH 2014 Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On balance sheet exposures			
Sovereigns/central banks	17,174,218	–	–
Banks, DFIs and MDBs	8,551,010	–	–
Insurance cos, securities firms and fund managers	32,857	–	–
Corporates	47,296,504	1,063,194	7,842,064
Regulatory retail	35,399,658	9,696	366,236
Residential mortgages	10,500,745	–	98,733
Higher risk assets	126,280	–	–
Other assets	3,538,111	–	–
Specialised Financing/Investment	–	–	–
Securitisation exposures	171,382	–	–
Equity exposures	9,386	–	–
Defaulted exposures	1,170,846	6,177	40,296
Total for on balance sheet exposures	**123,970,997**	**1,079,067**	**8,347,329**
Off balance sheet exposures			
OTC derivatives	2,321,708	–	–
Credit derivatives	16	–	–
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,482,700	8,784	1,727,647
Defaulted exposures	36,032	50	11,839
Total for off balance sheet exposures	**13,840,456**	**8,834**	**1,739,486**
Total on and off balance sheet exposures	**137,811,453**	**1,087,901**	**10,086,815**

Exposures	31 MARCH 2013 (Restated) Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit risk			
On balance sheet exposures			
Sovereigns/central banks	16,761,345	–	–
Banks, DFIs and MDBs	6,470,634	–	–
Insurance cos, securities firms and fund managers	24,380	–	–
Corporates	10,949,627	515,950	1,866,951
Regulatory retail	44,197,143	33,675	5,660,519
Residential mortgages	22,649,189	76,484	335,558
Higher risk assets	9,550,789	–	60,432
Other assets	351,100	–	–
Securitisation exposures	84,001	–	–
Equity exposures	1,234,347	–	–
Defaulted exposures	1,391,703	13,219	161,403
Total for on balance sheet exposures	**113,664,258**	**639,328**	**8,084,863**
Off balance sheet exposures			
OTC derivatives	2,289,966	–	–
Credit derivatives	68	–	–
Off balance sheet exposures other than OTC derivatives or Credit derivatives	11,921,679	9,492	1,768,930
Defaulted exposures	94,437	1	8,571
Total for off balance sheet exposures	**14,306,150**	**9,493**	**1,777,501**
Total on and off balance sheet exposures	**127,970,408**	**648,821**	**9,862,364**

8.0 Off Balance Sheet Exposures and Counterparty Credit Risk

8.1 Off Balance Sheet exposures

The Group off balance sheet exposures consist of 3 main categories as follows:

(1) Credit related exposures, e.g. guarantees given on behalf of customers, certain transaction-related contingent items, obligation under underwriting agreement, short term self liquidating trade-related contingencies, Islamic financing sold to Cagamas, irrevocable commitment to extend credit and unutilised credit card line.

(2) Derivatives Financial Instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps) interest/profit rate related contracts (interest/profit rates futures and interest/profit rates swap), equity related contracts (option and futures) and commodity related contract (option).

(3) Other treasury-related exposures, e.g. forward purchase commitment.

Off balance sheet exposure is mitigated by setting of credit limit for the respective counterparty and exposure limit for industry sectors which are governed under the Group Risk Appetite Framework.

8.2 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/profit rates, foreign exchange and equities.

For each individual contract, the pre-settlement risk exposure is normally calculated based on the sum of the mark-to-market ("MTM") value of the exposure, plus the notional principal multiplied by the potential credit risk exposure ("PCRE") factor; if the sum of each individual contract is negative, the pre-settlement risk exposure for this contract is deemed to be zero.

Pre-settlement risk exposure = MTM + PCRE factor (or known as add-on factor) x Notional Principal

- The MTM is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the negative value will be used.
- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.
- Variation to the above generic methodology is allowed for specific product.

Maximum pay out method is used for back to back and structured products where the underlying instrument structures are dynamic i.e. not confine to a standardised underlying instrument. Where the maximum payout is known, it is taken as the pre-settlement risk amount. However, in situations where the maximum payout is not observable, a Monte Carlo simulation method is used.

Exposure to the counterparty is governed by the counterparty credit limit under the Group Risk Appetite Framework.

Other than credit limit setting and related duration setting of such limits, the Group's primary tool to mitigate counterparty credit risk is by taking collateral.

For derivative exposures, collateral is generally managed via standard market documentation which governs the amount of collateral required and the re-margining frequency between counterparties, including the impact on collateral requirements should either the banking subsidiary's or the counterparty's credit risk rating be upgraded or downgraded.

8.0 Off Balance Sheet Exposures and Counterparty Credit Risk

Table 8.1: Off Balance Sheet Exposures

The aggregated off balance sheet exposures and counterparty of the AMMB Banking Group are as follows:

Description	31 MARCH 2014 Principal Amount RM'000	Positive Fair Value of Derivative Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	1,336,108		1,207,308	1,050,829
Transaction related contingent items	5,370,402		2,749,602	1,925,160
Short Term Self Liquidating trade related contingencies	677,065		135,407	100,189
Assets sold with recourse	100		100	100
Forward Asset Purchases	275,872		6,530	3,744
Obligations under an on-going underwriting agreements	296,375		–	–
Foreign exchange related contracts				
One year or less	23,311,484	91,629	235,814	154,345
Over one year to five years	3,018,618	118,761	331,810	271,535
Over five years	895,569	89,634	272,947	225,831
Interest/Profit rate related contracts				
One year or less	4,377,755	3,947	12,754	4,554
Over one year to five years	28,591,959	153,942	927,330	392,518
Over five years	6,250,838	48,801	476,900	244,942
Equity and commodity related contracts				
One year or less	484,540	4,971	21,569	14,509
Over one year to five years	331,103	480	20,127	10,063
Over five years	–	–	–	–
Other Commodity Contracts				
One year or less	53,805	80	2,770	1,385
Over one year to five years	320,095	480	19,686	9,843
Over five years	–	–	–	–
Credit Derivative Contracts				
One year or less	–	–	–	–
Over one year to five years	306,519	4,651	10	5
Over five years	305,967	19,153	6	3
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	–	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,169,893		3,065,133	2,649,405
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	18,399,196		3,700,104	3,376,901
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness and others	200		200	200
Unutilised credit card lines	4,235,678		847,135	631,751
Total	**105,009,141**	**536,529**	**14,033,242**	**11,067,812**

8.0 Off Balance Sheet Exposures and Counterparty Credit Risk

Description	31 MARCH 2013 (Restated) Principal Amount RM'000	Positive Fair Value of Derivative Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	1,505,669		1,393,584	1,194,032
Transaction related contingent items	4,393,242		2,252,662	1,645,676
Short Term Self Liquidating trade related contingencies	676,656		135,308	100,384
Assets sold with recourse	100		100	100
Forward Asset Purchases	108,266		10,072	7,114
Obligations under an on-going underwriting agreements	330,000		–	–
Foreign exchange related contracts				
One year or less	23,212,269	82,917	241,875	133,707
Over one year to five years	3,440,503	39,238	328,167	246,358
Interest/Profit rate related contracts				
One year or less	4,548,404	5,343	13,907	4,760
Over one year to five years	22,110,386	96,743	694,104	271,428
Over five years	9,682,407	112,921	725,832	383,716
Equity and commodity related contracts				
One year or less	328,613	1,528	5,732	2,686
Over one year to five years	772,473	5,687	45,347	20,909
Over five years	355,913	1,430	22,781	11,390
Credit Derivative Contracts				
One year or less	267,510	–	39	8
Over one year to five years	298,274	1,978	18	7
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,925,080		3,478,927	3,039,849
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	19,859,798		4,105,154	3,709,615
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness and others	200		200	200
Unutilised credit card lines	3,789,712		639,367	476,873
Total	**103,740,673**	**391,176**	**14,306,150**	**11,413,377**

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")

Credit derivatives that create exposures to counterparty credit risk are as follows:

Usage	Product	31 MARCH 2014 Sell Leg Notional Exposure for Protection Sold RM'000	31 MARCH 2014 Buy Leg * Notional Exposure for Protection Bought RM'000	31 MARCH 2013 Sell Leg Notional Exposure for Protection Sold RM'000	31 MARCH 2013 Buy Leg * Notional Exposure for Protection Bought RM'000
Intermediation	Credit default swap	312,485	300,000	425,088	438,448

* Out of the total notional exposure for protection bought as at 31 March 2014, RM283,500.00 (31 March 2013: RM421,948,000) has no counterparty credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

9.1 Definition of Securitisation

Securitisation is a financial technique where the cash flow from an asset or a pool of assets is used to service obligations to, typically, at least 2 different classes or tranches of creditors, who are holders of debt securities with each class or tranche reflecting a different degree of credit risk.

Securitisation takes many forms and may be categorised as traditional or synthetic, depending on legal ownership of the pool of assets.

- Traditional securitisations involve the transfer of ownership via a legal/equitable assignment of the underlying asset pool into a bankruptcy remote Special Purpose Vehicle ("SPV") which finances the purchase by issuing debt instruments to investors. The debt securities are commonly referred to as asset-backed securities ("ABS").
- Synthetic securitisations also transfer the credit risk of an underlying pool of assets to third parties. Legal ownership of the assets will remain with the originator where the originator pays a periodic premium to the third parties in exchange for credit protection if the securitised assets default in the future.

9.2 Objectives, roles and involvement

The Group's objectives in relation to securitisation activity include the following:

- increase the availability of different sources of funding;
- facilitate prudential balance sheet management;
- transfer of credit and market risk;
- obtain regulatory capital relief, if applicable;
- earn management fees on assets under management;
- earn other fees for products and services provided, e.g., liquidity, funding and credit support, structuring, arranging and underwriting services.

The Group is involved in the following types of securitisation activities:

- Securitisation of assets originated by the Group. Such transactions provide diversity in the funding base for the Group entities and may be traditional or synthetic. Such securitisations may or may not involve the transfer of credit risk and as such, may or may not provide regulatory capital relief.
- Securitisation of third party-originated assets.
- Facilities and services provided to securitisations – the Group provides various facilities to securitisations which include liquidity, funding and credit support as well as services such as structuring and arranging.
- Investment in securities – the Group underwrites bonds issued from securitisation programmes and also purchases such bonds in the secondary markets.

9.2.1 Regulatory capital approaches used in AMMB Banking Group's securitisation activities

Securitisation exposures held in the trading books of the Group are subjected to market risk capital charge using the Standardised Approach.

For securitisation exposures held in the banking books, the Group applies the Standardised Approach related to banking book exposures to determine the credit risk capital charge.

9.2.2 Governance

The Group's Debt Capital Markets team is tasked with the structuring of securitisation transactions whilst the governance of these securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

Securitisation exposures held in banking books and trading books are governed under the limits set for the banking book and trading book respectively.

9.0 Securitisation

9.2.3 Risk measurement and reporting of securitisation exposures

The Group relies on the external ratings assigned by recognised external credit assessment institutions in determining the capital charge requirement for rated securitisation exposures. The Group also assesses the performance information of the underlying pool on an ongoing basis e.g. 30/60/90 day past due, default rates, prepayment rates, etc, to gauge the stability of the model parameters to determine sufficiency of the buffers. The reporting for such exposures is dependent on the Group's ultimate position, whether acting as a third party investor to both on or off balance sheet exposures.

9.2.4 SPV used in securitisation exercises

For all traditional securitisation transactions where the Group entity acts as the sponsor[2], such transactions will be structured to comply with the Securities Commission's Guidelines on the Offering of asset-backed securities ("ABS Guidelines") and, where applicable, the BNM's Prudential Standards on Securitisation Transactions. The SPVs used and to be used by the Group entity complies with the requirements of the ABS Guidelines.

Third party exposures that have been securitised via SPVs include civil servant and government-linked companies' staff housing loans and unsecured personal loan/financing granted to members of co-operatives.

9.2.5 Accounting Policies for Securitisation

The principal accounting policies governing the Group's securitisation activities are outlined in Notes 3 and 4 to the Financial Statements. These include the valuation, derecognition, consolidation and income recognition principles.

Any SPV used in the Group's securitisation activities are assessed for control under the requirements of MFRS10. Where control is determined to exist the SPV is consolidated into the Group financial statements.

For synthetic securitisations, any transferred credit exposure is recognised through the fair value measurement of the segregated embedded or stand-alone credit derivative established within the structure.

9.2.6 Use of external rating agencies

The Group uses the services of both RAM and MARC and where applicable, international rating agency for securitisation transactions purposes.

[2] per BNM's clarification, a banking institution is considered a sponsor if it in fact or in substance manages or advises the programme, places securities into the market or provides liquidity and/or credit enhancements. This is applicable if the Group entity acts as a sponsor to an ABCP (CP with maturity of one year or less) conduit or similar programmes.

