Serial No. **001**

STRICTLY PRIVATE AND CONFIDENTIAL

AmBank

AMBANK (M) BERHAD

(Company No. 8515-D)

INFORMATION MEMORANDUM

IN RELATION TO THE PROPOSED ISSUE OF, OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OF UP TO RM 4.0 BILLION IN NOMINAL VALUE OF TIER 2 SUBORDINATED NOTES ("SUBORDINATED NOTES") UNDER A SUBORDINATED NOTES PROGRAMME

Principal Adviser/Lead Arranger/Lead Manager

AmInvestment Bank

(Company No. 23742-V)

This Information Memorandum is dated 16 December 2013

RESPONSIBILITY STATEMENT

The directors of AmBank (M) Berhad ("**AmBank**") have given approval for the issuance of an Information Memorandum ("**IM**") relating to the issuance of tier 2 subordinated notes (the "**Subordinated Notes**") pursuant to a Subordinated Notes programme of up to RM4.0 billion in nominal value ("**Subordinated Notes Programme**"). AmBank accepts full responsibility for the accuracy of the information contained in this IM. AmBank confirms that, to the best of its knowledge and belief: (a) this IM contains all information with respect to AmBank that is material in the context of the purpose for which this IM is issued; (b) the information and data contained in this IM are true, accurate and not misleading in all material respects; and (c) there is no material omission of any information and data from this IM. Enquiries have been made by AmBank to ascertain that all material facts have been disclosed and to verify the accuracy of all information and statements in this IM.

ACKNOWLEDGEMENT

AmBank hereby acknowledges that it has authorised AmInvestment Bank Berhad ("**AmInvestment Bank**" or "**Lead Arranger/Lead Manager**") to circulate or distribute this IM on its behalf in respect of the issuance of Subordinated Notes pursuant to a Subordinated Notes Programme to prospective investors and that no further evidence of authorisation is required.

IMPORTANT NOTICE

AmBank has prepared this IM, which is being provided on a confidential basis to potential investors in relation to the issuance of Subordinated Notes pursuant to the Subordinated Notes Programme.

The Securities Commission ("**SC**") has approved and authorised the issuance of the Subordinated Notes vide its letter dated 4 December 2013 pursuant to Sections 214 and 256C of the Capital Markets and Services Act, 2007, as amended from time to time ("**CMSA**"). Such approval and authorisation shall not be taken to indicate that the SC recommends the subscription or purchase of the Subordinated Notes.

The Subordinated Notes may not be issued, offered, sold, transferred or otherwise disposed of, directly or indirectly, nor may any document or other material in connection therewith including this IM be distributed, in Malaysia other than to persons, at the point of issuance of the Subordinated Notes, who fall within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Subordinated Notes would constitute an excluded issue, excluded offer or excluded invitation pursuant to Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA as amended from time to time; and after issuance of the Subordinated Notes, who fall within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Subordinated Notes would constitute an excluded offer or excluded invitation pursuant to Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA as amended from time to time.

It is a condition precedent of the Subordinated Notes that Issuer shall have obtained a minimum long-term rating of AA_3 for the Subordinated Notes from RAM Rating Services Berhad for the first issuance. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

This IM may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior written consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

The persons preparing this IM have made all enquiries as were reasonable in the circumstances and after making such enquiries, have reasonable grounds to believe and do believe up to the time of the issue of this IM that the information herein is true and not misleading and there is no material omission herein. This IM or any document delivered under or in relation to the Subordinated Notes Programme is not, and should not be construed as a recommendation by the Issuer, Lead Arranger/Lead Manager and/or any other party to subscribe for or purchase the Subordinated Notes. Further, the information contained herein should not be read as a representation or warranty, express or implied, as to the merits of the Subordinated Notes or the purchase thereof. This IM is not a substitute for, and should not be regarded as, an independent evaluation and analysis. Each recipient should perform and is deemed to have made his/her/its own independent investigation and analysis of the Issuer, the Subordinated Notes and all other relevant matters, including but not limited to the information and data set out in this IM, and each recipient should consult its own professional advisers.

No representation, warranty or undertaking, express or implied, is given or assumed by the Lead Arranger/Lead Manager as to the authenticity, origin, validity, accuracy or completeness of the information and data set out in this IM or that such information or data will remain unchanged in any respect after the relevant date shown in this IM. The Lead Arranger/Lead Manager has not accepted and will not accept any responsibility for the information and data contained in this IM or otherwise in relation to the Subordinated Notes Programme and shall not be liable for any consequences of reliance on any of the information or data in this IM except as provided by Malaysian laws.

This IM has not been and will not be made to comply with the laws of any jurisdiction outside Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authority or other relevant body of) any Foreign Jurisdiction and it does not constitute an offer of, or an invitation to subscribe for or purchase the Subordinated Notes or any other securities of any kind by any party in any Foreign Jurisdiction. This IM is not and is not intended to be a prospectus.

By accepting delivery of this IM, each recipient agrees to the terms upon which this IM is provided to such recipient as set out in this IM, and further agrees and confirms that: (a) it will keep confidential all information and data contained in this IM; (b) it is lawful for the recipient to receive this IM and to subscribe for, purchase or in any other way to receive the Subordinated Notes under all jurisdictions to which the recipient is subject; (c) it will comply with all the applicable laws in connection with such subscription, purchase or acceptance of the Subordinated Notes; (d) the Issuer, the Lead Arranger/Lead Manager and all other parties involved in the preparation of this IM and their respective directors, officers, employees, agents and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of the subscription, purchase or acceptance of the Subordinated Notes by the recipient and they shall not have any responsibility or liability in the event that such subscription or acceptance of the Subordinated Notes is or shall become unlawful, unenforceable, voidable or void; (e) it is aware that the Subordinated Notes can only be transferred or otherwise disposed of in accordance with the relevant selling restrictions and all applicable laws; (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Subordinated Notes and is able and prepared to bear the economic and financial risks of investing in or holding the Subordinated Notes; and (g) it, at the point of issuance of the Subordinated Notes, falls within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Subordinated Notes would constitute an excluded issue, excluded offer or excluded invitation pursuant to Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA (as amended from time to time), and after the point of issuance of the Subordinated Notes, falls within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Subordinated Notes would constitute an excluded offer or excluded invitation pursuant to Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA (as amended from time to time). For the avoidance of doubt, this IM shall not constitute an offer or invitation to subscribe or purchase the Subordinated Notes in relation to any recipient who does not fall within item (g) above.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject at its own cost and expense.

Neither the delivery of this IM nor the offering, sale or delivery of any Subordinated Notes shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof, or any other date(s) indicated herein, or that any other information supplied in connection with the Subordinated Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Arranger/Lead Manager expressly does not undertake to advise any investor of the Subordinated Notes of any information coming to their attention subsequent to the date hereof. The recipient of this IM or the potential investors should review, inter-alia, the most recently published documents incorporated by reference into this IM when deciding whether or not to purchase any Subordinated Notes.

This IM includes certain historical information and reports thereon derived from sources believed to be reliable and other publicly available information. Such information and reports have been included solely for illustrative or informational purposes. No representation or warranty is made as to the accuracy of any information and report thereon derived from such and other third party sources.

This IM includes “forward-looking statements”. These statements include, among other things, disclosure of the Issuer’s business strategy and expectation concerning its position in the Malaysian economy, future operations, liquidity, financial position and settlement of indebtedness. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may affect actual outcomes, many of which are outside the control of the Issuer. All these statements are based on assumptions made by the Issuer that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of the Issuer to be materially different from that expected or indicated by such statements and no assurance is given that any of such statements will be realised. Therefore, the contingencies and inherent uncertainties underlying such information should be carefully considered by investors and the inclusion of a forward looking statement in this IM is not a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved. Further, such parties are not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances. Any difference in the expectations of the Issuer and its actual performance may result in the Issuer’s financial and operating performance and plans being materially different from those anticipated.

The information in this IM supersedes all other information and materials previously supplied (if any) to the recipients. By taking possession of this IM, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this IM and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Lead Arranger/Lead Manager or any other persons.

All discrepancies (if any) in the tables included in this IM between the listed amounts and totals thereof are due to, and certain numbers appearing in this IM are shown, after rounding off.

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DOCUMENTS INCORPORATED BY REFERENCE

All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION

This IM will be lodged with the SC who takes no responsibility for its contents. Such lodgement shall not be taken to indicate that the SC recommends the Subordinated Notes. The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statement, opinion or report contained in this IM.

CONFIDENTIALITY

This IM and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. Accordingly, this IM and its contents, or any information, which is made available to the recipient in connection with any further enquiries, must be held in complete confidence.

In the event that there is any contravention of the confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, AmBank may, at its discretion, apply for any remedy available to AmBank whether at law or equity, including without limitation, injunctions. AmBank is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisers, directors, employees and any other persons who may receive this IM (or any part of it) from the recipient.

The recipient must return this IM and all reproductions thereof whether in whole or in part and any other information in connection therewith to the Lead Arranger/Lead Manager promptly upon the request of the Lead Arranger/Lead Manager, unless the recipient provides proof of a written undertaking satisfactory to the Lead Arranger/Lead Manager with respect to destroying these documents as soon as reasonably practicable after the said request from the Lead Arranger/Lead Manager.

EACH ISSUE OF THE SUBORDINATED NOTES WILL CARRY DIFFERENT RISKS. INVESTORS MUST RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN ANY ISSUE OF THE SUBORDINATED NOTES. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR OWN LEGAL, FINANCIAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING THE SUBORDINATED NOTES.

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GLOSSARY OF DEFINITION

For the purpose of this IM, unless otherwise indicated, the following definitions shall apply:

Companies Act	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
AMMB	:	AMMB Holdings Berhad (Company No. 223035-V)
AMMB Group	:	AMMB and its subsidiaries
AmBank or **the Bank** or **the Issuer**	:	AmBank (M) Berhad (Company No. 8515-D)
AmBank Group or **the Group**	:	AmBank and its subsidiaries
Amcorp	:	Amcorp Group Berhad (Company No. 1166-T)
AMFB	:	AMFB Holdings Berhad (Company No. 5493-X)
AmIslamic	:	AmIslamic Bank Berhad (Company No. 295576-U)
AmInvestment Bank	:	AmInvestment Bank Berhad (Company No. 23742-V)
ANZ	:	Australia and New Zealand Banking Group Limited (Company No. 005 357 522)
ANZ Funds	:	ANZ Funds Pty Ltd (Company No. 004 594 343), a wholly-owned subsidiary of ANZ
ATMs	:	Automated Teller Machines
BAFIA	:	The Banking and Financial Institutions Act, 1989 (which Act has since been repealed)
Basel III	:	Collectively, two (2) documents released by the Basel Committee on Banking Supervision on 16 December 2010 namely (i) “Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems”; and (ii) “Basel III: International Framework for Liquidity Risk Management, Standards and Monitoring”; and a press release dated 13 January 2011 entitled “Basel Committee issues final elements of the reforms to raise the quality of regulatory capital”.

BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of AmBank
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CDMs	:	Cash Deposit Machines
CMSA	:	The Capital Markets and Services Act, 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force
CQMs	:	Cheque Scanning Machines
EBCs	:	Electronic Banking Centres
EGM	:	Extraordinary General Meeting
FSA	:	The Financial Services Act 2013
FYE	:	Financial Year Ended / Financial Year Ending
IT	:	Information Technology
PBT	:	Profit Before Tax
PIDM	:	Perbadanan Insurans Deposit Malaysia or Malaysia Deposit Insurance Corporation
RAM Ratings	:	RAM Rating Services Berhad (Company No. 763588-T)
RM	:	Ringgit
SC	:	The Securities Commission of Malaysia

Subordinated Notes	:	Subordinated Notes issued pursuant to the Subordinated Notes Programme
Subordinated Noteholders	:	The holders of the Subordinated Notes
Subordinated Notes Programme	:	Proposed Subordinated Notes issuance programme of up to RM4.0 billion in nominal value of tier 2 subordinated notes
Share(s)	:	Ordinary share(s) of RM1.00 each in AmBank
SMEs	:	Small and Medium Enterprises
SSMs	:	Self Service Machines
Trustee	:	Malaysian Trustees Berhad (Company No. 21666-V)
Trust Deed	:	The trust deed entered or to be entered into between the Issuer and the Trustee constituting the Subordinated Notes
TSAH	:	Tan Sri Azman Hashim

All references to, “we”, “us”, “our” and any derivative thereof in this IM refer to the Issuer.

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1. EXECUTIVE SUMMARY

The executive summary set out hereunder is a summary of information on the Issuer and the Subordinated Notes Programme. Investors should read and understand the whole IM prior to deciding whether or not to invest in the Subordinated Notes. The executive summary should be read in conjunction with the full text of this IM.

1.1 Background Information on AmBank

AmBank was incorporated in Malaysia under the Companies Act on 25 March 1969 as a public limited company under the name of Malaysia Borneo Finance Corporation (M) Berhad ("**MBFC**"). MBFC was listed on the Main Board of the stock exchange now known as Bursa Malaysia Securities Berhad on 8 June 1983 and changed its name to MBf Finance Berhad ("**MBf Finance**") on 19 December 1985.

Pursuant to a restructuring scheme, MBf Finance became a wholly-owned subsidiary of MBF Capital Berhad ("**MBf Capital**"), with MBf Capital assuming the listing status of MBf Finance. MBf Capital was listed on the Main Board of Bursa Securities in place of MBf Finance effective from 15 January 1993 and consequently MBf Finance was delisted.

On 20 December 2001, Arab-Malaysian Finance Berhad (now known as AMFB, a wholly-owned subsidiary of AMMB) acquired 100% of MBf Finance. MBf Finance then changed its name to AmFinance Berhad before assuming its present name, AmBank (M) Berhad, on 1 June 2005.