9.0 Securitisation

Table 9.1: Securitisation (Trading and Banking Book)

The aggregated securitised exposures of AMMB Banking Group are as follows:

Underlying Asset	Total Exposures Securitised RM'000	31 MARCH 2014 Past Due RM'000	Impaired RM'000	Gains/losses recognised during the year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	199,373	–	129,895	–
Mortgage loans	747,256	–	738,154	–
Total Traditional Securitisation	**946,629**	**–**	**868,049**	**–**
Total Synthetic Securitisation	**–**	**–**	**–**	**–**
Total Traditional & Synthetic Securitisation	**946,629**	**–**	**868,049**	**–**

Underlying Asset	Total Exposures Securitised RM'000	31 MARCH 2013 Past Due RM'000	Impaired RM'000	Gains/losses recognised during the year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	235,946	–	144,021	–
Mortgage loans	701,729	–	693,572	–
Total Traditional Securitisation	**937,675**	**–**	**837,593**	**–**
Total Synthetic Securitisation	**–**	**–**	**–**	**–**
Total Traditional & Synthetic Securitisation	**937,675**	**–**	**837,593**	**–**

9.0 Securitisation

Table 9.2: Securitisation under the Standardised Approach for Banking Book Exposures

Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	31 MARCH 2014 Distribution of Exposures after CRM according to Appplicable Risk Weights: Rated Securitisation Exposures or Risk weights of Guarantees/Credit Derivatives 20% RM'000	50% RM'000	1250% RM'000	Risk Weighted Assets RM'000
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	164,923	164,923	–	164,923	–	–	32,984
Originated by the Group							
On Balance Sheet Exposures	6,459	6,459	–	–	–	6,459	80,739
Total Traditional Securitisation	171,382	171,382	–	164,923	–	6,459	113,723
Total Synthetic Securitisation	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Traditional & Synthetic Securitisation	**171,382**	**171,382**	**–**	**164,923**	**–**	**6,459**	**113,723**

Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	31 MARCH 2013 Distribution of Exposures after CRM according to Appplicable Risk Weights: Rated Securitisation Exposures or Risk weights of Guarantees/Credit Derivatives 20% RM'000	50% RM'000	1250% RM'000	Risk Weighted Assets RM'000
Traditional Securitisation							
Originated by Third Party							
On Balance Sheet Exposures	80,357	80,357	–	69,963	10,394	–	19,190
Originated by the Group							
On Balance Sheet Exposures	3,644	3,644	–	–	–	3,644	45,556
Total Traditional Securitisation	84,001	84,001	–	69,963	10,394	3,644	64,746
Total Synthetic Securitisation	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Traditional & Synthetic Securitisation	**84,001**	**84,001**	**–**	**69,963**	**10,394**	**3,644**	**64,746**

9.0 Securitisation

Table 9.3: Securitisation under the Standardised Approach for Trading Book Exposures

Securitisation Exposures by Exposure Type	Total exposures exposures value of positions RM'000	Exposure subject to deduction RM'000	General Risk Charge RM'000	Specific Risk Charge RM'000	Risk Weighted Assets RM'000
			31 MARCH 2014		
Traditional Securitisation					
Originated by Third Party					
On Balance Sheet by Exposure Type - others	40,685	–	895	814	21,363
Total Traditional Securitisation	40,685	–	895	814	21,363
Total Synthetic Securitisation	**–**	**–**	**–**	**–**	**–**
Total Traditional & Synthetic Securitisation	**40,685**	**–**	**895**	**814**	**21,363**

Securitisation Exposures by Exposure Type	Total exposures exposures value of positions RM'000	Exposure subject to deduction RM'000	General Risk Charge RM'000	Specific Risk Charge RM'000	Risk Weighted Assets RM'000
			31 MARCH 2013		
Traditional Securitisation					
Originated by Third Party					
On Balance Sheet by Exposure Type - others	111,335	–	2,966	2,227	64,913
Total Traditional Securitisation	111,335	–	2,966	2,227	64,913
Total Synthetic Securitisation	**–**	**–**	**–**	**–**	**–**
Total Traditional & Synthetic Securitisation	**111,335**	**–**	**2,966**	**2,227**	**64,913**

10.0 Operational Risk

The operational risk management process is depicted in the table below:

Identification	• Identify and analyse risks in key processes/activities within Line of Business (including new products)
Assessment/ Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators • Key Control Testing
Control/ Mitigation	• Policies addressing control & governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning
Monitoring/ Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business and entity, reporting of GRAF management triggers, risk profile status, key risk indicator breaches and key control testing exceptions. • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk and Shariah compliance risk (Please refer to Section 14 for discussion on Shariah Governance Structure). It excludes strategic, systemic and reputational risk.

Operational Risk Appetite ("ORA") is integral part of the Group's operational risk management framework, which sets the acceptable tolerance levels for operational risk. The ORA statements and measurements are classified based on operational risk loss event types, which are grouped into five (5) categories as below and monitored via Incident Management and Data Collection, Key Risk Indicator and Key Control Testing.

- Fraud (internal & external);
- Employment Practices and Workplace Safety;
- Client, Products and Business Practices;
- Business Disruption, System Failures and Damage to Physical Assets; and
- Execution, Delivery and Process Management

The strategy for managing operational risk in the Group is anchored on the three lines of defence concept which are as follows:

- The first line of defence is accountable for implementing the operational risk framework and policies, operational risk tools, embedding appropriate internal controls into processes and maintaining business resilience for key activities. The responsibility for managing day-to-day operational risk rests with each Line of Business.
- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and capital allocation, fraud strategy and reporting of operational risk issues to Group CEOs Committee and RMCD.
- Group Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

Group Operational Risk maintains close working relationships with all Line of Business, continually assisting in the identification of operational risks inherent in their respective business activities, assessing the impact and significance of these risks and ensuring that satisfactory risk mitigation measures and controls are in place. Various tools and methods are employed to identify, measure, control and monitor/report operational risk issues within the Group. The Operational Risk Management System ("ORMS") contains the following modules:

- The Incident Management and Data Collection ("IMDC") module provides a common platform for reporting operational risk incidents that fall within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to operational risks in future and estimate the amount of economic capital charge.
- The Risk and Control Self Assessment ("RCSA") is a process of continual assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.
- The Key Control Testing ("KCT") is the test steps or assessment performed periodically to assure that the key controls are in place and they are operating as intended or effective in managing the operational risks.

As part of the risk transfer strategy, the Group obtains third party insurance to cover major operational risks where cost-effective premiums can be obtained. In addition, a comprehensive Business Continuity Management is established to ensure critical business functions can be maintained or restored in a timely manner, in the event of material disruptions from internal or external events.

The ultimate authority for all operational risk management matters is delegated by the Board to the Group CEOs Committee. The RMCD and the Group CEOs Committee are the main reporting and escalation committees for operational risk matters. These matters include significant operational risk incidences or findings, deliberations on regulatory and supervisory changes and their impact on operational risk and deliberation and endorsement of operational risk mitigation measures and risk management strategies.

The Group adopts the Basic Indicator Approach for the operational risk capital charge computation.

10.0 Operational Risk

10.1 Business Continuity Management

The Business Continuity Management ("BCM") process is depicted in the table below:

Identification	• Identify events that potentially threaten the business operations and areas of criticality
Assessment/ Measurement	• Business Impact Analysis • Threat Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity plan
Monitoring/ Review	• BCM plan testing and exercise • Review of BCM Plan • Plan maintenance

The BCM function forms an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and establishment of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of Group's stakeholders by protecting our brand and reputation.

The BCM process complements the effort of the recovery team and specialist units to ensure the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency and conduct periodical testing to enhance the BCM capability throughout all critical departments and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

10.2 Legal Risk

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgement, which may lead to incurrence of losses, disruption or otherwise impact on the Group's financials or reputation.

Legal risk is overseen by Group CEOs Committee, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risks are appropriately managed.

10.3 Regulatory Compliance Risk

A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Regulatory Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Group.

The compliance monitoring and reporting system is essentially a mechanism through which businesses monitor their compliance to rules and regulations as well as provide monthly, quarterly and exception reporting that is carried out online. This reaffirms our commitment to a centralised compliance infrastructure that embraces regular self-assessment by staff, thus providing management the assurance that staff are aware and comply with internal and external requirements.

Compliance awareness is performed on a regular basis to ensure staff keeps abreast of banking, insurance, capital markets and anti-money laundering laws as well as other regulatory developments. The awareness helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics. In addition to the training provided, the Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations to various search modes.

Regulatory Compliance also provides advice on regulatory matters and measures to be implemented by the Group to facilitate compliance with rules and regulations. To further promote understanding, regulatory compliance facilitates briefings, disseminates information and leads coordination efforts.

11.0 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two categories of market risk: Traded Market Risk ("TMR") and Non-Traded Market Risk ("NTMR"). Assessment, control and monitoring of these risks are the responsibility of Group Market Risk ("GMR").

11.1 Traded Market Risk ("TMR")

The TMR management process is depicted in the table below. Please refer to Section 8 for off balance sheet exposures and counterparty credit risk arising from market risk.

Identification	• Identify market risks within existing and new products • Review market-related information review such as market trends and economic data
Assessment/ Measurement	• Value-at-Risk ("VaR") • Annual Loss Limit ("ALL") • Historical Stress Loss ("HSL") • Other Detailed Management Controls
Control/ Mitigation	• VaR Limits • HSL Limit • Loss Limits (Annual/Monthly/Daily) • Concentration Limits • Greek Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Present Value of One Basis Point Limits ("PV01") • Stealth Limits • Position Size Limits • Maximum Tenor Limits • Maximum Holding Period • Minimum Holding Period • Approved Instruments/Currencies/Countries • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within the Board and Executive Management approved limit structures and risk appetite. This is done via robust traded market risk measurement, limit setting, limit monitoring, and collaboration and agreement with Business Units.

VaR, ALL, HSL and other detailed management controls are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Loss limits serve to alert management on the need to take relevant and appropriate action once they are triggered.

To complement VaR, HSL is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, HSL is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, ALL and HSL, additional sensitivity controls (e.g. Greeks Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

GMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to Group CEOs Committee, RMCD and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits. Business Units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

GMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

11.0 Market Risk Management

11.2 Non-Traded Market Risk

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products. • Review market-related information review such as market trend and economic data.
Assessment/ Measurement	• VaR • Earnings-at-Risk ("EaR") • PV01 • Other Detailed Management Controls
Control/ Mitigation	• VaR Limits • EaR Limits • PV01 Limits • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending/financing and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of IRR/RORBB and funding risk, and to manage the economic value of Group's capital.

The Board's oversight of IRR/RORBB is supported by the Group CEOs Committee. Group CEOs Committee is responsible for the alignment of Group-wide risk appetiteand funding needs, taking into consideration Group-wide business strategies. Group CEOs Committee consistently oversees the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of IRR/RORBB is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to manage IRR/RORBB, and maintained an acceptable gapping profile as a result. In accordance with the Group's policy, positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Board-established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of IRR/RORBB which applies recent historic market conditions to estimate the potential loss in economic value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing IRR/RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to IRR/RORBB within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by MFRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IRR/RORBB is calculated daily and reported to Group CEOs Committee.

11.0 Market Risk Management

Table 11.1: Interest Rate Risk/Rate of Return Risk Sensitivity in the Banking Book

The aggregated IRR/RORBB sensitivity for AMMB Banking Group are as follows:

	31 MARCH 2014	
Impact On Profit Before Taxation	Interest Rate/Rate of Return + 100 bps	Interest Rate/Rate of Return - 100 bps
Currency	RM'000	RM'000
MYR	162,628	(162,628)
Impact on Equity	**Interest Rate/Rate of Return + 100 bps**	**Interest Rate/Rate of Return - 100 bps**
Currency	**RM'000**	**RM'000**
MYR	(569,021)	632,380

	31 MARCH 2013 (Restated)	
Impact On Profit Before Taxation	Interest Rate/Rate of Return + 100 bps	Interest Rate/Rate of Return - 100 bps
Currency	RM'000	RM'000
MYR	101,423	(101,423)
Impact on Equity	**Interest Rate/Rate of Return + 100 bps**	**Interest Rate/Rate of Return - 100 bps**
Currency	**RM'000**	**RM'000**
MYR	(556,491)	617,680

12.0 Equities (Banking Book Positions)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Group's equity exposures in the banking book are primarily categorised as follows:

- Equity investments that are taken for strategic and other objectives – Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socio-economic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board's approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.

- Equity investments on which capital gains are expected – These transactions are for proprietary trading.