On 28 February 2011, as part of AMMB Group's ongoing capital management strategy and an internal reorganisation exercise relating to the shareholding structure of AMMB's banking subsidiaries, AMMB acquired the 100% equity interest held by AmBank in AmIslamic, resulting in AmIslamic no longer being a subsidiary of AmBank. Subsequently on 4 October 2012, AMMB completed the acquisition of the 100% equity interest of AmBank from AMFB. To date, AmBank remains a wholly-owned subsidiary of AMMB.

AmBank is a licensed bank and finance company under FSA and it provides banking and financial services which include loans, advances, deposit services, credit cards, remittance services and foreign exchange.

As at 30 September 2013, the authorised share capital of AmBank was RM3,886,250,002.00 divided into 1,386,250,002 ordinary shares and 2,500,000,000 irredeemable non-cumulative convertible preference shares of RM1.00 each, of which RM820,363,762.00 comprising 820,363,762 ordinary shares of RM1.00 each had been issued and fully paid-up.

1.2 Description of the Transaction and Structure of the Subordinated Notes Programme

The Subordinated Notes Programme provides flexibility for the Issuer to issue, from time to time, the Subordinated Notes during the availability period of the Subordinated Notes Programme of up to twenty-five (25) years from the date of the first issuance under the Programme ("**Availability Period**"), provided that the aggregate outstanding amount of the Subordinated Notes shall not at any time exceed RM4.0 billion in nominal value.

During this Availability Period of the Subordinated Notes Programme, the Issuer has the option to issue the Subordinated Notes, whereby each tranche shall have a tenure of at least five (5) years from the issue date subject to the Call Option (as defined in section 2 of this IM).

A tranche of the Subordinated Notes is callable on any coupon payment date after a minimum period of five (5) years from the date of issue of such tranche (hereinafter referred to as the "**Call Date**"), at the option of the Issuer and subject to the Redemption Conditions (as defined in section 2 of this IM) being satisfied.

The Subordinated Notes, which are fully Basel III-compliant, will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority in payment, to depositors and general creditors of the Issuer, to the extent and in the manner provided for in the Subordinated Notes, ranking *pari passu* and without any preference among themselves. In the event of winding-up and liquidation of the Issuer, the payment obligations of the Issuer under the Subordinated Notes will be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinated to the Subordinated Notes.

The interest rate(s) applicable to each tranche of the Subordinated Notes will be determined prior to the issuance of such tranche and such rate(s) shall be applicable throughout the tenure of such tranche. For the avoidance of doubt, there is no step-up coupon rate after the Call Date of the Subordinated Notes in the event the Call Option is not exercised by the Issuer.

The Subordinated Notes shall be issued at par or at a premium (but not at a discount) to nominal value.

The Subordinated Notes may be issued via a direct/private placement or bought deal basis or book building on a best efforts basis without prospectus.

The principal terms and conditions of the Subordinated Notes Programme are set out in Section 2 of this IM.

1.3 Details of Utilisation of Proceeds

The proceeds raised from the Subordinated Notes Programme will be utilised by the Issuer, without limitation, for its working capital, general banking purposes and refinancing its outstanding capital instruments.

1.4 Rating of the Subordinated Notes Programme

RAM Ratings has accorded a long-term rating of AA_3 for the Subordinated Notes under the Subordinated Notes Programme.

1.5 Selling Restrictions

<u>At issuance</u>

The Subordinated Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer or invitation to subscribe for the Subordinated Notes and to whom the Subordinated Notes are issued would fall within Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA, as amended from time to time.

<u>After issuance</u>

The Subordinated Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer or invitation to subscribe for the Subordinated Notes and to whom the Subordinated Notes are issued would fall within Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA, as amended from time to time.

1.6 Approvals Required

The Subordinated Notes Programme has been approved by BNM and approved and authorised by the SC vide their letters dated 21 October 2013 and 4 December 2013 respectively.

1.7 Conflict of Interest and Appropriate Mitigating Measures

1.7.1 AmInvestment Bank

Save as disclosed below, after making enquiries as were reasonable in the circumstances, AmInvestment Bank is not aware of any circumstances that would give rise to a conflict-of-interest.

AmInvestment Bank and the Issuer are both subsidiaries of AMMB. As such, AmInvestment Bank and the Issuer are deemed to be related corporations.

Potential conflict-of-interest situations may arise on the part of AmInvestment Bank in terms of duties owed to potential investors on the one hand and its relationship with the Issuer on the other.

The following are existing mitigating measures or measures that will be adopted by AmInvestment Bank in order to mitigate or address the potential conflict-of-interest situations set out above:

(i) Messrs Adnan Sundra & Low, an external independent legal counsel, has been appointed to conduct a legal due diligence inquiry on the Issuer;

(ii) the Subordinated Notes will be issued by way of a direct placement or bought deal or book-running basis whereby pricing of the Subordinated Notes will be market driven; and

(iii) AmInvestment Bank, in all its appointed roles in respect of the Subordinated Notes Programme has considered the factors involved and believes that its objectivity and independence in carrying out its various roles have been/will be maintained at all times for the following reasons:

    (aa) AmInvestment Bank is a licensed investment bank and its appointment as, amongst others, the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent in respect of the Subordinated Notes Programme is in the ordinary course of its business;

    (bb) the conduct of AmInvestment Bank is regulated strictly by BNM and the SC and governed under, amongst others, the FSA and the CMSA, and AmInvestment Bank has in place its own internal policies, controls and checks with regard to transactions involving its related corporations; and

    (cc) save for the professional fees charged in relation to the Subordinated Notes Programme, AmInvestment Bank will not be deriving any other monetary benefits from the Subordinated Notes Programme outside its aforesaid roles.

The potential conflict-of-interest situations have been brought to the attention of the Board and hence the Board is fully aware of the same. The Board has confirmed that having considered the above situation, they intend to proceed with the appointment of AmInvestment Bank as, amongst others, the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent of the Subordinated Notes Programme.

1.7.2 Messrs Adnan Sundra & Low

After making enquiries as were reasonable in the circumstances, Messrs Adnan Sundra & Low has confirmed that it is not aware of any circumstances that would give rise to a conflict-of-interest or potential conflict-of-interest situation in its capacity as the solicitors in relation to the Subordinated Notes Programme.

1.7.3 Malaysian Trustees Berhad

After making enquiries as were reasonable in the circumstances, Malaysian Trustees Berhad has confirmed that it is not aware of any circumstances that would give rise to a conflict-of-interest or potential conflict-of-interest situation in its capacity as the trustee in relation to the Subordinated Notes Programme.

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2. THE PRINCIPAL TERMS AND CONDITIONS OF THE SUBORDINATED NOTES PROGRAMME

Words and expressions used and defined in this section shall, in the event of inconsistency with the definitions section of this IM, only be applicable for this section.

Note: This section is an extraction from the submission made to the SC for approval and authorisation for the issuance of the Subordinated Notes which approval and authorisation were granted by the SC vide its letter dated 4 December 2013.

1. BACKGROUND INFORMATION ON THE ISSUER

(i)	Name:	AmBank (M) Berhad ("**AmBank**" or the "**Issuer**")
(ii)	Address:	22^{nd} Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur
(iii)	Business registration number:	8515-D
(iv)	Date and place of incorporation:	25 March 1969 / Malaysia
(v)	Date of listing:	Not applicable
(vi)	Status on residence, i.e. whether it is a resident controlled company or non-resident-controlled company:	Resident-controlled company. Note: Although foreign shareholders may hold more than 50% equity in AMMB Holdings Berhad ("**AMMB**"), AmBank is deemed a resident-controlled company by virtue of the composition of its board of directors and management. This shareholding structure is a reflection of AMMB's shareholding in the Issuer, with AMMB being a listed company.
(vii)	Principal activities:	Business of banking, finance company and other related financial services.
(viii)	Board of directors:	As at 30 September 2013, the Board of Directors of the Issuer are as follows: 1. Tan Sri Azman Hashim *Chairman, Non-Independent Non-Executive Director* 2. Cheah Tek Kuang *Deputy Chairman, Non-Independent Non-Executive Director* 3. Tun Mohammed Hanif bin Omar *Non-Independent Non-Executive Director* 4. Tan Sri Datuk Clifford Francis Herbert *Independent Non-Executive Director* 5. Dato' Gan Nyap Liou @ Gan Nyap Liow *Independent Non-Executive Director*

6. Chin Yuen Yin
Independent Non-Executive Director

7. Loh Chen Peng
Independent Non-Executive Director

8. Christopher Robin Page
Non-Independent Non-Executive Director

9. Ashok Ramamurthy
Chief Executive Officer, Non-Independent Executive Director

(ix) Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders:

As at 30 September 2013, the shareholders of the Issuer are as follows:

Ordinary Share holders	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
AMMB	820,363,762	100.0	-	-
Tan Sri Azman Hashim	-	-	820,363,762*	100.0
Amcorp Group Berhad	-	-	820,363,762*	100.0
Clear Goal Sdn Bhd	-	-	820,363,762*	100.0
ANZ Funds Pty Ltd	-	-	820,363,762*	100.0
Australia and New Zealand Banking Group Limited	-	-	820,363,762*	100.0

**Note: Deemed interested by virtue of his/its substantial interests in AMMB*

(x) Authorised, issued and paid-up capital:

As at 30 September 2013, the authorised, issued and paid-up capital of the Issuer are as follows:

<u>Authorised capital</u>

RM3,886,250,002.00 divided into 1,386,250,002 ordinary shares and 2,500,000,000 irredeemable non-cumulative convertible preference shares of RM1.00 each; and

<u>Issued and paid-up capital:</u>

RM820,363,762.00 comprising 820,363,762 ordinary shares of RM1.00 each

(xi) Disclosure of the following:

• If the issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of application; and	None.
• If the issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of application.	Not applicable as the Issuer is not a listed company

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2. PRINCIPAL TERMS AND CONDITIONS

(a) Names of parties involved in the proposed transaction

(i)	Principal adviser	:	AmInvestment Bank Berhad (“**AmInvestment Bank**”)
(ii)	Lead arranger	:	AmInvestment Bank
(iii)	Co-arranger	:	Not applicable
(iv)	Solicitor	:	Adnan Sundra & Low
(v)	Financial adviser	:	Not applicable
(vi)	Technical adviser	:	Not applicable
(vii)	Bond trustee	:	Malaysian Trustees Berhad
(viii)	Guarantor	:	Not applicable
(ix)	Valuer	:	Not applicable
(x)	Facility agent	:	AmInvestment Bank
(xi)	Primary subscriber (under a bought deal arrangement) and amount subscribed	:	To be determined prior to the issuance in respect of issuance via bought deal basis only. Not applicable for issuance via private placement and book building.
(xii)	Underwriter and amount underwritten	:	Not applicable
(xiii)	Central depository	:	Bank Negara Malaysia (“**BNM**”)
(xiv)	Paying agent	:	BNM
(xv)	Reporting accountant	:	Not applicable
(xvi)	Calculation agent	:	Not applicable
(xvii)	Others:		
	Lead manager(s)	:	AmInvestment Bank and/or such other financial institution(s) to be appointed at point of issuance, at the option of the Issuer.
	Rating Agency	:	RAM Rating Services Berhad (“**RAM Ratings**”)

(b) Facility description

A Subordinated Notes Programme (“**Programme**”) for the issuance of Tier 2 Subordinated Notes (“**Tier 2 Subordinated Notes**” or the “**Notes**”).

The Tier 2 Subordinated Notes will qualify as Tier 2 capital of the Issuer, for purposes of the Capital Adequacy Framework (Capital Components) (the “**Framework**”) as approved by BNM.

(c) Issue/debt programme size : The aggregate outstanding nominal value of the Tier 2 Subordinated Notes under the Programme shall not at any point in time exceed RM4.0 billion.

(d)	Tenure of issue/debt programme	:	**Tenure of the Programme** The tenure of the Programme shall be thirty (30) years from the date of first issue under the Programme. **Tenure of the Tier 2 Subordinated Notes:** Subject to the Call Option, each issuance of Tier 2 Subordinated Notes shall have a tenure of at least five (5) years from the issue date provided that the Tier 2 Subordinated Notes mature on or prior to the expiry of the Programme. **Call Option** The relevant tranche of the Notes are callable on any Coupon Payment Date after a minimum period of five (5) years from the date of issue of that tranche (hereinafter referred to as the "**Call Date**"), at the option of the Issuer. None of the Notes shall carry a maturity date extending beyond the expiry of the tenure of the Programme.
(e)	Availability period of debt programme	:	The period from compliance (or waiver, as the case may be) of all conditions precedent for the establishment of the Programme to the satisfaction of the Lead Arranger up to twenty five (25) years from the date of first issuance under the Programme. The first issuance shall be made within two (2) years from the date of the Securities Commission ("**SC**")'s approval.
(f)	Interest/coupon rate	:	**Tier 2 Subordinated Notes** To be determined prior to the issuance of the Tier 2 Subordinated Notes and the rate shall be applicable throughout the tenure of each issue of the Tier 2 Subordinated Notes. For avoidance of doubt, there is no step-up coupon rate after the Call Date of the Tier 2 Subordinated Notes, in the event the Call Option is not exercised by the Issuer.
(g)	Interest/coupon payment frequency	:	Payable semi-annually in arrears from the issue date ("**Coupon Payment Date**") with the last coupon payment to be made on the respective maturity dates or upon the early redemption of the Notes.
(h)	Interest/coupon payment basis	:	Actual number of days over 365 days basis or over 366 days in the case of a leap year, or in any event in accordance with MyClear Procedures (as defined below).
(i)	Security/Collateral, where applicable	:	Unsecured
(j)	Details on utilisation of proceeds	:	The proceeds of the Notes shall be made available to the Issuer, without limitation, for its working capital, general banking purposes and refinancing its outstanding capital instruments.

(k)	Sinking fund and designated accounts, where applicable	:	Not applicable
(l)	Rating • Credit rating assigned and whether the rating is final or indicative.	:	Tier 2 Subordinated Notes AA_3 (preliminary).
	• Name of credit rating agencies	:	RAM Ratings.
(m)	Mode of issue	:	The Notes may be issued via direct/private placement or bought deal basis or book building on a best efforts basis without prospectus. The Notes shall be issued in accordance with (1) the Participation and Operation Rules for Payments and Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") ("**MyClear Rules**") and (2) the Operational Procedures for Securities Services and the Operational Procedures for Real Time Electronic Transfer of Funds and Securities (RENTAS) (collectively the "**MyClear Procedures**"), or their replacement thereof (collectively the "**MyClear Rules and Procedures**") applicable from time to time.
(n)	Selling restriction, including tradability (i.e. whether tradable or non-tradable)	:	<u>Selling Restrictions at Issuance</u> The Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer or invitation to subscribe for the Notes and to whom the Notes are issued would fall within: 1. Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)); read together with 2. Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act 2007, ("**CMSA**") as amended from time to time. <u>Selling Restrictions after Issuance</u> The Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer or invitation to subscribe for the Notes and to whom the Notes are issued would fall within: 1. Schedule 6 (or Section 229(1)(b)); read together with 2. Schedule 9 (or Section 257(3)) of the CMSA as amended from time to time. The Notes are tradable and transferable.
(o)	Listing status and types of listing, where applicable	:	The Notes may be listed on Bursa Malaysia Securities Berhad under the Exempt Regime. The SC will be notified accordingly in the event of such listing.

(p)	Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase PDS, and whether or not obtained;	:	Approval from BNM for the establishment of the Programme of up to RM4.0 billion in nominal value for the issuance of the Tier 2 Subordinated Notes was obtained on 21 October 2013.
(q)	Conditions precedent	:	Conditions precedent for issuance of the Notes, shall include but is not limited to the following (all of which shall be in form and substance acceptable to the Lead Arranger):

A. <u>Main Documentation</u>

1) The Transaction Documents have been executed and, where applicable, stamped or endorsed as exempted from stamp duty under the relevant legislation and presented for registration.

B. <u>The Issuer</u>

1) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer.

2) Certified true copies of the latest Forms 24, 44 and 49 of the Issuer.

3) A certified true copy of a board resolution of the Issuer authorising, amongst others, the establishment of the Programme and the execution of the relevant Transaction Documents.

4) A list of the Issuer's authorised signatories and their respective specimen signatures.

5) A report of the relevant company search conducted on the Issuer.

6) A report of the relevant winding-up search or the relevant statutory declaration of the Issuer (in form and substance acceptable to the Lead Arranger) signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding-up petition has been presented against the Issuer.

C. <u>General</u>

1) The approval and authorisation from the SC for the establishment of the Programme.

2) Approval from BNM for the establishment of the Programme of up to RM4.0 billion in nominal value for the issuance of Tier 2 Subordinated Notes.

3) The Issuer shall have obtained a minimum long-term rating of AA_3 for the Tier 2 Subordinated Notes from RAM Ratings for the first issuance.

4) Evidence that arrangements have been made for payment of all transaction fees, costs and expenses.

5) The Lead Arranger has received from the solicitors acceptable legal opinion addressed to it advising with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents and a confirmation addressed to it that all the conditions precedent have been complied or waived as the case may be.

6) Such other conditions precedent as advised by the solicitors of the Lead Arranger and mutually agreed with the Issuer.

(r) Representations and warranties : Representations and warranties typical and customary for a programme of this nature, which shall include but not limited to the following:

(i) The Issuer is a company duly incorporated and validly existing under the laws of Malaysia;

(ii) The Issuer has the power to enter into, exercise its rights under and perform its obligations under the Transaction Documents;

(iii) The Issuer's entry into, exercise of its rights under and performance of the Transaction Documents do not and will not violate any existing laws or agreements to which it is a party;

(iv) The Issuer has all licences, permits, authorisations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licences, permits, authorisations, approvals, orders and other concessions would not have a Material Adverse Effect (as defined below);

(v) The Transaction Documents create valid and binding obligations which are enforceable on and against the Issuer;

(vi) All necessary actions, authorisations and consents required under the Transaction Documents have been taken, fulfilled and obtained and remain in full force and effect;

(vii) Save as disclosed in the Information Memorandum, no litigation or arbitration is current or, to the Issuer's knowledge, is threatened, which if adversely determined would have a Material Adverse Effect;

(viii) The audited financial statements of the Issuer are prepared in accordance with generally accepted accounting principles and standards and they fairly represent its financial position;

(ix) The financial statements and other information supplied are true and accurate in all material aspects and not misleading except that, when the warranted information is a forecast, the warranty will be to the effect that the forecast has been made on the basis of assumptions which were reasonable at the time when they were made and after due enquiry;

(x) No step has been taken by the Issuer, its creditors or any of its shareholders or any other person on its behalf nor have any legal proceedings or applications been started or threatened under Section 176 of the Companies Act 1965;

(xi) There has been no change in the business or condition (financial or otherwise) of the Issuer or its subsidiaries since the date of its last audited financial statements which might have a Material Adverse Effect; and

(xii) Such other representations and warranties as may be advised by the solicitor acting for the Lead Arranger.

For the purposes of this PTC, "**Material Adverse Effect**" means, any material adverse effect on the business of or condition (financial or otherwise) in relation to the Issuer or its results or operations or the ability of the Issuer to perform or comply with any of its obligations under any of the Transaction Documents (to which it is a party).

(s) Events of default (or enforcement event, where applicable) **:** The events of default in relation to a tranche of the Tier 2 Subordinated Notes shall be:

(i) if the Issuer defaults in payment of any principal or coupon under that tranche on the due date and the Issuer does not remedy such default within a period of seven (7) business days after the Issuer became aware or having been notified by the Trustee of the default; or

(ii) an order is made for the winding-up of the Issuer and such order is not stayed or set aside within thirty (30) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for the winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the holders of Tier 2 Subordinated Notes by way of a special resolution.

Upon the occurrence of item (i) above, subject to the terms of the Trust Deed of the Tier 2 Subordinated Notes, the Trustee may or shall (if directed to do so by a special resolution of the holders of the Tier 2 Subordinated Notes) institute proceedings to enforce the payment obligations under that tranche of Tier 2 Subordinated Notes and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Trustee nor any of the holders of that tranche of Tier 2 Subordinated Notes shall have the right to accelerate payment of that tranche of Tier 2 Subordinated Notes in the case of such default in the payment of amount owing under that tranche of Tier 2 Subordinated Notes or any default in the performance of any condition, provision or covenant under that tranche of Tier 2 Subordinated Notes or the Trust Deed of the Tier 2 Subordinated Notes.

Upon the occurrence of item (ii) above, subject to the terms of the Trust Deed of the Tier 2 Subordinated Notes, the Trustee may or shall (if directed to do so by a special resolution of the holders of Tier 2 Subordinated Notes) declare (by giving written notice to the Issuer) that the Tier 2 Subordinated Notes together with all other sums payable under the Tier 2 Subordinated Notes shall immediately become due and payable at its nominal value together with the accrued but unpaid coupon (if any) notwithstanding the stated maturity of the Tier 2 Subordinated Notes.

For avoidance of doubt, the occurrence of event of default (i) above for any tranche of the Tier 2 Subordinated Notes will not trigger the event of default for any tranches of any other tranches of the Tier 2 Subordinated Notes outstanding. However, occurrence of event of default (ii) above will trigger an event of default for all tranches of the Tier 2 Subordinated Notes outstanding.

(t) Covenants **:**

(i) Positive Covenants **:** The Issuer shall comply with such applicable positive covenants as may be advised by the solicitors acting for the Lead Arranger and/or which are required in order to comply with the Trust Deeds Guidelines issued by the SC ("**Trust Deeds Guidelines**"), including, but not limited to the following:

1. The Issuer shall deliver to the Trustee a copy of its annual audited financial statements within 180 days after the end of each of its financial year, its semi-annual unaudited financial statements within 90 days after the end of each half of its financial year and any other accounts, balance sheet, report, notice, statement, circular or other documents issued by the Issuer to its shareholders and to the holders of the Notes;

2. The Issuer shall not later than 180 days after the end of each of its financial year, deliver to the Trustee a certificate signed by an authorised signatory of the Issuer, certifying that the Issuer has complied with and performed its obligations under the Trust Deed and the terms and conditions of the Notes and the other Transaction Documents and that there did not exist and there had not at any time existed, from the issue date of the Notes, any event of default and if such is not the case, the certificate should specify the same;

3. The Issuer shall promptly provide to the Trustee any information relating to its affairs to the extent permitted by law, as the Trustee may from time to time reasonably require in order to discharge its duties and obligations as Trustee under the Trust Deed and the other Transaction Documents;

4. The Issuer shall immediately notify the Trustee in the event that the Issuer becomes aware of the following:

   a) the occurrence of any event of default; or the occurrence of any event that has caused or could cause one or more of the following: (a) any amount payable under the Notes becomes immediately payable; (b) the Notes become immediately enforceable; or (c) any other rights or remedies under the terms and conditions of the Notes or the Trust Deed to become immediately enforceable;

   b) any circumstance that has occurred or any other matter that may materially prejudice the ability of the Issuer to perform its obligations under the Transaction Documents or in respect of the Notes;

   c) any substantial change in the nature of the business of the Issuer;

   d) any change in the utilisation of proceeds from the Notes from that set out in the submission to the SC, the Information Memorandum or any of the Transaction Documents which sets out a specific purpose for which proceeds are to be utilised;

   e) any change in the Issuer's withholding tax position or taxing jurisdiction; and

   f) any other matters that may materially prejudice the interests of the holders of the Notes;

5. The Issuer shall keep proper books and accounts at all times and to provide the Trustee and any person appointed by it access to such books and accounts to the extent permitted by law;

6. The Issuer shall at all times maintain its respective corporate legal existence and exercise reasonable diligence in carrying out its respective business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices and will ensure, amongst others, that all necessary approvals and relevant licences required for it to carry on its business are obtained;

7. The Issuer shall at all times maintain a paying agent with a specified office in Malaysia; and

8. The Issuer will procure that the paying agent shall notify the Trustee, through the Facility Agent, if the paying agent does not receive payment from the Issuer on the due dates as required under the Trust Deed and the terms and conditions of the Notes.

There will be no restrictive covenants applicable to the Notes.

(u) Provisions on buy-back and early redemption of PDS:

(i) Buy-back of the Notes : The Issuer or any of its subsidiaries or related corporations may at any time purchase, subject to the prior approval of BNM (but which approval shall not be required for a purchase done in the ordinary course of business) the Tier 2 Subordinated Notes at any price in the open market or by private treaty provided no Non-Viability Event (as defined below) has occurred prior to the date of such purchase. If purchase is made by tender, such tender must (subject to any applicable rules and regulations) be made available to all holders of the Tier 2 Subordinated Notes equally.

Subject to prior approval by BNM (but which approval shall not be required for a purchase done in the ordinary course of business), the Tier 2 Subordinated Notes purchased by the Issuer or its subsidiaries or by agents of the Issuer shall be cancelled and shall not be resold. The Tier 2 Subordinated Notes purchased by other related corporations (other than the Issuer's subsidiaries) or any interested person of the Issuer, which includes the directors, major shareholders and chief executive officer, need not be cancelled but they will not entitle such related corporations or interested person of the Issuer to vote under the terms of the Tier 2 Subordinated Notes subject to any exceptions in the Trust Deeds Guidelines.

		For the avoidance of doubt, the Tier 2 Subordinated Notes held by related corporations and any interested person of the Issuer shall not be counted for the purposes of voting subject to any exceptions in the Trust Deeds Guidelines. For the purpose of this clause, the term "ordinary course of business" includes those activities performed by the Issuer, any of the Issuer's subsidiaries or any other related corporations of the Issuer for third parties (such as clients of the Issuer, the Issuer's subsidiaries' and the Issuer's related corporations) and excludes those performed for the funds of the Issuer or such related corporation. For the avoidance of doubt, subject always to the requirements of the Trust Deeds Guidelines where the purchase of the Tier 2 Subordinated Notes by the Issuer or its subsidiaries or by agents of the Issuer shall be cancelled and shall not be resold, neither the Issuer nor an affiliated party over which it exercises control or significant influence can purchase the Tier 2 Subordinated Notes, nor can the Issuer directly or indirectly have financed its purchase, failing which the regulatory adjustments as set out in the Framework shall apply.
(ii) Call Option	:	For each tranche of the Tier 2 Subordinated Notes, if Call Option is applicable, the Issuer may, at its option, and subject to the Redemption Conditions (as defined below) being satisfied, redeem that tranche of Notes (in whole or in part) on the Call Date of that tranche at their principal amount together with accrued but unpaid coupon (if any). In the case of a partial redemption of Notes of a tranche, the selection of the Notes to be redeemed will be made by the Trustee on a pro rata basis, by lot or by such other method as the Trustee (with the agreement of the Issuer) will deem to be fair and appropriate, although no Notes of RM10,000,000 in original nominal value or less will be redeemed in part.
(iii) Redemption at maturity	:	Unless previously redeemed on a Call Date (if applicable) or redeemed pursuant to a Regulatory Event or a Tax Event or purchased from the market and cancelled, the Tier 2 Subordinated Notes will be redeemed at 100% of their nominal value on their respective maturity dates.
(iv) Redemption Conditions	:	Redemption Conditions of the Notes mean: 1. the Issuer must have received a written approval from BNM prior to redemption of the tranche of any of the Notes; 2. the Issuer is solvent at the time of redemption of such tranche of the Notes and immediately thereafter;

3. the Issuer is not in breach of BNM's minimum capital adequacy requirements and capital buffer requirements applicable to the Issuer after redemption of such tranche of the Notes; and

4. in respect of a Call Option only, the Issuer shall:

   (i) replace the called or redeemed tranche of the Notes with capital of the same or better quality and the replacement of this capital shall be done at conditions which are sustainable for the income capacity of the Issuer; or

   (ii) demonstrate to BNM that its capital position is well above the capital adequacy and capital buffer requirements after redemption of such tranche of the Notes.