- Equity investments made as the result of a work out of a problem exposure – From time to time, the Group will take an equity stake in a customer as part of a work out arrangement for problem exposures. These investments are made only where there is no other viable option available and form an immaterial part of the Group's equity exposures.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities – Equity securities that have a quoted market price are carried at their fair value. Fair value is determined based upon current bid prices. Investments in unlisted securities are measured at cost less impairment loss (if any).

Where the investment is held for long term strategic purposes, these investments are accounted for as available-for-sale, with changes in fair value being recognised in equity.

Table 12.1: Equity investments and capital requirement

An analysis of equity investments by appropriate equity groupings and risk weighted assets of AMMB Banking Group are as follows:

	31 MARCH 2014 RM'000	31 MARCH 2013 (Restated) RM'000
Non traded equity investments		
Value of quoted (publicly traded) equities	188,288	233,680
Value of unquoted (privately held) equities	102,465	102,512
Total	**290,753**	**336,192**
Net realised and unrealised gains/(losses)		
Cumulative realised gains/(losses) from sales and liquidations	41,204	259
Total unrealised gains/(losses)	(12,154)	(3,573)
Total unrealised gains/(losses) included in Gross Tier 1/Tier 2 capital	–	–
Total	**29,050**	**(3,314)**
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	188,288	232,784
Equity investments subject to a 150% risk weight	153,699	155,113
Total	**341,987**	**387,897**
Total minimum capital requirement (8%)	**27,359**	**31,032**

13.0 Liquidity Risk and Funding Management

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding risk is the risk of ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Funding and liquidity risk are interrelated as improper funding risk management may lead to liquidity problem while insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management process is depicted in the table below:

Identification	• Identify liquidity risk within existing and new business activities • Review market-related information such as market trend and economic data • Keep abreast with regulatory requirements
Assessment/ Measurement	• New Liquidity Framework ("NLF") • Liquidity Concentration Ratios • Liquidity Coverage Ratio ("LCR") • Loans to Deposit Ratio ("LDR") • Other Detailed Management Controls
Control/ Mitigation	• NLF Limits • Concentration Ratios • LCR Limits • LDR Limits • Other Detailed Management Limits
Monitoring/ Review	• Monitor limits • Periodical review and reporting

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by BNM. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Board provides the liquidity risk management oversight while the Group CEOs Committee is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management Department and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

The Group has put in place a Contingency Funding Plan to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

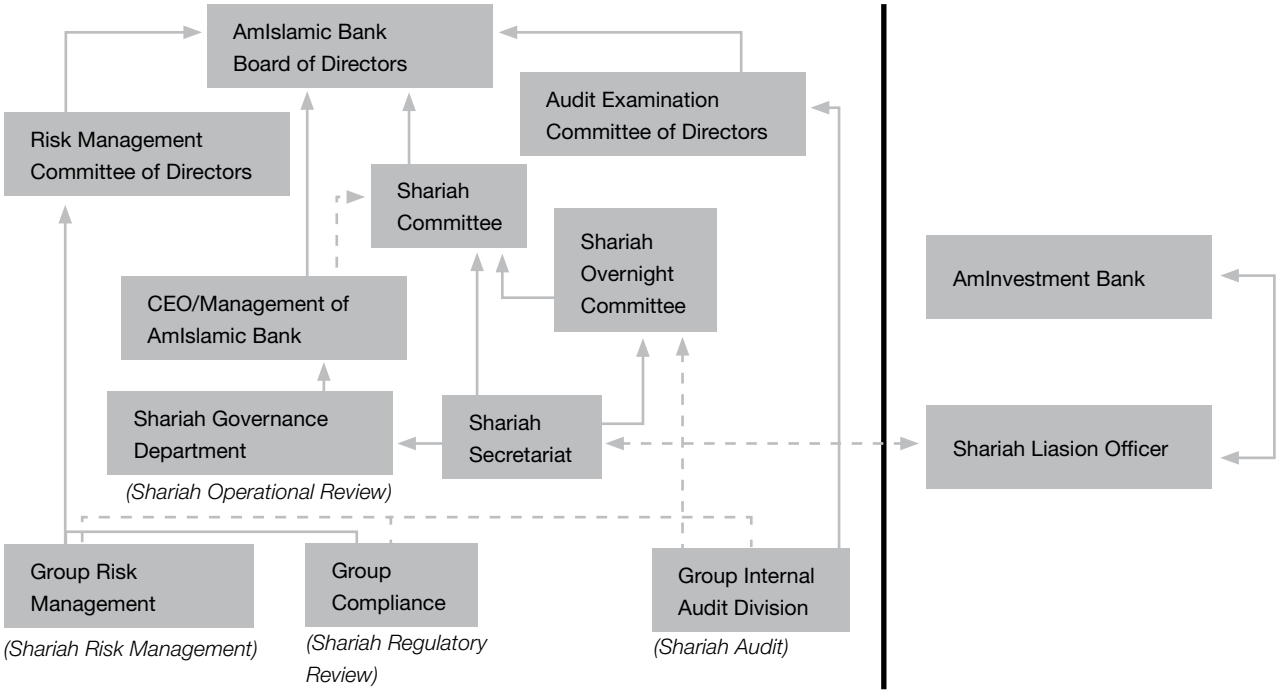
Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's Contingency Funding Plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending/financing to customers. They are monitored using the adjusted loans/financing to deposit ratio, which compares loans/financing and advances to customers as a percentage of customer deposit accounts, together with term funding with original term of maturity in excess of three years.

As conservative liquidity management practice, part of the Group's medium term assets is funded by medium term liabilities. Medium term is defined by the Group as remaining term to maturity in excess of one year.

In preparation to the impending implementation of Basel III liquidity metrics, the Group is already monitoring the LCR and Net Stable Funding Ratio ("NSFR") and continue to pursue strategies to ensure the availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Group is confident of meeting Bank Negara Malaysia's requirements on Basel III liquidity metrics in accordance with its recently approved timetable for implementation.

14.0 Shariah Governance Structure



A Shariah governance framework is put in place in the organisational structure of the Group for its Islamic banking operations, which includes establishment of the Shariah Committee for AmIslamic Bank in line with the requirement of BNM's "Shariah Governance Framework for Islamic Financial Institutions". Requirements on Shariah compliance have been further strengthened with the coming into force of the IFSA.

The Bank's Shariah Governance Structure leverages on the Group's shared platforms such as Group Risk Management Department, Group Compliance Department, and Group Internal Audit Division for key Shariah functions. As a prudential measure, AmIslamic Bank has continued to enhance its overall Shariah governance in line with the regulatory policies and requirements under IFSA.

AmInvestment Bank leverages on the Shariah Secretariat of AmIslamic Bank in referring matters to the Shariah Committee. AmInvestment Bank also has the option to engage external Shariah Advisor registered and approved by the Securities Commission Malaysia.

Board of Directors

The Board is accountable and responsible for the overall oversight on Shariah framework and Shariah compliance, including the appointment of Shariah Committee members. The Board performs its oversight through various committees such as AEC, RMCD and Shariah Committee.

Audit Examination Committee

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the Group is Shariah compliant through oversight of the Shariah Audit function performed by Group Internal Audit Division.

Risk Management Committee of Directors

RMCD is a Board committee responsible for assisting the Board in ensuring risk management and control process is in place and functioning, including Shariah risk management through Group Risk Management Department and Shariah regulatory review through Group Compliance Department.

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating products and services, and the relevant documentation in relation to Islamic Banking operation. The Shariah Committee also provides advice on business zakat, charity and other social programmes.

The Shariah Committee reports functionally to AmIslamic Bank's Board and this provides for the independence of the Shariah Committee in exercising their duties.

14.0 Shariah Governance Structure

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee performs an oversight function for the key Shariah functions of Shariah review, Shariah audit, and Shariah risk management. Shariah Oversight Committee shall provide guidance and advice on matters pertaining to Shariah non-compliant incidents as well as treatment of Shariah non-compliant income (if any).

Chief Executive Officer/Management

The CEO/Management is responsible to make reference to the Shariah Committee/Shariah Oversight Committee on Shariah issues and to take necessary measures for implementation of Shariah Committee/Shariah Oversight Committee's advice and decisions. The CEO/Management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance framework. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and to mitigate Shariah risk.

Shariah Governance Department

The Shariah Governance Department operates as a one-stop centre for all Shariah related operational issues of Islamic businesses. This includes providing day-to-day Shariah advisory and support function, Shariah operational review, Shariah research, and as Secretariat to the Shariah Committee and Shariah Oversight Committee. In addition, the Shariah Governance Department also performs the zakat and charity management.

Group Internal Audit Division

A designated team within the Group Internal Audit Division is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking operations through Shariah audit function. Areas of audit include product – structure documentation, adequacy of systems, internal controls and computation, staff competency and adequacy of the Shariah governance process.

Group Compliance Department

Undertakes the Shariah compliance review from a regulatory perspective. This is executed based on the Shariah Regulatory Review Framework, which consists of the Compliance Monitoring and Reporting ("CMR") and Shariah Compliance Assessment. CMR is a periodical self-assessment by the Departments via a structured process and Compliance Assessment is performed to review on department's compliance with regulatory requirements including Shariah regulatory requirements and effectiveness of the self-assessment performed.

Group Risk Management Department

Shariah risk management leverages on existing infrastructure within Group Risk Management Department in managing the Shariah risk. The unique Shariah risks shall be identified according to existing risk types, credit risk, operational risk, and market risk.

14.1 Non-Shariah compliant income

The governance structure and control has been emplaced by AmIslamic Bank as to facilitate all business activities, products and services offered, and legal in order to mitigate Shariah non-compliant incidents.

For any reported Shariah non-compliant incident, the matter will be deliberated with Shariah Oversight Committee for confirmation as to whether the non-compliant event is either actual or potential Shariah non-compliance. Upon confirmation by the Shariah Oversight Committee and where certain amount of income is to be de-recognised, the amount will be treated in the manner as advised by the Shariah Oversight Committee and the Shariah Committee, including channelling to Baitulmal and other identified charitable bodies.

As at 31 March 2014, there is no record of Shariah non-compliant event reported and therefore no Shariah non-compliant income declared.

List of Landed Properties

AS AT 31 MARCH 2014
The properties owned by the subsidiaries are as follows:

Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq.ft)	Date of Acquisition
Perak Darul Ridzuan						
5, Main Road 32300 Pulau Pangkor	One unit of two-storey shophouse for branch premises	41 years	Freehold	48,908	2,720	31 Dec 1990
27, Jalan Trump Kuala Sepetang 34650 Taiping	One unit of double-storey shoplot for branch premises	31 years	Freehold	40,319	2,702	4 Nov 1991
107, Jalan Tokong Datoh 33300 Grik	One unit of two-storey shoplot for branch premises	29 years	Leasehold Term: 99 years Expiry: 30 Oct 2084	130,815	5,695	29 Dec 1990
2 & 4, Jalan Temenggong Pusat Bandar 34200 Parit Buntar	Two units of two-storey shoplots for branch premises	25 years	Leasehold Term: 99 years Expiry: Oct 2088	234,908	6,722	23 Dec 1993
16 to 18, Persiaran Greentown 6, 30450 Ipoh	Two units of four-storey shopoffices for operations	15 years	Leasehold 99 years Expiry: 21 Nov 2094	2,038,950	7,200	9 Oct 1997
Pulau Pinang						
1 & 3, Lorong Murni 6 Taman Desa Murni Sungai Dua 13800 Butterworth	Two units of double-storey shoplots for branch premises	22 years	Freehold	485,270	7,200	28 Nov 1996
35 & 36 – Phase 1 Prai Business Point 322 Prai Perdana 12000 Seberang Prai	Two units of vacant three-storey shopoffices	14 years	Freehold	1,298,616	10,307	28 Nov 1998
1311, Jalan Besar 14200 Sungai Bakap Province Wellesley	One unit of two-storey shoplot for branch premises	24 years	Freehold	178,630	3,894	7 Dec 1992
4194, Jalan Bagan Luar 12000 Butterworth	Two units of two-storey shoplots for branch premises	29 years	Freehold	205,410	7,200	16 Sep 1992
2E, Lorong Selamat, 10400 Pulau Pinang	One unit of two-storey shophouse for operations	75 years	Freehold	329,252	1,048	30 Sep 1997
2F Lorong Selamat, 10400 Pulau Pinang	One unit of nine-storey office building for operations	16 years	Freehold	5,547,087	25,600	30 Sep 1997
Wilayah Persekutuan – Kuala Lumpur						
Wisma AmBank 113, Jalan Pudu 55100 Kuala Lumpur	One unit of twelve-storey office building for operations and branch premises	28 years	Freehold	13,723,618	55,700	4 Nov 1991
2 & 4, Jalan 12/5 Taman Melati, Setapak 53100 Kuala Lumpur	Two units of two-storey shoplots for storage purposes	23 years	Freehold	311,051	5,600	17 Jul 1992
2 & 4, Jalan 23/70A Desa Sri Hartamas 55048 Kuala Lumpur	Two units of four-storey shoplots for rental purposes	15 years	Freehold	2,908,629	13,504	23 Apr 1998
85, 87, 89, 107, 109 & 111 Jalan 3/93, Taman Miharja 55200 Kuala Lumpur	Six units of three-storey shoplots for rental purposes	24 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	1,979,467	30,528	9 Mar 1992
Ground, 5th - 11th, 19th Floors Bangunan AmAssurance 1, Jalan Lumut 50400 Kuala Lumpur	Office space for operations	21 years	Freehold	29,993,372	105,592	18 May 1994

List of Landed Properties

Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq.ft)	Date of Acquisition
149-151 Jalan Maharajalela, Wisma Kurnia, 50150 Kuala Lumpur	Two units of five-storey shopoffices with a basement for operations	14 years	Freehold	3,772,399	17,530	20 Mar 1985
4-G,4-1,4-2 & 4-3, Jalan Prima 5, Pusat Niaga Metro Prima, Kepong, 52100 Kuala Lumpur	One unit of four-storey shopoffice for operations	14 years	Leasehold 96 years Expiry: 28 Apr 2096	1,537,346	7,500	5 Oct 2004
22, Jalan Yap Ah Shak, 50300 Kuala Lumpur	One unit of two-storey shophouse for operations	65 years	Freehold	1,514,339	1,820	27 May 1996
Wilayah Persekutuan – Labuan						
A (03-6) & E (03-1) Kerupang II 87000 Labuan	Two units of three-room walk-up apartments for residential purposes	19 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	269,684	1,016	30 Jun 1996
Alpha Park Tower Condo Labuan, 10th Floor Financial Park Complex 87000 Labuan	Condominium for residential purposes	18 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	361,714	1,679	1 Jul 1996
Selangor Darul Ehsan						
11, Jalan Taman Off Jalan Melayu 41300 Klang	One unit of four-storey shoplot under joint venture for rental	29 years	Leasehold Term: 99 years Expiry: Jun 2077	212,895	6,200	4 Nov 1991
7 & 9, Jalan Perusahaan 2 Off Jalan Kolej 43300 Seri Kembangan	Two units of two-storey commercial complexes for branch premises	28 years	Leasehold Term: 40 years Expiry: May 2017	400,957	8,000	25 Nov 1995
Damansara Fairway 3 6C, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya	One unit of thirteen-storey office building for operations	23 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	14,974,750	76,120	13 Oct 2000
8, Jalan Pinggiran Ukay 2, Medan Damai Ukay, Jalan Ulu Klang, 68000 Ampang	One unit of three-storey shopoffice for storage purposes	24 years	Freehold	482,547	4,270	30 Dec 1986
25, Jalan Tiara 3, Bandar Baru Klang, 41150 Klang	One unit of four-storey shopoffice for operations	16 years	Leasehold 99 years Expiry: 8 May 2093	1,027,185	6,588	17 Aug 2004
27, Jalan Tiara 3, Bandar Baru Klang, 41150 Klang	One unit of four-storey shopoffice for operations	16 years	Leasehold 99 years Expiry: 8 May 2093	1,018,041	6,588	30 Jul 1998
Menara Kurnia, 9, Jalan PJS 8/9, 46150 Petaling Jaya	One unit of twenty five-storey office building	14 years	Leasehold 99 years Expiry: 17 Jul 2091	88,049,333	288,048	14 Mar 1997
B3-01-08, Jalan PJS 8/9, 46150 Petaling Jaya	One unit of shoplot for rental	15 years	Leasehold 99 years Expiry: 17 Jul 2091	450,000	1,369	28 Feb 2006
Pahang Darul Makmur						
Lot 4, Sec 1, Pekan Mengkuang Mukim of Triang District of Temerloh	One piece of vacant land	N/A	Freehold	61,000	410,009	4 Nov 1991
533, Tanah Rata 39000 Cameron Highlands	One unit of apartment for vacation purposes	30 years	Leasehold Term: 85 years Expiry: Aug 2067	115,756	980	30 Nov 1985
27, Jalan Sudirman 3, Bandar Seri Semantan, 28000 Temerloh	One unit of three-storey shopoffice for operations	13 years	Leasehold 99 years Expiry: 2 Mar 2096	555,395	3,900	9 Dec 2000

List of Landed Properties

Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq.ft)	Date of Acquisition
Negeri Sembilan Darul Khusus						
22 & 23, Jalan Dato' Lee Fong Yee 70000 Seremban	Two units of four-storey shoplots for branch premises	29 years	Freehold	979,004	22,000	15 Mar 1990
Lot 4261 GM395 Mukim Jimah, Port Dickson	One unit of vacant two-storey shophouse	17 years	Freehold	26,359	1,765	25 Apr 1997
32, Beta Ria Business Centre, Jalan Durian Emas 4, Off Jalan Dato' Siamang Gagap, 70100 Seremban	One unit of four-storey shopoffice for operations	15 years	Leasehold 99 years Expiry: 21 Nov 2096	738,050	7,841	18 Feb 2000
Riverine Villas, Parcel No. KG109-3, Penthouse, Block K, Persiaran Palm Springs, Palm Springs Resort, Batu 13, Jalan Pantai, 71250 Port Dickson	One unit of penthouse for rental purposes	15 years	Freehold	100,000	2,379	11 Sep 1995
10-5, 9-5, 8-5, Arab Malaysia Business Centre, Jln Tuanku Munawar 70000 Seremban	Three-storey of shoplots for operations	10 years	Freehold	596,963	4,488	13 Mar 2004
Johor Darul Takzim						
S142, Bt 22, Jalan Mersing Kahang New Village 86700 Kahang	One unit of double-storey shoplot for branch premises	31 years	Freehold	60,228	2,300	4 Nov 1991
31-7, Jalan Raya Kulai Besar, 81000 Kulai	One unit of shoplot for branch premises	26 years	Freehold	349,131	6,930	19 May 1992
14 & 15, Jalan Abdullah 85000 Segamat	Two units of four-storey shoplots for branch premises	74 years	Freehold	336,652	5,832	12 Jun 1985
100, Jalan Besar 83700 Yong Peng	One unit of shoplot for branch premises	76 years	Freehold	198,092	3,120	12 Jun 1985
12, 12a & 12b, Jalan Padi Satu, Bandar Baru Uda, 81200 Johor Bharu	One unit of three-storey shopoffice for operations	21 years	Freehold	1,659,963	9,363	21 Feb 2000
19-01 to 19-04 & 20-01 to 20-04, Susur 4, Jalan Tun Abdul Razak, 80100 Johor Bharu	Two units of four-storey shopoffices with mezzanine for operations	10 years	Leasehold 99 years Expiry: 29 Sep 2096	1,779,548	10,587	13 Oct 1998
8 Jalan Persiaran Yayasan, 86000 Kluang	One unit of four-storey shopoffice for operations	22 years	Leasehold 99 years Expiry: 2 Apr 2089	743,028	6,584	29 Oct 2001
Kelantan Darul Naim						
707, Jalan Masjid Lama 17000 Pasir Mas	One unit of two-storey shoplot for branch premises	36 years	Leasehold Term: 66 years Expiry: Jan 2061	265,815	3,024	25 Jun 1993
PT 495, PT 496 & PT 497, Seksyen 27, Jalan Dusun Raja, 15300 Kota Bharu	Three units of three-storey shophouses for operations	9 years	Leasehold 33 years Expiry: 21 Aug 2038	1,687,965	12,884	6 Sep 2004

List of Landed Properties

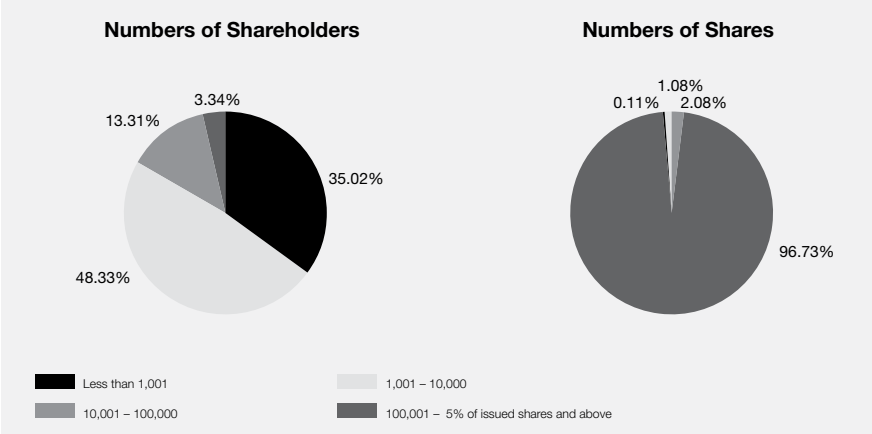
Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq.ft)	Date of Acquisition
Terengganu Darul Iman						
50, Jalan Lim Teck Wan 23000 Dungun	One unit of double-storey shoplot for branch premises	31 years	Freehold	136,787	3,600	4 Nov 1991
26, Jalan Sultan Mahmud, 20400 Kuala Terengganu	One unit of four-storey shopoffice for operations	34 years	Freehold	1,119,404	6,398	23 Feb 1999
Sabah and Sarawak						
257, Jalan Haji Taha 93400 Kuching	Seven-storey office building for branch premises and rental	15 years	Leasehold Term: 855 years Expiry: Jul 2792	10.497,050	51,906	31 Dec 1994
665, Jalan Permaisuri, 98000 Miri	One unit of three-storey shophouse for operations	10 years	Leasehold from 18 Sep 1992 Expiry: 17 Sep 2052	1,009,177	4,567	20 Apr 1999
246 & 247, Jalan Datuk Wee Kheng Chiang, 93450 Kuching	Two units of three-storey shophouses for operations	18 years	Leasehold from 14 Nov 1950 Expiry: 31 Dec 2797	1,931,401	8,664	1 Nov 1997
47, Bandaran Berjaya, 88000 Kota Kinabalu	One unit of four-storey shopoffice for operations	7 years	Leasehold 999 years Expiry: 21 Jan 2901	2,057,795	8,500	24 May 2005
Melaka						
163 Taman Melaka Raya, 75000 Melaka	One unit of three-storey shopoffice for operations	9 years	Leasehold 99 years Expiry: 19 Aug 2075	650,290	4,640	12 Aug 2003
162 Taman Melaka Raya 75000 Melaka	One unit of three-storey shopoffice for operations	10 years	Leasehold 99 years Expiry: 19 Aug 2075	920,433	5,200	28 Feb 1998
Kedah						
18, 18A, 18B, 18C, 18D, 18E & 18F, Leboh Raya Darul Aman, 05100 Alor Setar	One unit of six-storey office block, six units of three-storey shopoffices	12 years	Freehold	8,398,205	61,522	10 Dec 2001
Lot 5221, Bandar Sungai Petani, Kuala Muda, Sungai Petani, 08000 Kuala Muda	One piece of commercial land	N/A	Freehold	1,350,000	N/A	6 Jul 2007

Shareholding Structure

AS AT 30 JUNE 2014

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM5,200,000,000 divided into 5,000,000,000 Ordinary Shares of RM1.00 each and 200,000,000 Converting Preference Shares of RM1.00 each
Issued and Paid-up Ordinary Share Capital	:	RM3,014,184,844
Class of Share	:	Ordinary Share of RM1.00 each
Voting Rights	:	1 vote per ordinary shareholder on a show of hands 1 vote per ordinary share on a poll



	Number of Shares		Direct Shareholding	
Number of Shareholders	**No. of Shareholders**	**% of Shareholders**	**No. of Shares**	**% of Shares**
Size of Shareholdings				
Less than 100	1,597	9.09	50,376	0.00
100 – 1,000	4,554	25.93	3,170,983	0.11
1,001 – 10,000	8,489	48.33	32,703,723	1.08
10,001 – 100,000	2,337	13.31	62,808,846	2.08
100,001 to less than 5% of issued shares	584	3.32	1,531,154,642	50.80
5% and above of issued shares	3	0.02	1,384,296,274	45.93
Total	**17,564**	**100.00**	**3,014,184,844**	**100.00**
Location of Shareholders				
Malaysia	16,294	92.79	1,308,866,158	43.42
Singapore	259	1.47	2,860,488	0.10
Hong Kong	2	0.01	18,900	0.00
Australia	31	0.18	718,016,002	23.82
United Kingdom	18	0.10	335,920	0.01
United States of America	4	0.02	61,900	0.00
Other Countries	956	5.43	984,025,476	32.65
Total	**17,564**	**100.00**	**3,014,184,844**	**100.00**
Types of Shareholders (By Nationality)				
Malaysian				
- Individual	14,366	81.80	84,590,849	2.80
- Nominee companies	1,645	9.37	801,775,985	26.60
- Other companies	283	1.62	422,499,324	14.02
Singaporean	259	1.47	2,860,488	0.10
Hong Kong National	2	0.01	18,900	0.00
Australian	31	0.18	718,016,002	23.82
United Kingdom National	18	0.10	335,920	0.01
American	4	0.02	61,900	0.00
Other foreigners	956	5.43	984,025,476	32.65
Total	**17,564**	**100.00**	**3,014,184,844**	**100.00**