(v) Regulatory redemption of the Tier 2 Subordinated Notes **:** The Issuer may, at its option, redeem the Tier 2 Subordinated Notes (in whole or in part), as the case maybe, at the Redemption Amount, subject to the Redemption Conditions being satisfied if a Regulatory Event (as defined below) occurs.

"**Regulatory Event**" means any time there is more than an insubstantial risk, as determined by the Issuer, that:

(i) all or any part of the Tier 2 Subordinated Notes will, either immediately or with the passage of time or upon either the giving of notice or fulfilment of a condition, no longer qualify as Tier 2 capital of the Issuer for the purposes of BNM's capital adequacy requirements under any applicable regulations; or

(ii) changes in law will make it unlawful for the Issuer to continue performing its obligations under all or any part of such Tier 2 Subordinated Notes.

(vi) Tax redemption of the Tier 2 Subordinated Notes **:** If there is more than an insubstantial risk as determined by the Issuer that:

1. the Issuer has or will become obliged to pay any additional taxes, duties, assessments or government charges of whatever nature in relation to the Tier 2 Subordinated Notes, as the case may be; or

2. the Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of the Tier 2 Subordinated Notes, as the case may be;

			as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations ("**Tax Event**"), then the Issuer may, at its option, redeem the Tier 2 Subordinated Notes (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.
(vii)	Redemption Amount	:	"**Redemption Amount**" means an amount equal to 100% of the face value together with accrued but unpaid interest (if any) relating to the then current interest period (if any) up to (and excluding) the date on which the Notes are redeemed or the Issuer is wound up (as the case may be).

(v) Other principal terms and conditions for the proposed transaction

1.	Issue Price	:	The Notes shall be issued at par or at a premium (but not at a discount) to nominal value and the issue price shall be calculated in accordance with MyClear Rules and Procedures. The issue price of the Notes shall be determined prior to each issuance of the Notes.
2.	Yield to Maturity (%)	:	To be determined prior to the issue date of the Notes.
3.	Default Interest	:	Interest on overdue amounts shall be payable at 1% per annum plus the base lending rate of AmBank (M) Berhad from and including the relevant due date to but excluding the date of actual payment, calculated based on the actual number of days elapsed and a year of 365 days (or 366 days in the case of leap year).
4.	Form and Denomination	:	The Notes shall be issued in accordance with MyClear Rules and Procedures. The Notes shall be represented by a global certificate to be deposited with BNM, and is exchanged for a definitive bearer form only in certain limited circumstances. The denomination of the Notes shall be RM1,000 or in multiples of RM1,000 at the time of issuance.
5.	Status	:	The Tier 2 Subordinated Notes will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority in payment, to depositors and general creditors of the Issuer, to the extent and in the manner provided for in the Tier 2 Subordinated Notes, ranking *pari passu* and without any preference among themselves.

In the event of winding-up and liquidation of the Issuer, the payment obligations of the Issuer under the Tier 2 Subordinated Notes will be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinated to the Tier 2 Subordinated Notes.

6.	Trustee's Reimbursement Account	**:**	The Trustee shall open and maintain, throughout the tenure of the Notes, an account to be named the "Trustee's Reimbursement Account for Debenture holders' Actions" (the "**Account**") with a bank which is acceptable to the Issuer with a sum of Ringgit Malaysia Thirty Thousand (RM30,000.00), which amount is to be obtained from the proceeds of issuance of the Notes. The Account shall be operated solely by the Trustee and the money shall be used strictly by the Trustee in carrying out its duties in relation to the declaration of an event of default in the manner as provided in the Trust Deed. The moneys in the Account may be invested in bank deposits or instruments or securities in the manner as provided in the Trust Deed, with profit from the investment to be accrued to the Issuer. The moneys in the Account shall be returned to the Issuer upon full redemption of the Notes in the event there is no declaration of an event of default.
7.	Taxation	**:**	All payments by the Issuer shall be made without withholding or deductions for or on account of any present and future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia unless such withholding or deduction is required by law, in which event the Issuer shall not be required to gross up in connection with such withholding or deduction on these payments or distributions.
8.	No Further Rights To Participate in Profits and Assets	**:**	The holders of the Notes shall have no right or claim and not be conferred any right or claim as regards to participation in the profits and assets of the Issuer.
9.	Voting Rights	**:**	Holders of the Notes will not be entitled to receive notice of or attend or vote at any meeting of the ordinary shareholders of the Issuer or participate in the management of the Issuer. No company-shareholder relationship is intended or has been contemplated between the Issuer and the holders of the Notes and as such the relationship between the Issuer and the holders of the Notes shall not be governed by the Memorandum and Articles of Association of the Issuer.
10.	Transaction Documents	**:**	The Transaction Documents shall include the following: (i) Trust Deed; (ii) Programme Agreement; (iii) Subscription Agreement (where applicable); (iv) Securities Lodgement Form; and

(v) Any other agreements as may be advised by the solicitors.

11.	Contingent Write-off	:	Upon the occurrence of a Trigger Event (as defined below), the Issuer is required to give notice to the holders of the Tier 2 Subordinated Notes and RAM Ratings in accordance with the terms of the respective Notes, then as of the relevant write-off date, the write-off shall extinguish the claim of the Tier 2 Subordinated Notes in liquidation, which will mean that the holders of the Tier 2 Subordinated Notes written-off will be automatically deemed to irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the respective Notes written-off, the amount re-paid when a call option is exercised and coupon payments on the respective Notes written-off. The write-off shall be permanent and the full principal amount of the Tier 2 Subordinated Notes together with all unpaid coupons thereon that are or would be payable upon the relevant maturity date, an early redemption or the occurrence of an Event of Default under clause 2(s)(ii) will automatically be written-off and such Tier 2 Subordinated Notes and coupons will be immediately and fully cancelled as of such write-off date. For the avoidance of doubt; (i) the write-off of the respective Notes shall not constitute an event of default or trigger cross-default clauses; and (ii) BNM shall have the option to require the entire principal amount of the Tier 2 Subordinated Notes outstanding, or a part thereof, and all other amount owing under the Programme, be written off. **No Conversion into Equity** For avoidance of doubt, the Tier 2 Subordinated Notes will under no circumstances be converted into equity of the Issuer and the holders of the Tier 2 Subordinated Notes will have to absorb losses pursuant to the terms specified herein. **No Event of Default or Cross Default** For the avoidance of doubt, the exercise of the loss absorption at the point of non-viability shall not constitute an Event of Default as specified under Clause 2(s) above or trigger cross-default clauses.
12.	Trigger Event	:	A "**Trigger Event**" shall be the earlier of the following: (i) BNM and Malaysia Deposit Insurance Corporation ("**PIDM**") notify the Issuer in writing that BNM and PIDM are of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or

(ii) BNM and PIDM publicly announce that a decision has been made by BNM, PIDM, or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable.

In assessing whether the Issuer would cease to be viable, BNM may consider, amongst others, any of the following circumstances exist (“**Non-Viability Event**”) in respect of the Issuer:

(1) the Issuer fails to follow any directive of compliance issued by BNM, which is necessary to preserve or restore its financial soundness;

(2) the Issuer fails to meet all or any of its financial obligations as they fall due, that may significantly impair its capital position;

(3) the capital of the Issuer has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public, and the Issuer is unable to re-capitalise on its own;

(4) the Issuer’s assets are insufficient to provide protection to its depositors and creditors;

(5) the Issuer has lost the confidence of depositors and the public; or

(6) any other state of affairs exists in respect of the Issuer that would put the interest of the depositors or creditors of the Issuer at risk.

For the avoidance of doubt, BNM shall have the full discretion to elect not to require a write-off when the Issuer has ceased, or is about to cease, to be viable or when a capital injection or equivalent support has been provided. Even if the option is not exercised, holders of the Tier 2 Subordinated Notes may still be exposed to losses from the resolution of the Issuer.

No Conversion into Equity

Notwithstanding the powers of BNM, the Tier 2 Subordinated Notes will under no circumstances be converted into equity of the Issuer and holders of the Notes will have to absorb losses pursuant to the terms specified herein.

13.	Governing Law	**:**	The Notes shall be governed by the laws of Malaysia.
14.	Other Conditions	**:**	The Notes shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or other relevant authority in Malaysia having jurisdiction over matters pertaining to the Notes.

3. INVESTMENT CONSIDERATIONS

Prior to making a decision to invest in the Subordinated Notes, prospective investors should carefully consider, along with the other information in this IM, the following risks. The risks and risk factors set forth in this Section may not be an exhaustive list of the challenges AmBank is currently facing or that may develop in the future or that may be associated with an investment in the Subordinated Notes. Prior to making any decision to invest in the Subordinated Notes, prospective investors are advised to seek professional advice and undertake their own investigations and analyses on AmBank and any other parties or matters connected with the Subordinated Notes as they may consider necessary.

3.1 Considerations Relating to the Malaysian Banking Industry

3.1.1 AmBank may be subject to changes to the Malaysian regulatory environment for the financial industry

AmBank is a financial institution licensed under the FSA and regulated by BNM. The Bank is also subject to relevant securities and other laws in Malaysia. BNM is given extensive powers to regulate the Malaysian banking industry under the Malaysian law. This includes the authority to establish limits on lending to certain sectors of the Malaysian economy, establish priority lending guidelines in furtherance of certain social and economic objectives, and establish measures requiring maintenance of reserves and minimum capital adequacy requirement. BNM also has broad investigative and enforcement powers. Accordingly, potential investors should be aware that BNM could, in the future, significantly restrict business activities or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including AmBank.

3.1.2 Deposits in Malaysia

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided a safety net for individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. On 1 September 2005, BNM introduced a deposit insurance system (the "**Deposit Insurance System**") pursuant to the establishment of an independent statutory body namely PIDM, under the Malaysia Deposit Insurance Corporation Act 2005 ("**2005 Act**") and all licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the Deposit Insurance System.

On 16 October 2008, the Government of Malaysia (the "**Government**") moved to guarantee all bank deposits in an effort to shore up confidence in the Malaysian financial system to curb potentially damaging capital outflows. BNM announced the guarantee for all local and foreign currency deposits from 16 October 2008 until 31 December 2010. With effect from 31 December 2010, the Malaysia Deposit Insurance Corporation Act 2011 (the "**2011 Act**") came into effect and replaced the 2005 Act.

The 2011 Act was enacted to implement an enhanced financial consumer protection package whereby, amongst other changes, the deposit insurance limit was increased to RM250,000 per depositor per member bank with such amount being inclusive of principal and interest. In addition, under the 2011 Act, foreign currency deposits will now benefit from deposit insurance protection.

A separate coverage for the same amount is provided for accounts held under joint ownership and trust accounts, sole proprietorships and partnerships. The list of deposit products covered under the 2011 Act is provided under the Bank's website.

Notwithstanding the aforesaid, the fact that not all deposits are insured up to their full amount could lead to or exacerbate liquidity problems, which, if severe, could have an adverse effect on AmBank's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally.

The Subordinated Notes to be issued under the Subordinated Notes Programme will not be entitled to protection under the 2011 Act.

3.2 Considerations Relating to AmBank

3.2.1 Political and Economic Factors

Political and economic conditions and developments in Malaysia as well as abroad could have a profound effect on the financial performance of AmBank. Adverse political and economic conditions or developments, such as an unstable political system, nationalisation and severe fluctuations in interest and currency exchange rates, create uncertainty and could discourage the free flow of investment capital and affect international trade, ultimately resulting in adverse developments in national economic activity. This, in turn, may have a material adverse impact on the financial performance of AmBank as a financial services provider. As a result of globalisation, economic or market problems in a single country or region are increasingly affecting other markets generally. A continuation of these situations could adversely affect global economic conditions and world markets and, in turn, could cause a chain reaction effect and thus adversely affect AmBank's businesses.

3.2.2 Changes in market conditions may have an adverse effect on AmBank's business, financial condition, and results of operations or prospects

The Malaysian economy is affected by changes in the global economic and market environment. Any widespread global financial instability may adversely affect the Malaysian economy, which could materially and adversely affect AmBank's business, financial conditions and results of operations or prospects. There can be no assurance that changes in market conditions will not adversely affect AmBank's business, financial condition, results of operations or prospects.

In addition, to the extent that any of AmBank's customers have been adversely affected by the changes in market conditions and the global credit and financial markets generally, the ability of such customers to service their debt obligations to AmBank may also be affected. If loans to these customers were to become impaired, this could adversely affect AmBank's business, financial condition, results of operations or prospects.

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3.2.3 Competition

Whilst the number of domestic banking institutions has been reduced over time through consolidation, the Malaysian banking industry operates in a very competitive environment fostered by the implementation by BNM of policies which has resulted in the liberalisation of the banking industry to allow greater presence of foreign conventional and Islamic banks as well as providing greater opportunities for banks to widen their scope of business beyond traditional commercial banking. On 26 June 2012, BNM, via its website, announced that applications for Islamic mega bank licences in Malaysia are market-driven and private sector-led. The rationale behind the issuance is to increase the international dimension of Islamic Finance in the Malaysian financial system and thus enhance Malaysia's global economic and financial inter-linkages with other parts of the world, in particular, with other emerging economies and international financial centres. The liberalisation of the banking industry has brought greater competition among banking institutions as foreign licensed banks and/or Islamic banks are now allowed to offer/perform products and services that are similar to those from the AmBank Group.

These measures will further intensify competition for the AmBank Group. Although these policies are designed, in part, to encourage development of financial institutions in Malaysia and to strengthen domestic financial institutions in preparation for increased foreign competition, any increased competition could have an adverse effect on AmBank Group's operations in the form of reduced margins, smaller market share and reduced income generally.