Shareholding Structure

AS AT 30 JUNE 2014

30 LARGEST SHAREHOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

		No. of Shares	%
1.	ANZ Funds Pty Ltd	716,841,483	23.78
2.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	405,450,237	13.45
3.	Amcorp Group Berhad	236,839,304	7.86
4.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (LBNOFFSHORE-EDG)	89,450,091	2.97
5.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (CB4-AMCORPCAPLL)	83,590,809	2.77
6.	DB (Malaysia) Nominee (Asing) Sdn Bhd State Street London Fund GMBM for M&G Investment Funds (1) - M&G Global Basics Fund	74,000,000	2.46
7.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for the Bank of New York Mellon (Mellon ACCT)	66,069,079	2.19
8.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad	65,500,000	2.17
9.	HSBC Nominees (Asing) Sdn Bhd BBH and CO Boston for Matthews Asia Pacific Equity Income Fund	57,950,000	1.92
10.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	56,101,819	1.86
11.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	53,128,290	1.76
12.	HSBC Nominees (Asing) Sdn Bhd BBH and CO Boston for Matthews Asian Growth and Income Fund	49,147,900	1.63
13.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	43,618,458	1.45
14.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	31,981,858	1.06
15.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (49234JTRK-RC2)	31,839,701	1.06
16.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	27,389,300	0.91
17.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)	24,277,147	0.81
18.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	23,929,662	0.79
19.	Amanahraya Trustees Berhad Amanah Saham Malaysia	23,637,300	0.78
20.	Kumpulan Wang Persaraan (Diperbadankan)	23,273,300	0.77
21.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	23,200,718	0.77
22.	Amanahraya Trustees Berhad AS 1Malaysia	22,900,000	0.76
23.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	18,990,901	0.63
24.	HSBC Nominees (Asing) Sdn Bhd TNTC for Mondrian Large Cap Concentrated Emerging Markets Equity Fund L.P.	17,748,100	0.59
25.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	17,278,500	0.57
26.	HSBC Nominees (Asing) Sdn Bhd TNTC for Mondrian Emerging Markets Equity Fund L.P.	14,726,200	0.49
27.	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Prudential Assurance Company Ltd	13,533,400	0.45
28.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Monetary Authority of Singapore (H)	12,964,974	0.43
29.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges Bk Lend)	10,019,479	0.33
30.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	9,814,000	0.33
	Total	**2,345,192,010**	**77.80**

Shareholding Structure

AS AT 30 JUNE 2014

SUBSTANTIAL SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct Interest	%	Indirect Interest	%
Y Bhg Tan Sri Azman Hashim	–	–	422,211,064 [1]	14.01
ANZ Funds Pty Ltd	716,841,483	23.78	–	–
Australia and New Zealand Banking Group Limited	–	–	716,841,483 [2]	23.78
Amcorp Group Berhad	422,211,064	14.01	–	–
Clear Goal Sdn Bhd	–	–	422,211,064 [1]	14.01
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Funds Board	426,174,237	14.14	–	–

Notes:

[1] Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through Amcorp Group Berhad.

[2] Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through ANZ Funds Pty Ltd.

DIRECTORS' INTEREST IN THE COMPANY AND ITS SUBSIDIARIES

THE COMPANY– AMMB HOLDINGS BERHAD

Ordinary Shares

	No. of Shares			
	Direct Interest	%	Indirect Interest	%
Y Bhg Tan Sri Azman Hashim	–	–	422,211,064	14.01
Y Bhg Dato' Azlan Hashim	218,000	0.01	–	–
Mr Ashok Ramamurthy	737,100	0.02	–	–

Scheme Shares Pursuant to the Company's Executives' Share Scheme

	No. of Shares Granted *
Mr Ashok Ramamurthy	193,250

Note:

* The vesting of the Scheme Shares is conditional upon the satisfaction of service condition and the performance targets of the Group, and all other conditions as set out in the By-Laws of the Company's Executives' Share Scheme.

Y Bhg Tan Sri Azman Hashim, by virtue of his interest in the shares of AMMB Holdings Berhad ("AMMB"), is also deemed to have an interest in the shares of the subsidiaries of AMMB to the extent that AMMB has an interest ("Deemed Interest"). Tan Sri Azman Hashim has ceased to have any Deemed Interest by virtue of a reduction in the shareholding of Amcorp Group Berhad in AMMB to below 15% since 9 January 2014.

Other than stated above, none of the other directors of the Company had any direct and indirect interest in the Company or its subsidiaries.

Group Directory

AMMB HOLDINGS BERHAD
22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

Correspondence Address:
P. O. Box 10233, 50708 Kuala Lumpur
Tel: 03-2036 2633
Fax: 03-2078 2842 (General), 03-2032 1914 (Group Company Secretary)
Website: www.ambankgroup.com

Retail Banking

AmBank (M) Berhad
Head Office
Level 48, Menara AmBank
No. 8, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2167 3000/3200
Fax: 03-2166 5593
Telex: MA 032355
Cable Address: AMBANK MAL
Website: www.ambankgroup.com
Contact Centre:
1300 80 8888 (Domestic)
or 603-2178 8888 (Overseas)

Branch Offices and Regional Offices are shared with AmIslamic Bank Berhad except the three AmIslamic Bank full fledged branches at Bandar Baru Bangi, Alamanda Shopping Complex and UIA – Gombak

Regional Offices

NORTHERN REGION

Pulau Pinang
Menara Liang Court
Tel: 04-226 3939
Fax: 04-227 3305

CENTRAL REGION

Wilayah Persekutuan
Taman Tun Dr. Ismail (TTDI)
Tel: 03-7940 0900
Fax: 03-7910 0902

SOUTHERN REGION

Johor Bahru – Metropolis Tower
Tel: 07-334 9000
Fax: 07-335 3319

EAST COAST REGION

Kuantan – Jalan Berserah
Tel: 09-560 1261
Fax: 09-566 5776

SABAH

Kota Kinabalu – Jalan Sagunting
Tel: 088-280 112/115
Fax: 088-242 739

SARAWAK

Kuching – Jalan Haji Taha
Tel: 082-238 238 293
Fax: 082-230 342

Branch Offices

Wilayah Persekutuan Kuala Lumpur

Bandar Manjalara
Tel: 03-6274 1315
Fax: 03-6274 1232

Bangsar Baru
Tel: 03-2282 8739/8740
Fax: 03-2282 8741

Berjaya Times Square
Tel: 03-2141 8003
Fax: 03-2141 2413

Cheras
Taman Connaught
Tel: 03-9101 4855/7562
Fax: 03-9101 4977

Taman Maluri
Tel: 03-9282 2917, 9285 5266
Fax: 03-9282 6261

Jalan Ipoh – Batu 3
Tel: 03-4042 7192/3577
Fax: 03-4042 0237

Jalan Ipoh – Batu 4 1/2
Tel: 03-6259 3252/3253
Fax: 03-6250 9574

Jalan Raja Chulan
Tel: 03-2078 2100/2166
Fax: 03-2032 3935

Jalan Yap Kwan Seng
Tel: 03-2167 3000
Fax: 03-2162 1606

Solaris Mont Kiara
Tel: 03-6203 7920/7930
Fax: 03-6203 7930

Kepong Baru
Tel: 03-6251 3322/3355
Fax: 03-6259 2870

KL Sentral
Tel: 03-2272 1964/1967
Fax: 03-2272 1970

Overseas Union Garden
Tel: 03-7784 7035/7036
Fax: 03-7784 7041

Pudu – Jalan Pasar
Tel: 03-2141 3617/3635
Fax: 03-2144 0313

Jalan Klang Lama
Tel: 03-7980 8069/8079
Fax: 03-7980 7908

Bandar Sri Permaisuri
Tel: 03-9172 4934
Fax: 03-9172 4803

Selayang
Tel: 03-6136 8560/8561
Fax: 03-6136 8559

Setapak
Tel: 03-4023 6381
Fax: 03-4023 6551

Sri Petaling
Tel: 03-9059 4152/4168
Fax: 03-9056 2512

Wangsa Maju
Tel: 03-4149 5207/5213
Fax: 03-4149 5242

Medan Pasar
Tel: 03-2026 4870/4886
Fax: 03-2072 9148

Menara Dion
Tel: 03-2026 3939, 2381 1550
Fax: 03-2026 6048

Taman Tun Dr. Ismail (TTDI)
Tel: 03-7940 0996, 7940 0997
Fax: 03-7940 0993

Desa Sri Hartamas
Tel: 03-6201 0550
Fax: 03-6201 0524

Kenanga Wholesale City
Tel: 03-9221 3343
Fax: 03-9221 3341

Selangor Darul Ehsan

AMCORP Mall
Tel: 03-7954 1327/4401
Fax: 03-7955 2575

Ampang Point
Tel: 03-4252 2630/2636
Fax: 03-4252 4160

Bandar Mahkota Cheras
Tel: 03-9010 5901
Fax: 03-9010 5896

Klang
Bandar Bukit Tinggi
Tel: 03-3324 6275/4059
Fax: 03-3324 4043

Bandar Puteri
Tel: 03-5161 2653/2969
Fax: 03-5161 3364

Persiaran Sultan Ibrahim
Tel: 03-3342 6010/0690
Fax: 03-3344 3744

Kota Damansara
Tel: 03-6141 7470/7469
Fax: 03-6141 7466

Balakong
Tel: 03-9074 4013/4078
Fax: 03-9074 4148

Bandar Baru Sungai Buloh
Tel: 03-6157 7500/2242
Fax: 03-6156 6000

Banting
Tel: 03-3187 7462/1330
Fax: 03-3187 0190

Gateway@KLIA2
Tel: 03-8787 8153
Fax: 03-8787 8150

Dataran Mentari
Tel: 03-5622 2451/52
Fax: 03-5622 2450

Bestari Jaya
Tel: 03-3271 0378/0379
Fax: 03-3271 0376

Damansara Utama
Tel: 03-7726 3660/3662
Fax: 03-7726 3658

Kajang
Tel: 03-8736 0468, 8737 6272
Fax: 03-8736 7333

Kelana Jaya
Tel: 03-7803 4574, 7804 3508/3509
Fax: 03-7803 4781

Kota Kemuning
Tel: 03-5120 1186
Fax: 03-5120 1185

PJ New Town
Tel : 03-7956 9077/9103
Fax : 03-7956 3146

PJ SS2
Tel: 03-7874 0042/0477
Fax: 03-7874 2517

Group Directory

Wisma Palmbase
Tel: 03-3371 7672/7698
Fax: 03-3371 8749

Puchong
Bandar Puteri
Tel: 03-8060 5944/6964
Fax: 03-8060 6532

Taman Kinrara
Tel: 03-8075 4461/4680/2478
Fax: 03-8070 3336

Taylor's University Lakeside Campus
Tel: 03-75631 0724/25
Fax: 03-5631 0735

Setia Alam
Tel: 03-3343 7740/7758
Fax: 03-3343 7862

Rawang Country Homes
Tel: 03-6092 5732/5731
Fax: 03-6092 5735

Bandar Baru Rawang
Tel: 03-6091 6835/6837
Fax: 03-6091 8612

Semenyih
Tel: 03-8723 9609/9897
Fax: 03-8723 9571

Sepang
Tel: 03-3142 2171/2250
Fax: 03-3142 2170

Shah Alam
Section 13
Tel: 03-5519 5645/5691
Fax: 03-5510 2416

Section 15
Tel: 03-5512 2778/2860
Fax: 03-5510 6968

Seri Kembangan
Tel: 03-8942 5364/2093
Fax: 03-8942 5373

Subang Jaya
Tel: 03-5635 0093, 5636 4434
Fax: 03-5634 5088

Subang New Village
Tel: 03-7846 7052/7053
Fax: 03-7846 7364

Sungai Besar
Tel: 03-3224 1203/2128
Fax: 03-3224 2177

Tanjung Karang
Tel: 03-3269 5429/5727
Fax: 03-3269 8997

USJ Sentral
Tel: 03-8025 9390
Fax: 03-8025 9378

USJ Taipan
Tel: 03-5631 0878, 5636 8699
Fax: 03-5637 2899

Perak Darul Ridzuan

Ayer Tawar
Tel: 05-672 2201/3126
Fax: 05-672 2205

Bagan Serai
Tel: 05-721 1808/5805
Fax: 05-721 1392

Batu Gajah
Tel: 05-366 1372/1442
Fax: 05-366 5009

Bercham
Tel: 05-545 9695/9697
Fax: 05-545 9702

Ipoh Garden
Tel: 05-542 5100/5102
Fax: 05-546 1833

Ipoh
Jalan Yang Kalsom
Tel: 05-249 8546/8532
Fax: 05-255 7539

Kampar
Tel: 05-465 1964, 466 1067
Fax: 05-465 1534

Kuala Kangsar
Tel: 05-776 1186/1955
Fax: 05-776 4008

Kuala Sepetang
Tel: 05-858 1773
Fax: 05-858 1996

Langkap
Tel: 05-659 1227/2735
Fax: 05-659 2888

Menglembu
Tel: 05-281 0402/0403
Fax: 05-281 0408

Pangkor
Tel: 05-685 1051/2776
Fax: 05-685 2161

Parit Buntar
Tel: 05-716 2366/1732
Fax: 05-716 4287

Silibin
Tel: 05-527 7715/7716
Fax: 05-527 7719

Sitiawan
Tel: 05-691 2476/2496
Fax: 05-691 6935

Sungai Siput
Tel: 05-597 2357/2388
Fax: 05-597 2359

Taiping
Tel: 05-808 3108, 806 0613
Fax: 05-807 2108

Tanjung Malim
Tel: 05-459 0825/6649
Fax: 05-459 6371

Teluk Intan
Tel: 05-621 1008/7175
Fax: 05-621 2120

Pulau Pinang

Ayer Itam
Tel: 04-826 3015, 828 8566
Fax: 04-829 1414

Balik Pulau
Tel: 04-866 0863/8633
Fax: 04-866 8430

Bagan Ajam
Tel: 04-331 9020
Fax: 04-331 9024

Bayan Baru
Tel: 04-644 8142/8149
Fax: 04-644 8163

Bukit Mertajam
Tel: 04-530 2392/2393
Fax: 04-530 2395

Gelugor
Tel: 04-657 1284/2148
Fax: 04-657 2004

Jelutong
Tel: 04-657 2339, 659 2410
Fax: 04-657 1644

Leboh Pantai
Tel: 04-263 2520/2523
Fax: 04-263 1468

Pulau Tikus
Tel: 04-229 8942/8943
Fax: 04-229 8945

Sungai Bakap
Tel: 04-582 2368/4579
Fax: 04-582 5827

Sungai Dua
Tel: 04-356 7691/1328
Fax: 04-356 1159

Tanjung Bungah
Tel: 04-890 4502/4628
Fax: 04-890 4690

Menara Liang Court
Tel: 04-226 3939
Fax: 04-226 1313

Seberang Jaya
Tel: 04-397 9569/9570
Fax: 04-397 9572

Kedah Darul Aman

Alor Setar
Tel: 04-730 1905, 731 1984
Fax: 04-731 3901

Jitra
Tel: 04-917 2910/5555
Fax: 04-917 2911

Kulim
Tel: 04-491 3666/3667
Fax: 04-490 0162

Langkawi
Tel: 04-966 3130/3133
Fax: 04-966 3129

Sungai Petani
Tel: 04-422 7980/7987
Fax: 04-422 8191

Lagenda Heights
Tel: 04-425 1382
Fax: 04-425 3587

Perlis Indera Kayangan

Kangar
Tel: 04-976 9177/9190
Fax: 04-976 4217

Group Directory

Kelantan Darul Naim

Kota Bharu
Tel: 09-741 9508/9506
Fax: 09-747 9340

Pasir Mas
Tel: 09-790 0701/0702
Fax: 09-790 0703

Terengganu Darul Iman

Dungun
Tel: 09-848 5220/5221
Fax: 09-845 6220

Jerteh
Tel: 09-697 2511/2512
Fax: 09-697 2513

Kemaman
Tel: 09-859 2534
Fax: 09-859 4433

Kuala Terengganu
Tel: 09-624 9957/9958/
9959/9960
Fax: 09-624 9916

Pahang Darul Makmur

Bentong
Tel: 09-222 6850/3888
Fax: 09-222 4622

Jerantut
Tel: 09-266 3005/5005
Fax: 09-266 5046

Kuantan
Jalan Beserah
Tel: 09-560 1818/1830
Fax: 09-567 0695

Jalan Haji Abdul Aziz
Tel: 09-516 4389/2607
Fax: 09-555 3782

Mentakab
Tel: 09-277 1196/3028
Fax: 09-277 5427

Raub
Tel: 09-356 1850, 355 3166
Fax: 09-356 1852

Tanah Rata
Tel: 05-491 1088/1089
Fax: 05-491 1087

Temerloh
Tel: 09-290 1113/1128
Fax: 09-296 5889

Triang
Tel: 09-255 3124/3304
Fax: 09-255 3198

Negeri Sembilan Darul Khusus

Bahau
Tel: 06-455 3001/3002
Fax: 06-454 3998

Mantin
Tel: 06-758 3630/3631
Fax: 06-758 2251

Nilai
Tel: 06-794 0412, 06-794 0413,
06-794 0414
Fax: 06-794 0415

Port Dickson
Tel: 06-646 1013/1016
Fax: 06-647 4033

Rasah Jaya
Tel: 06-632 8462/8420
Fax: 06-632 8382

Seremban
Jalan Dato' Lee Fong Yee
Tel: 06-762 4463, 763 6988
Fax: 06-763 5905

Jalan Pasar
Tel: 06-764 7735/7734
Fax: 06-764 1537

Melaka

Ayer Keroh
Tel: 06-232 3146/3866
Fax: 06-232 3466

Jasin
Tel: 06-529 4361/4362
Fax: 06-529 4363

Jalan Munshi Abdullah
Tel: 06-282 8114,
286 6530/2870/2871
Fax: 06-283 6926

Tampin
Tel: 06-441 1330/3301
Fax: 06-441 4735

Taman Melaka Raya
Tel: 06-282 5785/5897
Fax: 06-282 5979

Bandar Utama Cheng
Tel: 06-335 6066
Fax: 06-335 1086

Johor Darul Takzim

Batu Pahat
Jalan Rugayah
Tel: 07-433 8431, 434 8550
Fax: 07-431 6214

Jalan Rahmat
Tel: 07-432 4208, 431 8218
Fax: 07-431 8961

Setia Tropika
Tel: 07-236 1124
Fax: 07-235 1127

Melodies Garden
Tel: 07-334 1061/1054
Fax: 07-334 1063

Metropolis Tower
Tel: 07-335 8905/0600
Fax: 07-335 0469

Bukit Indah
Tel: 07-235 4708/4722
Fax: 07-235 4834

Johor Jaya
Tel: 07-354 7033, 355 7759
Fax: 07-356 2624

Kluang
Tel: 07-776 2801
Fax: 07-771 9408

Kota Tinggi
Tel: 07-883 4978
Fax: 07-883 4507

Kulai
Tel: 07-663 4830/1567
Fax: 07-663 1155

Pasir Gudang
Tel: 07-251 0861/2916
Fax: 07-251 8908

Permas Jaya
Tel: 07-387 8977, 386 9842
Fax: 07-387 7748

Pontian
Tel: 07-687 3171/6388
Fax: 07-687 3067

Segamat
Tel: 07-931 9515/9941
Fax: 07-931 6159

Skudai
Tel: 07-556 8031/7259
Fax: 07-558 1927

Sungai Rengit
Tel: 07-826 3011/3013
Fax: 07-826 3359

Tampoi
Tel: 07-234 1216/1217
Fax: 07-234 1131

Tangkak
Tel: 07-978 1331/9519
Fax: 07-978 2144

Ulu Tiram
Tel: 07-867 1004, 867 1002
Fax: 07-867 1006

Yong Peng
Tel: 07-467 2499/3546
Fax: 07-467 2668

Muar
Tel: 06-954 0070/0071
Fax: 06-954 0076

Sabah

Bandar Pasaraya
Tel: 089-218 240, 213 419
Fax: 089-218 226

Kota Kinabalu Metro Town
Tel: 088-393 202
Fax: 088-393 701

Keningau
Tel: 087-333 745, 331 088
Fax: 087-331 818

Kota Kinabalu
Jalan Sagunting
Tel: 088-243 725, 246 112
Fax: 088-248 967

Luyang Commercial Centre
Tel: 088-280 164/160
Fax: 088-241 242

Kudat
Tel: 088-612 301, 613 255
Fax: 088-612 253

Lahad Datu
Tel: 089-881 561, 884 992
Fax: 089-881 778

Sandakan
Tel: 089-212 627, 215 322
Fax: 089-273 666

Tawau
Tel: 089-764 932/905, 770 430
Fax: 089-764 971

Sarawak

Bau
Tel: 082-762 319/325
Fax: 082-762 320

Bintulu
Tel: 086-337 164/290
Fax: 086-332 400

Jalan Abell
Tel: 082-244 608/604
Fax: 082-232 023

Jalan Haji Taha
Tel: 082-207 298, 236 610
Fax: 082-256 600

Jalan Penrissen
Tel: 082-455 560
Fax: 082-455 596

Tabuan Jaya
Tel: 082-360 644/740
Fax: 082-360 942

Miri
Beautiful Jade Centre
Tel: 085-414 676
Fax: 085-419 676

Boulevard Centre
Tel: 085-437 908/909
Fax: 085-437 915

Sarikei
Tel: 084-655 776/777
Fax: 084-655 775

Serian
Tel: 082-875 157/158
Fax: 082-875 155

Sibu
Tanahmas
Tel: 084-322 766, 313 639
Fax: 084-318 786

Jalan Pedada
Tel: 084-337 791, 339 105
Fax: 084-337 736

Jalan Tuanku Osman
Tel: 084-348 746
Fax: 084-348 745

Sibu Jaya
Tel: 084-237 849, 236 978, 237 030
Fax: 084-237 927

Kuching Premier 101
Tel: 082-466 116
Fax: 082-466 106

Wilayah Persekutuan

Labuan
Tel: 087-417 891/898
Fax: 087-418 090

Group Directory

Islamic Banking

AmIslamic Bank Berhad
Head Office
Level 45, Menara AmBank
No. 8, Jalan Yap Kwan Seng
50400 Kuala Lumpur
Tel: 03-2167 3000
Fax: 03-2166 5664
Telex: MA 032355
Cable Address: AMBANK MAL
Website: www.amislamicbank.com.my

Contact Centre:
1300 80 8888 (Domestic)
or 603-2178 8888 (Overseas)

Branch Offices and Regional Offices are shared with AmBank (M) Berhad except the three AmIslamic Bank full fledged branches at Bandar Baru Bangi, Alamanda Shopping Complex and UIA – Gombak

Branch Offices

Selangor Darul Ehsan

Bandar Baru Bangi
Tel: 03-8925 1124/3313
Fax: 03-8925 2005

UIA - Gombak
Tel: 03-6185 6577
Fax: 03-6185 6584

Wilayah Persekutuan

Putrajaya
Alamanda Shopping Complex
Tel: 03-8888 3898
Fax: 03-8888 9352

AmCard Services Berhad
(formerly known as Arab-Malaysian Credit Berhad)
Head Office
Level 11, Menara MBf
Jalan Sultan Ismail
50250 Kuala Lumpur
PO Box 10060, 50704 Kuala Lumpur
Tel: 03-2167 7000
Fax: 03-2162 1563