Although AmBank Group would plan for expansion and growth in future business volume, AmBank Group's future growth would inevitably be subject to competition from other service providers and also customer preference. As such, there can be no assurance that AmBank Group will be able to maintain or increase its present market share in the future.

The Competition Act 2010 ("**Competition Act**") which took effect on 1 January 2012, was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anticompetitive practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market. The scope of the Competition Act includes prohibitions of anti-competitive agreements and the abuse of dominant position.

There can be no assurance that AmBank Group's business and operations will be in full compliance with the Competition Act. Further, there can be no assurance that AmBank Group will be able to maintain or increase its present market share in the future or that increased competition will not materially and adversely affect AmBank Group's business, financial condition, and results of operations or prospects.

Although AmBank Group plans for expansion and growth in future business, AmBank Group's future growth will inevitably be subject to competition from other service providers as well as customer preference. As such, there can be no assurance that AmBank Group will be able to maintain or increase its present market share in the future.

3.2.4 A decline in AmBank's asset quality could adversely affect its business, financial condition, results of operations or prospects if its loan provisions are insufficient to cover its liabilities

AmBank's business, financial condition, results of operations or prospects could be adversely affected if AmBank's loan provisions are insufficient, the value of AmBank's collateral securing impaired loans declines, a material amount of AmBank's loans becomes uncollectible. A significant amount of AmBank's collateral is in the form of vehicles, which do not maintain their value due to depreciation. Any significant decline in AmBank's asset quality could adversely affect its business, financial condition, results of operations or prospects.

Although AmBank believes that it has adopted a sound asset quality management system and intends to maintain it, there is no assurance that the system will remain effective or adequate in the future.

3.2.5 AmBank may experience liquidity constraints as it is dependent on short-term funding

The funding requirements of Malaysian banks are primarily met through short-term funding, namely term deposits from customers and from other financial institutions. AmBank's experience is that a substantial portion of its customers' term deposits are rolled over upon maturity. However, no assurance can be given that this will continue in the future. If a substantial number of depositors, or a small number of large depositors, fail to roll over deposited funds upon maturity, AmBank's liquidity position could be adversely affected and AmBank may be required to seek alternative sources of short-term or long-term funding, which may be more expensive than deposits, to finance its operations. Furthermore, there can be no guarantee that AmBank will be able to obtain such funds.

3.2.6 AmBank's risk management system may be inadequate or ineffective in managing risks

As a banking institution covering activities that include retail, commercial and corporate banking, AmBank is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly divided into:

(a) Market risk, which is the risk of loss associated with changes in the value of portfolios and financial instruments caused by movements in market variables, such as coupon rates, foreign exchange rates and equity prices;

(b) Funding risk, which is the risk that AmBank is not able to fund its day-to-day operations at a reasonable cost;

(c) Credit risk, which is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations;

(d) Operational risk, which is 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; and

(e) Legal and regulatory risk, which is the risk of breaches of applicable laws and regulatory requirements, breaches of obligations of fidelity, unenforceability of counterparty obligations, and flawed/inappropriate documentation of contractual obligations.

Each of the business risks above has an implication on AmBank's financial condition and every transaction that AmBank undertakes is subject to, inter-alia, the abovementioned risks. AmBank's financial position may be adversely affected as a result of any of the risks operating on its own. For example, AmBank's investment position in certain assets may require a huge mark-down as a result of a slump in the market price of those assets, or AmBank may find that it will not be able to enforce a counterparty obligation due to flawed documentation.

Far more critical to AmBank's financial condition is a risk that has a 'chain reaction' effect whereby the operation of one risk leads to the operation of one or more other risks. For example, a market downturn may result in AmBank's customers incurring losses thus weakening their financial condition and triggering an increase in credit risks. Such increased credit risks may require AmBank to set aside additional loss provisions which could potentially affect AmBank's credit rating adversely thereby increasing liquidity risk. In an extreme case, the additional loss provisions (if large) may lead to AmBank breaching regulatory capital requirements.

To counter the business risks it faces, AmBank has put in place a risk management framework to manage uncertainties such that deviations from AmBank's intended objectives are kept within acceptable levels. The risk management framework thus serves to identify, capture and analyse the risks assumed by AmBank at an early stage, continuously measuring and monitoring the risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

However, the risk management framework as a whole may not always be fully effective as there may be risks that have not been anticipated or identified and certain risks may be significantly greater than indicated by historical data. Further, the data relied upon to formulate the risk management framework may not be accurate, complete, up-to-date or properly evaluated. The process to manage operational, legal and regulatory risks would require proper recording and verification of a large number of transactions and events. Such process may not be fully effective in all cases. Accordingly, any failure in the effectiveness of AmBank's risk management procedures could have a material adverse effect on AmBank's business, financial condition, results of operations or prospects.

A description of AmBank's risk management structure is set out in Section 6 of this IM.

3.2.7 Major shareholders may influence policies of AmBank

As of 30 September 2013, Amcorp and ANZ (via ANZ Funds) held 15.50% and 23.78%, respectively of the issued share capital of AMMB, which, in turn, holds 100% of the issued share capital of AmBank. As of 30 September 2013, TSAH, the Chairman/Non-Independent Non-Executive Director of AmBank held indirectly a 100% controlling interest in Amcorp. Based on these shareholding interests in Amcorp, AMMB and AmBank, each of these major shareholders may, to a certain extent, be able to exercise control over matters which require shareholders' approval. There can be no assurance that the corporate objectives and strategies of AmBank would not be substantially influenced by the policies of the shareholders. In the case of ANZ as a major shareholder, AmBank and such shareholder enjoy a strategic relationship which has been and is expected to continue to be of significant benefit to AmBank. If for any reason the nature or extent of ANZ's investment in AmBank were to change over time, there can be no assurance that AmBank would continue to benefit from this or any similar strategic relationship to the same extent.

3.2.8 Employee misconduct could adversely tarnish AmBank's image and affect its business, financial condition, results of operations or prospects

As with any business enterprise, AmBank is susceptible to the risks associated with acts of misconduct by its employees including directors. Acts of misconduct by employees may take various forms and could include misappropriation of AmBank's assets or the assets of its clients, concealment and/or wilful misstatement of its liabilities, unauthorised transactions and/or commitment of its resources, and breach of client confidentiality.

Acts of misconduct by employees would not only result in financial loss to AmBank but may also tarnish its image, which would bring about a loss of its stature in the market. Furthermore, acts of misconduct may also cover breaches of laws, regulations and guidelines, which, in extreme cases, could result in suspension and/or revocation of its banking and finance licences under FSA.

Whilst the risks of misconduct by employees, including directors, cannot be entirely eliminated, AmBank has in place internal control systems to check such misconduct and to take appropriate actions.

3.2.9 IT risk could affect AmBank's business, financial condition, results of operations or prospects

AmBank is susceptible to IT risk as large portions of its operational systems are computerised. However, AmBank has taken reasonable steps to reduce these risks, including the following:

(a) Adoption of an IT risk assessment and risk treatment model which is used to monitor and manage the critical information system risk;

(b) Adoption of an IT governance model which includes regular reviews by senior management;

(c) Formulation of an "Information and Communication Technology" plan which is reviewed annually to ensure continuous upgrading of critical IT application systems;

(d) Formulation and adoption of disaster recovery procedures and facilities for critical application areas which are tested on a regular basis; and

(e) Conduct of regular audits to ensure that appropriate mechanisms are in place and are being adopted for IT security and control.

3.2.10 Classification and Provisioning Policies for Impaired Loans

Following the convergence of all accounting standards with the International Financial Reporting Standards, the AMMB Group adopted the Malaysian Financial Reporting Standards framework for the financial year ended 2013. The AMMB Group now determines loans/financing collective assessment allowance based on estimated loan loss rates, which are computed using the ratio arising from the variance or shortfall between the discounted cash flow of the collateral and the exposure at default. Loans/financing that have been individually assessed for impairment and found not to be individually impaired are grouped for collective assessment of impairment

Although AmBank believes that its loan portfolio has been adequately provided for, no assurance can be given that the level of provisions would prove to be adequate or that AmBank would not have to make significant additional provisions for possible loan losses in the future.

3.2.11 Risk of possible future mergers and acquisitions within the banking industry

Given the consolidation of financial institutions in the domestic banking industry, there can be no assurance that the AMMB Group will not be affected by or involved in any mergers or acquisitions in the future or that successful implementation of any such mergers or acquisitions will be guaranteed or that such mergers or acquisitions will not have any adverse effect on the AMMB Group's and consequently, AmBank's business, financial condition, results of operations or prospects. In particular, if the AMMB Group makes a decision relating to any acquisition or merger in uncertain or highly competitive economic or market conditions or for a substantial consideration, such an acquisition or a merger may result in it being more risky or may cause a depletion of the resources of the AMMB Group, which could have an adverse effect on the business, financial condition and results of operations or prospects of AmBank.

3.2.12 Dependence on the AMMB Group for certain services

To operate its business, AmBank currently obtains certain services, including support services for its finance and risk functions, from other companies in the AMMB Group. If there are material interruptions in the supply of such services and AmBank is unable to obtain from alternative sources services of an acceptable quality in a timely and cost-effective manner, AmBank's operations may be affected, which may result in a loss of customers and income. There can be no assurance as to the availability of such services in the future.

3.3 Considerations Relating to the Subordinated Notes

3.3.1 Limited Events of Default and Right to Accelerate and Subordinated Obligations

There are only two (2) events of default prescribed under the terms of the Subordinated Notes:

(i) if the Issuer defaults in payment of any principal or coupon under that tranche on the due date and the Issuer does not remedy such default within a period of seven (7) business days after the Issuer became aware or having been notified by the Trustee of the default; or

(ii) an order is made for the winding-up of the Issuer and such order is not stayed or set aside within thirty (30) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for the winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the Subordinated Noteholders by way of a special resolution.

Upon the occurrence of item (i) above, subject to the terms of the Trust Deed of the Subordinated Notes, the Trustee may or shall (if directed to do so by a special resolution of the Subordinated Noteholders) institute proceedings to enforce the payment obligations under that tranche of Subordinated Notes and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Trustee nor any of the Subordinated Noteholders of that tranche shall have the right to accelerate payment of that tranche of Subordinated Notes in the case of such default in the payment of amount owing under that tranche of Subordinated Notes or any default in the performance of any condition, provision or covenant under that tranche of Subordinated Notes or the Trust Deed of the Subordinated Notes.

Upon the occurrence of item (ii) above, subject to the terms of the Trust Deed of the Subordinated Notes, the Trustee may or shall (if directed to do so by a special resolution of the Subordinated Noteholders) declare (by giving written notice to the Issuer) that the Subordinated Notes together with all other sums payable under the Subordinated Notes shall immediately become due and payable at their nominal value together with the accrued but unpaid coupon (if any) notwithstanding the stated maturity of the Subordinated Notes.

For avoidance of doubt, the occurrence of an event of default (i) above for any tranche of the Subordinated Notes will not trigger the event of default for any other tranches of the Subordinated Notes outstanding. However, occurrence of event of default (ii) above will trigger an event of default for all tranches of the Subordinated Notes outstanding.

Upon the occurrence of a winding-up and liquidation of AmBank, all payments for the principal amount of, and coupon payable on, the Subordinated Notes will be subordinated in right of payment to the prior payment in full of all deposits and other liabilities of the Issuer (including liabilities of all offices and branches of the Issuer wherever located) and any payment obligations (whether subordinated or unsubordinated) of AmBank that rank senior to the Subordinated Notes, except in each case those liabilities which by their terms rank equally with or junior to the Subordinated Notes. In such event, the Subordinated Noteholders may recover less than the holders of deposit liabilities or the holders of other unsubordinated and subordinated liabilities of AmBank, which rank senior to the Subordinated Notes.

As there is no precedent for the winding-up of a major financial institution in Malaysia, there is uncertainty as to the manner in which such proceeding would occur and the results thereof. Also, please refer to Section 3.5 below of this IM. Although the Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should AmBank become insolvent and is wound-up.

3.3.2 Subordinated Notes may be subject to Early Redemption by the Issuer

For each tranche of the Subordinated Notes, the Subordinated Notes may be redeemed at the option of the Issuer under Call Option, Regulatory Redemption or Tax Redemption (as defined in Section 2 of this IM) at the Redemption Amount (as defined in Section 2 of this IM), subject to the Redemption Conditions (as defined in Section 2 of this IM) being satisfied.

3.3.3 Liquidity of the Subordinated Notes

The Subordinated Notes will constitute a new issue of securities by the Issuer with no established trading market. No assurance can be given as to whether an active or liquid trading market for the Subordinated Notes will develop or if a trading market does develop, that it will provide investors with liquidity of investments or that the liquidity will continue for the tenure of the Subordinated Notes Programme. Furthermore, no assurance can be given as to the market prices for the Subordinated Notes.

3.3.4 A downgrade in rating may affect the liquidity and market price of the Subordinated Notes

RAM Ratings has assigned a long term rating of AA_3 for the Subordinated Notes under the Subordinated Notes Programme. There can be no assurance that the rating will remain in effect for any given period or that the rating will not be revised by RAM Ratings in the future if, in their judgement, circumstances so warrant. Any downgrade or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Subordinated Notes but would not constitute an event of default or an event obliging the Issuer to prepay the Subordinated Notes.

3.3.5 There are no terms in the Subordinated Notes that limit the Issuer's ability to incur additional indebtedness, including but not limited to any indebtedness that are secured or ranks senior to or equally with the Subordinated Notes

There are no restrictions on the amount or number of other securities or any other form of indebtedness that AmBank may issue which are secured or rank senior to or pari passu with the Subordinated Notes. The creation and issue of further securities or any other form of indebtedness that are secured or which rank senior to or pari passu with the Subordinated Notes does not require the consent of the Subordinated Noteholders. The issue of such securities and/or incurrence of such indebtedness may reduce the amount recoverable by the Subordinated Noteholders in the event of dissolution or winding-up of AmBank.