Merchant Business Centres

Pulau Pinang

Menara Liang Court
Tel: 04-228 7555
Fax: 04-229 9762

Butterworth
Tel: 04-397 7166
Fax: 04-397 7191

Kedah Darul Aman

Alor Setar
Tel: 04-772 4333
Fax: 04-772 1301

Langkawi
Tel: 04-966 0331
Fax: 04-966 0334

Sg Petani
Tel: 04-425 2276
Fax: 04-423 6852

Johor Darul Takzim

Johor Bahru
Tel: 07-334 3322
Fax: 07-332 2516

Batu Pahat
Tel: 07-431 1667/431 2268
Fax: 07-431 4170

Kluang
Tel: 07-777 1134/771 7134
Fax: 07-771 7135

Muar
Tel: 06-954 4077/954 4085
Fax: 06-954 4048

Pahang Darul Makmur

Kuantan
Tel: 09-515 8800
Fax: 09-516 2182

Selangor Darul Ehsan

Setia Alam
Tel: 03-3358 0819
Fax: 03-3358 8921

Perak Darul Ridzuan

Ipoh
Tel: 05-241 3777
Fax: 05-2419515

Sitiawan
Tel: 05-692 3076/692 4792
Fax: 05-692 8537

Melaka

Melaka
Tel: 06-283 3888
Fax: 06-281 4622

Negeri Sembilan Darul Khusus

Seremban
Tel: 06-764 8422
Fax: 06-764 8417/762 3038

Terengganu Darul Iman

Kuala Terengganu
Tel: 09-623 3692
Fax: 09-623 9342

Kelantan Darul Naim

Kota Bahru
Tel: 09-744 9803
Fax: 09-744 9875

Sarawak

Kuching
Tel: 082-422 262
Fax: 082-231 262

Miri
Tel: 085-425 022
Fax: 085-425 020

Sibu
Tel: 084-340 515
Fax: 084-340 516

Bintulu
Tel: 086-337 190
Fax: 086-338 190

Sabah

Kota Kinabalu
Tel: 088-269 555
Fax: 088-253 803

Tawau
Tel: 089-751 400
Fax: 089-752 868

Sandakan
Tel: 089-217 785
Fax: 089-215 499

Wilayah Persekutuan

Labuan FT
Tel: 087-421 889
Fax: 087-421 887

Wholesale Banking Coverage

Head Office
24th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
P.O.Box 10233
50708 Kuala Lumpur
Tel: 03-2036 2633
Fax: 03-2078 2842

Branch Offices

CENTRAL REGION

Kuala Lumpur
Menara Dion
Tel: 03-2026 3939
Fax: 03-2026 6855

Petaling Jaya
Taman Tun Dr. Ismail (TTDI)
Tel: 03-7940 0999/0959
Fax: 03-7940 0960

Kajang
Tel: 03-8733 2176
Fax: 03-8733 3280

Shah Alam
Section 13
Tel: 03-5510 9915
Fax: 03-5510 9920

NORTHERN REGION

Pulau Pinang
Menara Liang Court
Tel: 04-226 1818
Fax: 04-229 7488

Bukit Mertajam
Tel: 04-540 3187/3188/3189
Fax: 04-530 6151

Ipoh
Ipoh Garden
Tel: 05-546 8766
Fax: 05-545 7682

SOUTHERN & EAST COAST REGION

Johor Bahru
Metropolis Tower
Tel: 07-334 8766, 333 2309/4245
Fax: 07-334 8799

Batu Pahat
Jalan Rahmat
Tel: 07-432 8851/2288
Fax: 07-432 7000

Muar
Jalan Abdullah
Tel: 06-953 7276/9984, 955 6178
Fax: 06-955 5057

Kluang
Jalan Dato' Teoh Siew Khor
Tel: 07-771 3271
Fax: 07-772 1843

Segamat
Jalan Abdullah
Tel: 07-931 9052
Fax: 07-931 9057

Taman Melaka Raya
Tel: 06-282 9706/9701
Fax: 06-288 1732

Seremban
Seremban City Centre
Tel: 06-767 9594/2809
Fax: 06-767 8197

Kuantan
Tel: 09-513 7655
Fax: 09-513 4516

SARAWAK REGION

Kuching
Tel: 082-244 791
Fax: 082-259 771

Sibu
Tel: 084-312 528
Fax: 084-327 669

Miri
Tel: 085-411 588
Fax: 085-439 788

Bintulu
Tel: 086-313 478
Fax: 086-311 400

SABAH REGION

Kota Kinabalu
Tel: 088-213 488/498
Fax: 088-262 096

WILAYAH PERSEKUTUAN

Labuan
Tel: 087-413 133, 439 399
Fax: 087-425 211, 439 395

Group Directory

Wholesale Banking Products

AmInvestment Bank Berhad
Head Office
22nd Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
P. O. Box 10233
50708 Kuala Lumpur
Tel: 03-2036 2633
Fax: 03-2078 2842

Branch Offices

Selangor Darul Ehsan

Damansara Utama
Tel: 03-7710 6613
Fax: 03-7710 7708

Pulau Pinang

Menara Liang Court
Tel: 04-226 1818
Fax: 04-229 7634

Lebuh Pantai
Tel: 04-261 8688
Fax: 04-261 9288

Johor Darul Takzim

Johor Bahru
Tel: 07-334 8766
Fax: 07-332 3843

Batu Pahat
Tel: 07-434 2282
Fax: 07-432 7982

Sabah

Kota Kinabalu
Tel: 088-213 488/498, 221 728
Fax: 088-221 050

Sarawak

Kuching
Tel: 082-244 791
Fax: 082-414 944

Markets
Head Office
Level 23
Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2059 8700/8600/8610
Fax: 03-2031 4821

Transaction Banking
Head Office
Level 16 & 21, Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur
Website: www.ambankgroup.com/transactionbanking
Client Services Group Tel:
603-2381 8800
Fax: 603-2026 1716

Transaction Banking Centres available at (please contact Head Office for more information)
- Kuala Lumpur, Wilayah Persekutuan
- Penang, Pulau Pinang
- Ipoh, Perak Darul Ridzuan
- Bukit Mertajam, Pulau Pinang
- Shah Alam, Selangor Darul Ehsan
- Seremban, Negeri Sembilan Darul Khusus
- Melaka, Melaka
- Johor Bahru, Johor Darul Takzim
- Batu Pahat, Johor Darul Takzim
- Muar, Johor Darul Takzim
- Kota Kinabalu, Sabah
- Kuching, Sarawak
- Sibu, Sarawak
- Miri, Sarawak

Funds Management

AmInvestment Services Berhad
9th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2032 2888
Fax: 03-2031 5210

AmInvestment Management Sdn Bhd
9th & 10th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2032 2888
Fax: 03-2031 5210

AmIslamic Funds Management Sdn Bhd
9th & 10th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2032 2888
Fax: 03-2031 5210

Private Banking
Head Office
Level 18
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2036 1300

AmFutures Sdn Bhd
16th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-9235 3235/3223
Fax: 03-2032 3221

Am ARA REIT Managers Sdn Bhd
Penthouse
Menara AmFIRST
No.1, Jalan 19/3
46300 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7955 8780/82
Fax: 03-7955 8380
Website: www.amfirstreit.com.my

AmTrustee Berhad
15th Floor
Menara AmFIRST
No. 1, Jalan 19/3
46300 Petaling Jaya, Selangor
Tel: 03-7954 6862
Fax: 03-7954 6595
Email: amtrustee@ambankgroup.com

AmResearch Sdn Bhd
15th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2036 2633
Fax: 03-2078 3162

PT. AmCapital Indonesia
Wisma GKBI, 5th Floor,
Suite 501, Jl. Jendral Sudirman,
No. 28, Jakarta 10210, Indonesia
Tel: 62-21-574 2310
Fax: 62-21-571 3706

AmFraser Securities Pte Ltd
4 Shenton Way
#13-01 SGX Centre 2
Singapore 068807
Tel: 02-6535 9455
Fax: 02-6534 4826

AmCapital (B) Sdn Bhd
Ground Floor
Dar Takaful IBB Utama
Jalan Pemancha
Bandar Seri Begawan BS8711
Brunei Darussalam
Tel: +673 2232 860
Fax: +673 2232 865

AmInternational (L) Ltd/ AmBank (M) Berhad, Labuan Offshore Branch
Head Office
Level 12(B)
Block 4 Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Federal Territory of Labuan
Tel: 087-413 133, 439 399
Fax: 087-425 211, 439 395

General Insurance

AmGeneral Insurance Berhad
(Formerly known as Kurnia Insurans (M) Berhad)
Head Office
AmGeneral Insurance Berhad
Menara Kurnia
N0.9, Jalan PJS 8/9,
46150 Petaling Jaya,
P.O. Box 8607,
46792 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

Kurnia Insurans
Tel: 03-7875 3333
Fax: 03-7875 9933

AmAssurance
Contact Centre: 1300 80 3030

Branch Offices

Wilayah Persekutuan

Jalan Lumut
Tel: 03-4047 8000
Fax: 03-4045 3520
Contact Centre: 1300 80 3030

Jalan Maharajalela
Tel: 03-2148 1528
Fax: 03-2145 9949

Jalan Yap Ah Shak
Tel: 03-2693 2937
Fax: 03-2693 8431

Selangor Darul Ehsan

Klang
Tel: 03-3341 0559
Fax: 03-3342 6890

Central Branch, Menara Kurnia
Tel: 03-7875 3333
Fax: 03-7875 9933

Kepong
Tel: 03-6257 7623
Fax: 03-6257 8249

Kajang
Tel: 03-8737 9236
Fax: 03-8734 1467

Perak Darul Ridzuan

Ipoh
AmAssurance
Tel: 05-253 3493
Fax: 05-253 1650

Kurnia Insurans
Tel: 05-255 4097
Fax: 05-255 6020

Sitiawan
Tel: 05-691 0515
Fax: 05-691 2341

Taiping
Tel: 05-807 2254
Fax: 05-808 8922

Group Directory

Pulau Pinang

Butterworth
Tel: 04-397 5085
Fax: 04-397 8226

Penang
Tel: 04-229 7181
Fax: 04-228 9191

Kedah Darul Aman

Alor Setar
AmAssurance
Tel: 04-733 7898
Fax: 04-732 4606

Kurnia Insurans
Tel: 04-731 1320
Fax: 04-731 0888

Sungai Petani
Tel: 04-442 8218
Fax: 04-442 8217

Perlis Indera Kayangan

Kangar
Tel: 04-976 8905
Fax : 04-977 3636

Kelantan Darul Naim

Kota Bharu
Tel: 09-744 3312
Fax: 09-744 9633

Terengganu Darul Iman

Kuala Terengganu
Tel: 09-624 6561
Fax: 09-624 6531

Pahang Darul Makmur

Kuantan
Tel: 09-566 4527
Fax: 09-566 1164

Temerloh
Tel: 09-296 0933
Fax: 09-296 6933

Negeri Sembilan Darul Khusus

Seremban
Tel: 06-767 2158
Fax: 06-763 8462

Melaka

Melaka
Tel: 06-281 3707
Fax: 06-288 3090

Johor Darul Takzim

Bandar Baru Uda
Tel: 07-238 9872
Fax: 07-238 7625

Batu Pahat
Tel: 07-432 6199
Fax: 07-432 5396

Johor Bahru
Tel: 07-334 4618
Fax: 07-334 7620

Johor Jaya
Tel: 07-355 2970
Fax: 07-358 4754

Kluang
Tel: 07-772 2182
Fax: 07-773 3993

Segamat
Tel: 07-932 9303
Fax: 07-932 1701

Sabah

Kota Kinabalu
Tel: 088-393 129
Fax: 088-393 137

Tawau
Tel: 089-762 633
Fax: 089-762 533

Sarawak

Kuching
Tel: 082-339 171
Fax: 082-339 176

Miri
Tel: 085-420 102
Fax: 085-420 924

Sibu
Tel: 084-231 730
Fax: 084-231 702

Life Assurance/Family Takaful

AmMetLife
Head Office
Level 19, Menara AmMetLife
No. 1, Jalan Lumut
50400 Kuala Lumpur
Tel: 03-4047 8000
Fax: 03-4043 8680
Contact Centre: 1300 88 8800

AmMetLife Takaful
Head Office
Level 12, Menara AmMetLife
No. 1, Jalan Lumut
50400 Kuala Lumpur
Tel: 03-4047 8000
Fax: 03-4043 2007
Contact Centre: 1300 22 9777

Branch Offices

Wilayah Persekutuan

Kuala Lumpur
KL Main Branch
Tel: 03-4041 6959
Fax: 03-4045 4682

Selangor Darul Ehsan

Klang
Tel: 03-3344 8100
Fax: 03-3344 7524

Perak Darul Ridzuan

Ipoh
Tel: 05-254 0589, 255 8193
Fax: 05-241 3570

Pulau Pinang

Georgetown
Tel: 04-229 3611, 228 7270/7268
Fax: 04-228 4412

Kedah Darul Aman

Sungai Petani
Tel: 04-422 8819
Fax: 04-421 3528

Alor Setar
Tel: 04-734 6731, 735 4809
Fax: 04-735 4335

Kelantan Darul Naim

Kota Bharu
Tel: 09-747 0571/0569
Fax: 09-744 2342

Terengganu Darul Iman

Kuala Terengganu
Tel: 09-626 1605/4945
Fax: 09-631 7285

Pahang Darul Makmur

Kuantan
Tel: 09-566 2011
Fax: 09-567 9792

Negeri Sembilan Darul Khusus

Seremban
Tel: 06-767 2280
Fax: 06-767 2282

Melaka

Taman Melaka Raya
Tel: 06-281 3590
Fax: 06-281 3580

Johor Darul Takzim

Batu Pahat
Tel: 07-434 2985/2986
Fax: 07-434 3102

Johor Bahru
Tel: 07-333 2688
Fax: 07-334 4776

Sabah

Kota Kinabalu
Tel: 088-393 676/678/938
Fax: 088-393 679

Tawau
Tel: 089-760 151
Fax: 089-760 153

Sarawak

Kuching
Tel: 082-415 067
Fax: 082-236 418

Sibu
Tel: 084-313 901
Fax: 084-344 875

Miri
Tel: 085-415 526
Fax: 085-423 097

Group Branch Network

PERLIS INDERA KAYANGAN
AmBank (M) Berhad/
AmIslamic Bank Berhad [1]
AmGeneral Insurance Berhad [1]*

KEDAH DARUL AMAN
AmBank (M) Berhad/
AmIslamic Bank Berhad [6]
AmMetLife/AmMetLife Takaful [2]
AmGeneral Insurance Berhad [2]*
AmCard Services Berhad -
Merchant Business Centre [3]

KELANTAN DARUL NAIM
AmBank (M) Berhad/
AmIslamic Bank Berhad [2]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [1]*
AmCard Services Berhad -
Merchant Business Centre [1]

TERENGGANU DARUL IMAN
AmBank (M) Berhad/
AmIslamic Bank Berhad [4]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [1]*
AmCard Services Berhad -
Merchant Business Centre [1]

PULAU PINANG
AmBank (M) Berhad/
AmIslamic Bank Berhad [14]
Wholesale Banking Coverage [2]
Transaction Banking [2]
AmInvestment Bank Berhad [2]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [1]*
AmCard Services Berhad -
Merchant Business Centre [2]

PAHANG DARUL MAKMUR
AmBank (M) Berhad/
AmIslamic Bank Berhad [9]
Wholesale Banking Coverage [1]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [2]*
AmCard Services Berhad -
Merchant Business Centre [1]

PERAK DARUL RIDZUAN
AmBank (M) Berhad/
AmIslamic Bank Berhad [19]
Wholesale Banking Coverage [1]
Transaction Banking [1]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [3]*
AmCard Services Berhad -
Merchant Business Centre [2]

NEGERI SEMBILAN DARUL KHUSUS
AmBank (M) Berhad/
AmIslamic Bank Berhad [9]
Wholesale Banking Coverage [1]
Transaction Banking [1]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [1]*
AmCard Services Berhad -
Merchant Business Centre [1]

SELANGOR DARUL EHSAN
AmBank (M) Berhad/
AmIslamic Bank Berhad [38]
Wholesale Banking Coverage [3]
Transaction Banking [1]
AmInvestment Bank Berhad [1]
AmIslamic Bank Berhad [1]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [1]*
Am ARA REIT Managers Sdn Bhd [1]
AmTrustee Berhad [1]
AmCard Services Berhad -
Merchant Business Centre [1]

SINGAPORE
AmFraser Securities Pte Ltd

WILAYAH PERSEKUTUAN KUALA LUMPUR
AmBank (M) Berhad/
AmIslamic Bank Berhad [26]
Wholesale Banking Coverage [2]
Transaction Banking [2]
AmInvestment Bank Berhad [1]
Markets [1]
AmFutures Sdn Bhd [1]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [1]*
AmInvestment Services Berhad [1]
AmInvestment Management Sdn Bhd [1]
AmIslamic Funds Management Sdn Bhd [1]
AmResearch Sdn Bhd [1]
AmCard Services Berhad -
Merchant Business Centre [1]

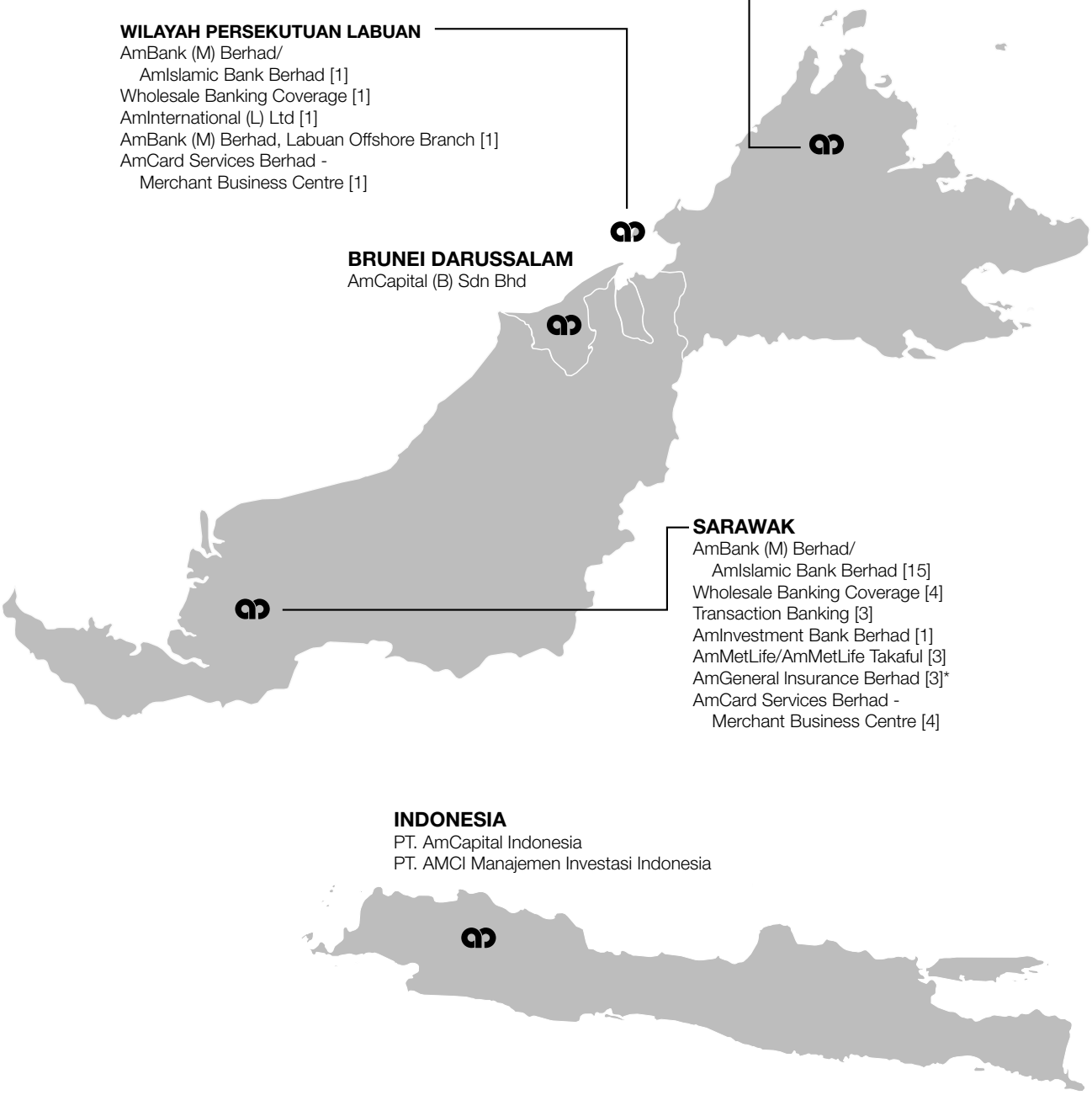
WILAYAH PERSEKUTUAN PUTRAJAYA
AmIslamic Bank Berhad [1]

MELAKA
AmBank (M) Berhad/
AmIslamic Bank Berhad [5]
Wholesale Banking Coverage [1]
Transaction Banking [1]
AmMetLife/AmMetLife Takaful [1]
AmGeneral Insurance Berhad [1]*
AmCard Services Berhad -
Merchant Business Centre [1]

JOHOR DARUL TAKZIM
AmBank (M) Berhad/
AmIslamic Bank Berhad [20]
Wholesale Banking Coverage [5]
Transaction Banking [3]
AmInvestment Bank Berhad [2]
AmMetLife/AmMetLife Takaful [2]
AmGeneral Insurance Berhad [3]*
AmCard Services Berhad -
Merchant Business Centre [4]

*AmGeneral Insurance Berhad branches operate under the brand names of AmAssurance/Kurnia Insurans

Group Branch Network



*AmGeneral Insurance Berhad branches operate under the brand names of AmAssurance/Kurnia Insurans

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AmBank Group
AMMB Holdings Berhad
(223035-V) (Incorporated in Malaysia)

Form of Proxy

CDS ACCOUNT NO. OF AUTHORISED NOMINEE * _____

I/We _____ FULL NAME IN CAPITAL LETTERS

Company No./NRIC No. _____ NEW _____ OLD

of _____ FULL ADDRESS

being a member of the above Company, hereby appoint _____

NRIC No. _____ NEW _____ OLD

or failing him/her _____

NRIC No. _____ NEW _____ OLD

or failing him/her, THE CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Third Annual General Meeting of the Company to be held at Manhattan II, Level 14, Berjaya Times Square Hotel Kuala Lumpur, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Thursday, 21 August 2014 at 10.00 a.m. or at any adjournment thereof, as indicated below:

No.	Resolution	For	Against
1.	**Ordinary Business** Approve a final single tier dividend of 16.9% for the financial year ended 31 March 2014.		
2.	To approve the increase of Directors' fees to RM210,000.00 per annum for the Non-Executive Chairman and Non-Executive Deputy Chairman and RM200,000.00 per annum for each Non-Executive Director, and the payment of Directors' fees totaling RM2,186,575.00 for the financial year ended 31 March 2014.		
3.	Re-elect Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow as Director under Article 89.		
4.	Re-elect Mr Mark David Whelan as Director under Article 89.		
5.	Re-elect Mr Soo Kim Wai as Director under Article 89.		
6.	Re-appoint Y Bhg Tan Sri Azman Hashim pursuant to Section 129 of the Companies Act, 1965.		
7.	Re-appoint Y Bhg Dato' Azlan Hashim pursuant to Section 129 of the Companies Act, 1965.		
8.	Re-appoint Y A Bhg Tun Mohammed Hanif bin Omar pursuant to Section 129 of the Companies Act, 1965.		
9.	Re-appoint Y Bhg Tan Sri Datuk Clifford Francis Herbert pursuant to Section 129 of the Companies Act, 1965.		
10.	Re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.		
11.	**Special Business** Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company's Executives' Share Scheme.		
12.	Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company to Mr Ashok Ramamurthy, the Group Managing Director of the Company, Pursuant to the Company's Executives' Share Scheme.		
13.	Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company's Dividend Reinvestment Plan.		
14.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "X" in the spaces above how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this _____ day of _____ 2014.

_____

Signature of Member/Common Seal

No. of Shares Held _____

Tel: _____ (O/H) _____ (H/P)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	NO. OF SHARES	PERCENTAGE
PROXY 1		
PROXY 2		
TOTAL		100%

Notes:

(1) A member of the Company entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

(2) A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the AGM shall have the same rights as the member to speak at the AGM.

(3) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account. The appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy are specified in the instrument appointing the proxies.

(4) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. The appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy are specified in the instrument appointing the proxies.

(5) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or of his attorney duly authorised in writing or, in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.

(6) The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.

(7) Only Members whose names appear on the general meeting Record of Depositors of the Company as at 14 August 2014 shall be eligible to attend the AGM.

* Applicable to shares held through a nominee account.

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AFFIX
STAMP

Share Registrar
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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AmBank Group
Bank of the Year 2013

AmBank Group is proud to be the recipient of the Bank of the Year 2013 award

Presented by The Banker, the world's longest-running international banking publication, this award speaks of our commitment as Malaysia's preferred bank in providing a diverse range of financial solutions for our clients. AmBank Group would like to thank its customers, business partners and staff for their invaluable support in helping it achieve this prestigious accolade.

Mr Ashok Ramamurthy, Group Managing Director, AmBank Group (centre), receiving the Bank of the Year 2013 award from Ms Jane Cooper, Asia Editor of The Banker (left) and Mr Michael Buerk, former BBC journalist and host for the event (right), held at a ceremony in London.

AMMB Holdings Berhad (223035-V)

AmBank Group

ambankgroup.com

Your Bank. Malaysia's Bank. AmBank.™

AMMB Holdings Berhad
(223035-V) (Incorporated in Malaysia)

22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Tel : 603-2036 2633
Fax: 603-2032 1914

ambankgroup.com