3.3.6 Issuer's ability to meet its obligations under the Subordinated Notes

The Subordinated Notes constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and are payable out of the revenue generated by the business operations of the Issuer and thus will not be the obligations or responsibilities of any person other than the Issuer. The ability of the Issuer to meet its obligations to pay the relevant principal or coupon of the Subordinated Notes will largely be dependent on the revenue generated by its operations.

3.3.7 Loss Absorption

Upon the occurrence of a Trigger Event (as defined below), the Issuer is required to give notice to the Subordinated Noteholders and RAM Ratings in accordance with the terms of the respective Subordinated Notes, that as of the relevant write-off date, the write-off shall extinguish the claim of the Subordinated Notes in liquidation, which will mean that the holders of the Subordinated Notes written-off will be automatically deemed to irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the respective Subordinated Notes written-off, the amount re-paid when a call option is exercised and coupon payments on the respective Subordinated Notes written-off.

The write-off shall be permanent and the full principal amount of the Subordinated Notes together with all unpaid coupons thereon that are or would be payable upon the relevant maturity date, an early redemption or the occurrence of an Event of Default mentioned under Section 3.3.1 (ii) above of the IM will automatically be written-off and such Subordinated Notes and coupons will be immediately and fully cancelled as of such write-off date.

The write-off of the respective Subordinated Notes will not, however, constitute an event of default or trigger cross-default clauses; and BNM has the option to require the entire principal amount of the Subordinated Notes outstanding, or a part thereof, and all other amount owing under the Subordinated Notes Programme, to be written off.

A Trigger Event is the earlier occurrence of either:

(i) BNM and PIDM notifying the Issuer in writing that BNM and PIDM are of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or

(ii) BNM and PIDM publicly announce that a decision has been made by BNM, PIDM, or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable.

In assessing whether the Issuer would cease to be viable, BNM may consider, amongst others, any of the following circumstances exist ("**Non-Viability Event**") in respect of the Issuer:

(1) the Issuer fails to follow any directive of compliance issued by BNM, which is necessary to preserve or restore its financial soundness;

(2) the Issuer fails to meet all or any of its financial obligations as they fall due, that may significantly impair its capital position;

(3) the capital of the Issuer has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public, and the Issuer is unable to re-capitalise on its own;

(4) the Issuer's assets are insufficient to provide protection to its depositors and creditors;

(5) the Issuer has lost the confidence of depositors and the public; or

(6) any other state of affairs exists in respect of the Issuer that would put the interest of the depositors or creditors of the Issuer at risk.

For the avoidance of doubt, BNM shall have the full discretion to elect not to require a write-off when the Issuer has ceased, or is about to cease, to be viable or when a capital injection or equivalent support has been provided. Even if the option is not exercised, the Subordinated Noteholders may still be exposed to losses from the resolution of the Issuer.

Notwithstanding the powers of BNM, the Subordinated Notes will under no circumstances be converted into equity of the Issuer and will have to absorb losses pursuant to the terms specified herein.

3.4 AmBank may be required to raise additional capital if its capital adequacy ratios deteriorate in the future or in order to comply with any prevailing regulatory capital framework, but may not be able to do so on favourable terms or at all

On 17 December 2009, the Basel Committee on Banking Supervision (the "**BCBS**") proposed a number of fundamental reforms to the regulatory capital framework. On 16 December 2010, BCBS released two (2) documents entitled "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" and "Basel III: International Framework for Liquidity Risk Management, Standards and Monitoring" and on 13 January 2011 issued a press release entitled "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" (collectively "**Basel III**"). The BCBS's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2% (before the application of regulatory adjustments) to 4.5% (after the application of stricter regulatory adjustments) of risk weighted assets. The total Tier 1 capital requirement will increase from 4% to 6% of risk weighted assets. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7% of risk weighted assets. If there is excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical buffer within a range of 0.0% to 2.5% of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. Furthermore, systemically important banks should have loss-absorbing capacity beyond these standards. The Basel III reforms also require Tier 1 and Tier 2 capital instruments to be more loss-absorbing.

Pursuant to BNM's Capital Adequacy Framework (Capital Components) guidelines issued on 28 November 2012, which are derived from internationally-agreed standards on capital adequacy promulgated by the BCBS and established by the Bank for International Settlements ("**BIS**"), BNM requires all banks in Malaysia to have minimum Common Equity Tier 1 capital ratio ("**CET1**") of 4.5%, a Tier 1 capital ratio of 6.0% and a Total Capital ratio of 8.0% by January 2015 (with the requirement that commencing from calendar years 2013, 2014 and 2015, the minimum levels of CET1 are 3.5%, 4.0% and 4.5% respectively, whereas the minimum levels of the Tier 1 capital ratio are 4.5%, 5.5% and 6.0% respectively) which would result in the Bank being required to increase the minimum quantity and quality of capital which it is obliged to maintain. The capital requirements would be supplemented by a leverage ratio, a liquidity coverage ratio and a net stable funding ratio. In addition, such banks will be required to maintain a capital conservation buffer based on a percentage of total risk weighted assets, being 0.625% in calendar year 2016, 1.25% in calendar year 2017, 1.875% in calendar year 2018 and 2.5% in calendar year 2019. Separately, such banks will be required to maintain a countercyclical capital buffer ranging between 0.0% and 2.5% of total risk weighted assets subject to scaling factors of 25% in calendar year 2016, 50% in calendar year 2017, and 75% in calendar year 2018.

As at 30 September 2013, AmBank's Common Equity Tier 1 capital ratio after proposed dividends was 8.8%, and its Total Capital ratio after proposed dividends was 14.4%. On a group basis, AmBank Group's Common Equity Tier 1 capital and Total Capital ratios were 8.9% and 14.5% respectively.

AmBank's capital base and capital adequacy ratios and when applicable, required capital buffers, may deteriorate in the future if its results of operations or financial condition deteriorate for any reason, including as a result of any deterioration in the asset quality of its loans, or if AmBank is not able to deploy its funding into suitably low-risk assets. If any of AmBank's capital adequacy ratios and when applicable, required capital buffers, deteriorates, it may be required to obtain additional Tier 1 or Tier 2 capital in order to remain in compliance with the applicable capital adequacy guidelines. However, AmBank may not be able to obtain additional capital on favourable terms, or at all. There is no assurance that AmBank will not face increased pressure on its capital in the future to comply with Basel III standards which may have an adverse effect on AmBank's business, financial condition, and results of operations or prospects.

3.5 Winding-up of the Issuer

Under the Section 195 of the FSA, no application for the winding-up of a licensed person (i.e., a licensed bank, which includes the Issuer), an operator of a payment system or an approved person (as defined at Section 11 of the FSA) can be presented to the High Court without the prior written approval of BNM.

In addition, a copy of such an application to the High Court must also be delivered to BNM at the same time as it is presented to the High Court. Failure to comply with such requirements is an offence and a person convicted of such offence is liable to imprisonment and/or a fine.

3.6 Forward-Looking Statements

Certain statements in this IM are forward-looking in nature. These statements include, among others, discussions of AmBank's business strategies and expectations concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All forward-looking statements are based on estimates and assumptions made by AmBank and third party consultants that, although believed to be reasonable at the time such estimates and assumptions are made, are subject to risks and uncertainties which may cause actual events and the future results of AmBank to be materially different from that expected or indicated by such statements and no assurance can be given that any such statements will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this IM should not be regarded as a representation or warranty by AmBank or any other person that the plans and objectives of AmBank will be achieved.

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4. DESCRIPTION OF THE ISSUER

4.1 History and Background Information on AmBank

AmBank was incorporated in Malaysia under the Companies Act on 25 March 1969 as a public limited company under the name of Malaysia Borneo Finance Corporation (M) Berhad (“**MBFC**”). MBFC was listed on the Main Board of the stock exchange now known as Bursa Malaysia Securities Berhad on 8 June 1983 and changed its name to MBf Finance Berhad (“**MBf Finance**”) on 19 December 1985.

Pursuant to a restructuring scheme, MBf Finance became a wholly-owned subsidiary of MBF Capital Berhad (“**MBf Capital**”), with MBf Capital assuming the listing status of MBf Finance. MBf Capital was listed on the Main Board of Bursa Securities in place of MBf Finance effective from 15 January 1993 and consequently MBf Finance was delisted.

On 20 December 2001, Arab-Malaysian Finance Berhad (now known as AMFB, a wholly-owned subsidiary of AMMB) acquired 100% of MBf Finance. MBf Finance then changed its name to AmFinance Berhad before assuming its present name, AmBank (M) Berhad, on 1 June 2005.

On 28 February 2011, as part of AMMB Group's ongoing capital management strategy and an internal reorganisation exercise relating to the shareholding structure of AMMB’s banking subsidiaries, AMMB acquired the 100% equity interest held by AmBank in AmIslamic, resulting in AmIslamic no longer being a subsidiary of AmBank. Subsequently on 4 October 2012, AMMB completed the acquisition of the 100% equity interest of AmBank from AMFB. To date, AmBank remains a wholly-owned subsidiary of AMMB.

AmBank is a licensed bank and finance company under FSA and it provides banking and financial services which include loans, advances, deposit services, credit cards, remittance services and foreign exchange.

As at 30 September 2013, the authorised share capital of AmBank was RM3,886,250,002.00 divided into 1,386,250,002 ordinary shares and 2,500,000,000 irredeemable non-cumulative convertible preference shares of RM1.00 each, of which RM820,363,762.00 comprising 820,363,762 ordinary shares of RM1.00 each had been issued and fully paid-up.

4.2 Business Overview

As at 30 September 2013, AmBank had an unaudited consolidated total assets of RM86.0 billion, loans and advances of RM60.1 billion, customer deposits of RM65.7 billion and shareholders’ funds of RM6.7 billion. AmBank is engaged in a wide range of retail banking, business banking, corporate and institutional banking, transaction banking and markets activities. AmBank’s retail banking provides a comprehensive range of banking products and related financial services to retail customers (such as auto financing, mortgage, deposits, asset financing and small business, credit cards, personal financing and other consumer loans). Business banking partners with SMEs and corporate customers by tailoring financial packages to suit their domestic and international financial needs. Corporate and Institutional Banking focuses on strengthening relationships with a diversified base of client groups across the wholesale banking services platform. Its client base consists of government linked corporations, government and state owned public entities, multinationals, conglomerate and public listed corporates. The wholesale banking services platform facilitates the integration of AMMB Group suite of products and solutions to meet clients’ financial needs, while leveraging on AMMB Group’s strategic partner, ANZ connectivity for cross border businesses. Currently, AmBank’s distribution network comprises 190 branches (including 3 dedicated Islamic banking branches), 1,387 SSMs and 167 self-service EBCs in Malaysia.

The AMMB Group was the sixth (6th) largest financial services group in Malaysia in terms of total assets of RM129.0 billion (based on the published financial results of both domestic and foreign financial services groups in Malaysia) as at 30 September 2013. Through AMMB Group's universal banking platform, AMMB offers both conventional and Islamic financial services, and covers activities across Retail Banking, Business Banking, Transaction Banking, Corporate and Institutional Banking, Investment Banking, Markets, General Insurance, Life Assurance and Family Takaful. AMMB controls 100.0% of the share capital of AmBank.

On 3 December 2012, AMMB acquired MBF Cards (Malaysia) Sdn. Bhd. ("**MBF Cards**"). The transaction involved the acquisition of MBF Cards' card issuing and merchant acquiring businesses under Visa, MasterCard, Japan Credit Bureau and China Union Pay licences, bill payments and MBF Cards' ownership of 33.3 per cent in BonusKad Loyalty Sdn. Bhd. The AMMB Group transferred MBF Cards' assets to the Group with effect from 1 July 2013.

The combined customer pool and expanded merchant acquiring business facilitates cross-selling of products and services, and accords the Group full control over the line of credit business model.

4.3 Australia and New Zealand Banking Group Limited ("ANZ")

On 26 April 2007, AMMB obtained the approval of its shareholders at an EGM for its proposed strategic partnership with ANZ by way of ANZ's equity participation via ANZ Funds, in the AMMB Group. As at 30 September 2013, the shareholding of ANZ Funds in AMMB is 23.78%.

ANZ has three (3) representatives on the board of directors of AMMB along with representations on the various management and board committees of AmBank. ANZ's equity investment provides ANZ with the opportunity to nominate senior management appointments to the AMMB Group. Current key senior management nominees by ANZ include the Chief Financial Officer, Chief Risk Officer and Chief Operations Officer.

ANZ began its operations in Australia in 1835 and is currently one of the four (4) major banking groups headquartered in Australia. It is an international banking and financial services group which is ranked amongst the top 20 banks in the world. ANZ has a presence in over 33 countries, with its primary operations in Australia, New Zealand and the Asia Pacific. ANZ has a strong franchise in retail, commercial and institutional banking in its home markets of Australia and New Zealand.

As at 30 September 2013, ANZ had total assets of 703.0 billion Australian Dollars (AUD) and total shareholders' equity of 45.6 billion Australian Dollars (AUD), on a consolidated group basis. ANZ's goal is based on its belief that the future of its home markets of Australia and New Zealand is increasingly linked to the fast growing region of Asia through trade, capital and wealth flows. By building a super-regional bank, ANZ can better serve its customers and achieve superior financial returns over the longer term. It aspires to have 25 to 30 per cent of group profit after tax sourced from Asia Pacific, Europe and America by 2017.

The AMMB Group's strategic partnership with ANZ has created further market growth opportunities, given ANZ's exposure to international products, banking systems as well as cross border capabilities in Asia. By leveraging on ANZ's capabilities in risk management, retail banking and business banking, product innovation, branding, IT infrastructure, training and development of personnel, AmBank aims to entrench its position as a premier financial institution providing innovative products and services to its customers.

4.4 Corporate Information

4.4.1 Registered Office and Principal Place of Business

The registered office of AmBank is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia while its principal places of business are Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur and Menara Dion, Jalan Sultan Ismail, 50250 Kuala Lumpur.

4.4.2 Share Capital and Changes in Share Capital

Share Capital

The authorised and issued and fully paid-up share capital of AmBank as at 30 September 2013 are as follows:

Type	Number of Shares	Par value (RM)	Total (RM)
Authorised			
Ordinary shares	1,386,250,002	1.00	1,386,250,002
Irredeemable non-cumulative convertible preference shares	2,500,000,000	1.00	2,500,000,000
			3,886,250,002.00
Issued and fully paid-up			
Ordinary shares	820,363,762 ordinary shares	1.00	820,363,762.00

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4.4.3 Substantial Shareholders

As at 30 September 2013, the substantial shareholders of AmBank and their respective shareholding are as follows:

Substantial Shareholders	No. of ordinary shares directly held	% of direct share holdings	No. of ordinary shares indirectly held	% of indirect share holdings
AMMB	820,363,762	100%		
TSAH	-	-	820,363,762*	100
Amcorp	-	-	820,363,762*	100
Clear Goal Sdn Bhd	-	-	820,363,762*	100
ANZ Funds	-	-	820,363,762*	100
ANZ	-	-	820,363,762*	100

*Note: * Deemed interested by virtue of his/its subtantial interests in AMMB.*

4.5 Information on Directors and Senior Management

4.5.1 Board

The members of the Board as at 30 September 2013 are as follows:

Name / Designation	Date of appointment	Nationality
TSAH *(Chairman, Non-Independent Non-Executive Director)*	20.12.2001	Malaysian
Cheak Tek Kuang *(Deputy Chairman, Non-Independent Non-Executive Director)*	20.12.2001	Malaysian
Tun Mohammed Hanif bin Omar *(Non-Independent Non-Executive Director)*	20.12.2001	Malaysian
Tan Sri Datuk Clifford Francis Herbert *(Independent Non-Executive Director)*	01.10.2005	Malaysian

Name / Designation	Date of appointment	Nationality
Dato' Gan Nyap Liou @ Gan Nyap Liow *(Independent Non-Executive Director)*	15.06.2006	Malaysian
Chin Yuen Yin *(Independent Non-Executive Director)*	01.11.2010	Malaysian
Loh Chen Peng *(Independent Non-Executive Director)*	20.05.2013	Malaysian
Christopher Robin Page* *(Non-Independent Non-Executive Director)*	20.06.2012	British
Ashok Ramamurthy *(Chief Executive Officer, Non-Independent Executive Director)*	18.11.2008	Australian

* *as at the date of this Information Memorandum, Mr Christopher Robin Page has since resigned from the Board*

4.5.2 Directors' Shareholdings

As at 30 September 2013, the Directors' shareholdings in AmBank are as follows:

Name	Directors' Shareholdings	
	No. of Shares held as at 30 September 2013	
	Direct (%)	Indirect (%)
Tan Sri Azman Hashim	-	820,363,762# (100%)
Cheah Tek Kuang	-	-
Tun Mohammed Hanif bin Omar	-	-
Tan Sri Datuk Clifford Francis Herbert	-	-
Dato' Gan Nyap Liou @ Gan Nyap Liow	-	-
Chin Yuen Yin	-	-
Loh Chen Peng	-	-
Christopher Robin Page*	-	-
Ashok Ramamurthy	-	-

Note:

\# *Deemed interested by virtue of his substantial interests in AMMB*

* *as at the date of this Information Memorandum, Mr Christopher Robin Page has since resigned from the Board*

4.5.3 Directors' Profiles

The Directors of the Issuer and their respective profiles as at 30 September 2013 are as follows:

Y Bhg Tan Sri Azman Hashim

Tan Sri Azman Hashim, a Malaysian, aged 74, was appointed to the Board on 20 December 2001. Tan Sri Azman has been the Chairman of AMMB, the holding company of AmBank, since 1991. He is the Non-Independent Non-Executive Chairman of AMMB.

Tan Sri Azman is also the Chairman of the board of several subsidiaries of AMMB, namely AmInvestment Bank, AmIslamic, AmGeneral Insurance Berhad (formerly known as Kurnia Insurans (Malaysia) Berhad), AmLife Insurance Berhad, AmFamily Takaful Berhad, AmGeneral Holdings Berhad (formerly known as AmG Insurance 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 BNM 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.

Tan Sri Azman is the Executive Chairman of Amcorp Group Berhad and RCE Capital Berhad, and Chairman of 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, i.e., 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 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 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 BNM International Centre for Education in Islamic Finance (INCEIF) and the Asian Banking School Sdn Bhd.

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Mr Cheah Tek Kuang

Mr Cheah Tek Kuang, a Malaysian, aged 66, was appointed to the Board on 20 December 2001. Mr Cheah is currently the Deputy Chairman of AmBank and AmInvestment Bank.

Mr Cheah joined AmInvestment Bank in 1978 and held various senior positions. In 1994, he was promoted to Managing Director, and he was the Group Managing Director of AmInvestment Bank from January 2002 to December 2004 before assuming the office of Group Managing Director in AMMB from January 2005 until his retirement in April 2012. He remains as a Non-Independent Non-Executive Director of AmInvestment Bank and AmIslamic.

Mr Cheah is the Chairman of Berjaya Sports Toto Berhad and his directorships in other public companies include Cagamas Holdings Berhad, IOI Corporation Berhad, UMW Oil & Gas Corporation Bhd, Danajamin Nasional Berhad and the Malaysian Institute of Art. He is a member of the Investment Panel of Retirement Fund Incorporated (Kumpulan Wang Persaraan).

Mr Cheah has a Bachelor of Economics (Honours) degree from the University of Malaya and is a Fellow of the Institute of Bankers Malaysia.

Y A Bhg Tun Mohammed Hanif Bin Omar

Tun Mohammed Hanif bin Omar, a Malaysian, aged 74, was appointed to the Board on 20 December 2001.

Tun Mohammed Hanif is also a board member of AMMB and several of its subsidiaries, namely AmIslamic, AmInvestment Bank and AMFB Holdings Berhad. He is currently the Deputy Executive Chairman of Genting Berhad and Genting Malaysia Berhad. 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 was the Inspector-General of the Royal Malaysia Police for 20 years until his retirement in January 1994.

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.

Y Bhg Tan Sri Datuk Clifford Francis Herbert

Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 71, was appointed to the Board on 1 October 2005. He is a board member of AMMB and its subsidiaries, namely, AmInvestment Bank and AmIslamic.

Tan Sri Datuk Herbert is also currently a board member of Genting Malaysia Berhad, Shell Refining Company (Federation of Malaya) Berhad 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, BNM, the SC 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 Masters of Public Administration from University of Pittsburgh, USA, and a Bachelor of Arts (Honours) from the University of Malaya.

Y Bhg Dato' Larry Gan Nyap Liou @ Gan Nyap Liow

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow, a Malaysian, aged 58, was appointed to the Board on 15 June 2006. He is also a board member of AMMB and its subsidiary, AmIslamic.

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 board of Tanjong Public Limited Company, Saujana Resort (M) Berhad, Tropicana 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 Chin Yuen Yin

Mr Chin Yuen Yin, a Malaysian, aged 65, was appointed to the Board on 1 November 2010.

Mr Chin sits on the board of various subsidiaries of AMMB, namely AmIslamic, AmGeneral Insurance Berhad (formerly known as Kurnia Insurans (Malaysia) Berhad), AmLife Insurance Berhad and AmGeneral Holdings Berhad (formerly known as AmG Insurance Berhad). He is also a director in SBP (Bungalows) Homeowners Berhad.

Mr Chin has more than 40 years of experience in the banking industry and began his career with Standard Chartered Bank Malaysia where he was employed from 1970 to 1992, having held various positions in corporate banking, branch sales and services and retail banking. Mr Chin moved on to Indonesia as an Advisor to a local bank and returned to Malaysia in early 1994 to join Hong Leong Bank during which he set up the Personal Bank Division (Retail Banking Division).

Subsequently, Mr Chin joined OCBC Bank as the Head, Global Consumer Banking based in Singapore. After leaving OCBC Bank he had a stint as a Consultant with Texas Pacific Group, an American private equity company based in Fort Worth, Texas. It was in this connection that he became a Director of Bank Thai in Thailand as well as the Chairman of Retail Banking. Bank Thai was later acquired by CIMB Bank Berhad and he served as the Acting Chief Executive Officer during the transition period, pending the bank's appointment of a Thai Chief Executive Officer.

Mr Chin has a Bachelor of Economics (Honours) degree from the University of Malaya and holds a Masters in Business Administration from University of Hull. Mr Chin is also a Fellow of the Chartered Institute of Marketing.

Mr Loh Chen Peng

Mr Loh Chen Peng, a Malaysian, aged 59, was appointed to the Board on 20 May 2013.

Mr Loh sits on the board of various subsidiaries of AMMB, namely AmFamily Takaful Berhad, AmInvestment Bank and AmBank. He is also a board member of Berjaya Auto Berhad and Berjaya Media Berhad.

Mr Loh had previously been with AMMB's group of companies for 13 years, starting his career in AmInvestment Bank back in 1980 as a Group Accountant and held various senior management positions in the areas of corporate finance and corporate banking.

Prior to joining the AmInvestment Bank, he was with Deloitte Kassim Chan for 5 years starting with the audit arm with his last position being Head of Insolvency Department.

Subsequently, Mr Loh joined Inter Pacific Securities Sdn Bhd as its Chief Operation Officer. He was a Founder Director of Phileo Allied Bank Berhad and was principally responsible for setting up its operations.

He is a Member of the Malaysian Institute of Certified Public Accountants (MICPA).

Mr Christopher Robin Page

Mr Christopher Robin Page, a British and Australian national, aged 62, was appointed to the Board on 20 June 2012. He also sits on the boards of AmInvestment Bank and AmIslamic.

Mr Page has been a career banker for almost 40 years with his most recent role being the Chief Risk Officer for ANZ where he was responsible for the bank's global risk management infrastructure, overseeing the global Credit, Market and Operational Risk and Compliance teams and the Portfolio Management units, strategies, policies and processes.

Following Mr Page's semi-retirement in December 2011, he established his consultancy business, Earnest Knight and Company Pty Ltd where he provides specialist industry advice as required. In addition to his consultancy business, he has also joined the boards of a number of ANZ's partnership banks in Asia.

Prior to joining ANZ, Mr Page spent 34 years with The Hongkong & Shanghai Banking Corporation (HSBC) in a number of risk management roles based in Asia, Europe and North and South America.

In his role at HSBC as Chief Credit Officer for Asia Pacific, he was responsible for risk management activities across more than 20 countries, Basel II implementation and providing technical service programmes for HSBC’s partner banks in China.

From 2005 to 2007, Mr Page was also the Chairman of the British Chamber of Commerce in Hong Kong.

Mr Page was educated in the United Kingdom and holds a degree in Chinese Studies from Leeds University.

As at the date of this Information Memorandum, Mr Christopher Robin Page has since resigned from the Board.

Mr Ashok Ramamurthy

Mr Ashok Ramamurthy, an Australian, aged 51, was appointed to the Board on 18 November 2008 and is currently the Chief Executive Officer of AmBank.

He is the Group Managing Director and a board member of AMMB. He also sits on the board of several subsidiaries of AMMB, namely AmInvestment Bank, AmIslamic and AmLife Insurance Berhad. He joined AMMB as the Chief Financial Officer (“CFO”) in July 2007 and was subsequently appointed the Deputy Group Managing Director and CFO in October 2008.

Prior to his appointment as Group Managing Director of AMMB, Mr Ramamurthy worked with ANZ for approximately 23 years, across multiple geographies including New Zealand, Australia, India and Malaysia. His functional expertise is built around finance at the core, and is 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.

4.5.4 Key Management

Mr Ashok Ramamurthy
Group Managing Director of AMMB Group and Chief Executive Officer of AmBank

Datuk Mohamed Azmi Mahmood
Deputy Group Managing Director of AMMB Group

Dato’ James Lim Cheng Poh
Managing Director, Business Banking

Ms Puspha Rajadurai
Managing Director, Wholesale Banking Coverage (as at the date of this IM)
(previously Managing Director, Corporate & Institutional Banking)

Mr Paul David Lewis
Managing Director, Retail Banking

Ms Mandy Simpson
Group Chief Financial Officer

Mr Nigel Christopher William Denby
Group Chief Risk Officer

Pn Fauziah Yacob
Group Chief Human Resource Officer

Mr Thein Kim Mon
Group Chief Internal Auditor

Mr Charles Tan Keng Lock
Group Chief Information Officer

Mr Ross Neil Foden
Group Operations Officer

Mr Tan Chin Aun
Senior General Manager, Transaction Banking

4.6 AmBank's Businesses

As at the date of this IM, AmBank's business is divided into five (5) business divisions, namely (i) Retail Banking; (ii) Business Banking; (iii) Corporate and Institutional Banking; (iv) Transaction Banking; and (v) Markets.

As at 30 September 2013, the Retail Banking division contributed approximately 57.1% of AmBank's net loans and advances.

4.6.1 Retail Banking

AmBank's Retail Banking provides the following key services and products:

- auto financing;
- mortgages;
- credit cards and line of credit;
- bancassurance and wealth management (including investment products and insurance products);
- deposits (savings account, demand deposits and fixed term deposits, "AmBank-ANZ Get Set" and "AmBank @ Work"); and
- asset financing and small business (including leasing and equipment financing).

The Retail Banking division serves more than four million (4,000,000) customer accounts through its extensive distribution network of branches, ATMs, CDMs, CQMs, EBCs, a 24-hour customer contact centre, mobile banking and internet banking services. AmBank's retail assets (defined as loans to individuals for purchase of transport vehicles, purchase of residential properties, credit cards receivables and leasing of equipment) were RM32.4 billion as at 30 September 2013, an increase of 1.6% compared with the previous financial year due to an increase in the size of the loans portfolio.

During the half-year ended 30 September 2013, Retail Banking division revenues totalled RM1,177.1 million, an increase of 10.3% compared with the previous financial period, primarily as a result of a stable retail asset base. As at 30 September 2013, net loans and advances provided by the Retail Banking division totalled RM34.3 billion, an increase of 3.8% compared with the previous financial period.

AmBank has rolled out the sales and service centres model to integrate its bancassurance and branch network to improve performance and efficiency and to focus on both sales and service at all branches. Personal banking officers have also been placed at branches to offer the full range of retail banking products.

Auto Financing

As at 30 September 2013, the Group had RM15.3 billion in loans outstanding in the purchase of transport vehicles sector, representing a market share of approximately 16% (according to BNM official statistics based on AMMB Group). The following table sets out the Group's vehicle financing portfolio as at the dates indicated.

	As at 1 April 2011	As at 31 March	
		2012	2013
	(RM billion)	(RM billion)	(RM billion)
Loans for purchase of transport vehicles	16.7	15.0	15.3

The Group has historically focused on financing for new cars. Since 30 September 2013, financing for new cars has represented 66.6% of the auto financing unit's total loans (31 March 2013: 66.4%). The Group has established relationships with over 3,000 new, used and reconditioned vehicle dealers in Malaysia. The Group also has strategic alliances with all of the major car manufacturers and car distributors in Malaysia so as to increase growth in, and diversify, its vehicle financing portfolio, including amongst others, Honda Malaysia Sdn. Bhd., Mercedes-Benz Malaysia, Naza Group of Companies, Perodua Sales Sdn. Bhd., Proton Edar Sdn. Bhd., the Sime Darby Automotive Group and UMW Toyota Motor Sdn. Bhd. In 2012, the Group entered into 18 promotional campaigns with, among others, Honda Malaysia Sdn. Bhd., Naza Kia Malaysia Sdn. Bhd., Perodua Sales Sdn. Bhd., Proton Edar Sdn. Bhd., Tan Chong Group and Sime Darby Auto Connexion.

In 2011 the Group also formed a strategic alliance with "MyEG" (the electronic Malaysian government services portal) to enable customers to renew their road tax at Group branches or over the phone using the Group's Auto Express renewal service. The Group is one of two providers of this service within the Malaysian banking industry and has 37 MyEG kiosks placed in strategically situated branches.

Auto financing can be offered on a fixed or floating rate basis, generally secured by the vehicle being purchased and typically has a term of three (3) to seven (7) years (with a maximum of nine (9) years).

In June 2004, the Group's auto financing operations and fulfilment department obtained the ISO 9001 certifications from the Department of Standards Malaysia, the United Kingdom Accreditation Service and the *Comité Francais d'Accréditation*, for auto financing processing, documentation, disbursement and customer service. In June 2007, the Group won the Excellence in Automobile Lending Award for the Asia Pacific and Persian Gulf Region at the Sixth Asian Banker Excellence in Retail Financial Services Awards, the highest accolade ever awarded to a Malaysian vehicle financier. This award recognised the Group's commitment to building business franchises that are sustainable, competitive and profitable. In 2008, the Group was selected as the Frost & Sullivan Malaysian Automotive Finance Company of the Year, recognising the Group's contribution and achievement in the Malaysian automotive financing industry.

The Group employs an automated credit scoring system as part of its ongoing efforts to improve credit risk management. In addition, it aims to continuously improve its risk management scorecards and credit scoring capabilities to offer customers differential interest rates according to their credit profile. The Group continues to reinforce its presence in the vehicle financing market through marketing initiatives, participation in roadshows and sales promotions with vehicle distributors and dealers throughout Malaysia.

As part of the efforts to improve the overall profitability of the auto financing business, in August 2007 the Group engaged a consulting firm to review the overall business model for its vehicle financing business. The review was completed in March 2008 and identified profitable and loss-making segments, as a result of which, action plans were drawn up to strengthen the profitability of the Group's auto financing business. The key recommendations included concentrating growth in the profitable segments, exiting the worst loss-making segments, improving the credit scoring model, restructuring roles and responsibilities and target setting units, executing cost targets, introducing new pricing models and decision governance structures. As at the date of this IM, these key recommendations have largely been implemented.

Mortgages

In the residential mortgages segment, the Group had an approximate 4.0% market share (based on AMMB Group) as at 30 September 2013 with loan assets of RM13.0 billion, based on figures published by BNM of residential property purchases. The table below sets out the Group's residential property financing portfolio as at the dates indicated.

	As at 1 April 2011	**As at 31 March**	
		2012	**2013**
	(RM billion)	**(RM billion)**	**(RM billion)**
Loans for residential property	11.5	12.0	12.5

The Group's residential property loans normally have terms of between 15 and 30 years, with a maximum tenure of 40 years. Residential property loans are typically variable rate for the life of the loan, and are secured by a registered charge on the property being financed. Interest on residential property loans is calculated either on a daily or monthly basis.

The Group's marketing activities in relation to mortgages include product-bundling initiatives and active participation in sales launches and major property expositions, such as the Malaysia Property Expo (MAPEX, which is organised annually by the Real Estate and Housing Developers' Association in Malaysia). The Group also has strategic alliances with the state governments of Sabah and Selangor, in Malaysia for the provision of financing for low-cost housing, as well as partnerships with selected housing developers and real estate agents.

The Group's strategic priorities in the residential mortgage segment are to (i) focus on property development aligned with the second phase mass rapid transit-linked project, (ii) leverage on government initiated schemes (including the "My First Home" scheme and the "PR1MA" affordable home initiative), (iii) develop strategic alliances with government-linked/publicly-listed companies and (iv) expand developer tie-ups in suburban and rural areas.

The Group currently has five (5) mortgage business centres in Kuala Lumpur, Penang, Johor Bahru, Kuching and Kota Kinabalu in Malaysia, as well as 79 relationship desks with personal bankers located in branches throughout Malaysia.

Credit Cards and Line of Credit

As at 30 September 2013, the Group had approximately 340,000 credit cards in circulation. The credit card business' total loan receivables as at 30 September 2013 amounted to RM1.8 billion.

Revenues from the Group's credit card business consist principally of income generated by the card-issuing aspect of its business, such as finance charges on outstanding balances, late payment charges, cash advance fee, interchange fee, annual fee and excess limit fee. In addition, the Corporate Bill Payment service for utility payments, insurance tele-sales and merchandising (which specializes on holiday packages and gadgets) also generate substantial fee income to the Group.

Besides that, the Group also generates significant fee revenue (in the form of merchant discount revenue) from the full range of card acceptance facilities that it offers to over 50,000 merchants across Malaysia, covering branded cards issued under the "MasterCard", "Visa" and CUP brands.

Over the last three (3) years, BNM has imposed restrictive guidelines on the credit card industry, including imposing a limit for customers with an annual income of less than RM36,000 to 2 cards, a minimum annual income requirement of RM24,000 and mandatory income documents for new card issuance. The effect of these guidelines, combined with the RM50-per-card service tax implemented in Malaysia on 1 January 2010, saw the number of the Group's cards in issue decrease by 5.7% (from 209,000 to 197,000) during the course of the financial year ended 31 March 2012 and by 4% (from 197,000 to 189,000) during the course of the financial year ended 31 March 2013, which is broadly in line with the industry-wide decrease over the same period.

The Group offers co-branded cards with a number of strategic partners such as Royal Selangor Golf Club. It also has strategic tie-ups with partner merchants such as Starbucks, Cathay Cineplexes and Caltex, for example. The Group also offers the "Signature", "World" and "Infinite" premium credit cards which are designed to cater to the affluent and high net worth customers, offering travel related privileges and complimentary golf amongst other. The Group focuses heavily on cross-selling with its tailor-made CARz credit card offering, catering to customer's needs with petrol cash back. Cross sell collaboration is also prevalent amongst the Group's residential property, insurance and corporate customers.

The Group places heavy focus on building its receivables and card usage with strategic campaigns namely “Got 1 Got Cashback” and “Spend & Get Free Gifts” promotions, as well as campaigns designed to build loan receivables, such as the “Balance Transfer / Quick Cash with Guaranteed Gift” and “Flexi-Pay Plan” instalment campaigns.

The Group also offers prepaid card products, an alternate payment card for cardholder without having to satisfy a minimum age or annual income requirement. Products launched by the Group include the “NexG Prepaid MasterCard”, “New Image Prepaid MasterCard” and “Cosway Prepaid MasterCard”. As at 30 September 2013, the Group had 25,000 prepaid cards in circulation.

The Group issues “Europay”, “MasterCard” and “Visa” compliant chip-based credit cards and employs the card management system CardPro, to support the card issuance and acquiring businesses.

To offer wider range of products to the retail consumers, the Group has been offering unsecured personal loans since April 2011. With no collateral and guarantors required, AmMoneyLine is aimed to provide personal financing facility for all important occasions – wedding, education or buying a new house, the faster and easier way.

Bancassurance and Wealth Management

In addition to cross-selling deposits and demand deposits under Transaction Banking and lending products, such as mortgages, auto financing and micro loans, this business unit within the Retail Banking division offers customers with access to investment products such as fixed income and equity unit trusts, insurance products (such as mortgage reducing term assurance, life, general and auto insurance) and other bancassurance products.

Such investment and insurance products are substantially sourced from within the AMMB Group.

To expand its marketing and distribution of unit trust products in the industry, the Group partners with third party funds management companies and other leading mutual fund companies which act as sales agents for its unit trust funds. The Group employs sales representatives at its major branches to strengthen its sales platform and its focus on promoting the entire range of its consumer sales products.

Deposits

The various deposit products offered by the Retail Banking division include savings accounts, demand deposits and fixed term deposits.

The Group recently launched it’s the “AmBank-ANZ Get Set” product. “AmBank-ANZ Get Set” is primarily aimed at Group customers with children studying in Australia, and enables customers to open an ANZ account in Australia by completing most of the formalities at a local Group branch in Malaysia. Leveraging on the back of the Group’s “Foreign Currency Current Account” product, the product provides for funds to be available in Australia prior to the customers’ children leaving Malaysia. As part of the “AmBank-ANZ Get Set” solution, and subject to satisfaction of certain conditions, Group customers may enjoy reduced remittance fees, preferential foreign exchange rates, e-remittance services and bonus credit card points.

In July 2011, the Group launched its “AmBank@Work” product which is designed to offer comprehensive banking solutions to both employer and employee, including payroll and cash management services. Upon the opening of a salary crediting deposit account, the customer is offered special fee savings, bonus interest and rewards, plus full access to the Group’s extensive branch network and electronic banking services. In addition, such customers benefit from special rates for automobile and home financing, investment in equity funds offered by the AMMB Group fund management unit, AmInvest and premiums for the Group’s comprehensive personal accident policy.

Asset Financing and Small Business

The Group’s Asset Financing and Small Business (“**AFSB**”) unit primarily provides financial solutions which are focused on equipment and working capital financing, as well as providing multi-trade facilities to SMEs. These financial solutions include industrial hire purchase solutions, loans funded by BNM, loans backed by Credit Guarantee Corporation Malaysia Berhad (“**CGC**”), block discounting and overdrafts.

In line with Malaysian government policy, the Group also offers its “Small Business Solution” financial solutions. These solutions provide financing to small businesses by offering SMEs working capital loans and financing at all the Group’s branches in Malaysia.

As at 30 September 2013, the Group’s AFSB gross loan portfolio amounted to RM1.9 billion. Besides focusing on direct sales, the Group’s AFSB vendor team focuses on strengthening their relationships with suppliers and vendors by way of strategic tie-ups in order to generate sales and garner business referrals.The vendor team focuses on suppliers in the construction and transport industries.

The Group’s AFSB unit also provides financial solutions to customers referred by Corporate and Institutional Banking and Transaction Banking divisions.

4.6.2 Business Banking

The Business Banking division provides a wide range of banking products and services to corporate and commercial customers. The Business Banking division also targets SMEs, which have been identified as having growth potential. The primary range of products and services offered by the Business Banking division comprises working capital financing and other commercial loans (such as overdrafts, revolving credit facilities, project financing, bridging loans and syndicated loan participation), trade facilities (such as letters of credit, trust receipts, guarantees, export credit refinancing, bankers’ acceptances and foreign currency trade loans), factoring and cash management services.

As at 30 September 2013, the Business Banking division accounted for 19.0% of the Group’s consolidated net profits.

During the half-year ended 30 September 2013, division revenues totalled RM323.7 million, an increase of 8.7% compared with the previous financial period. The growth of the Business Banking division primarily reflects an increase in fee income and a growth in assets. As at 30 September 2013, loans and advances provided by the Business Banking division totalled RM12.9 billion, an increase of 3.3% compared with the previous financial period. The division’s products and services are offered through the Bank’s head office in Kuala Lumpur and four (4) Regional Business Centres (“**RBCs**”) in Johor Bahru, Kota Kinabalu, Kuching and Penang. The Business Banking division’s RBCs are further supported by 13 Commercial Business Centres (“**CBCs**”) strategically located throughout the country.

The CBCs provide marketing services and serve as document collection centres. In addition, the Business Banking division utilises the Group's branch network to provide support and services to corporate customers.

4.6.3 Corporate and Institutional Banking ("CIB")

The CIB division provides wholesale banking services for large corporate and institutional customers and offers a wide spectrum of commercial banking and investment banking products and services.

As at 30 September 2013, the CIB division accounted for 21.1% of the Group's consolidated net profits.

The CIB division focuses on building and developing strong relationships with government-linked corporations, government and state-owned public entities, foreign and local multi-national companies, financial institutional groups, privately held conglomerates and public listed corporates.

The division also works closely with other divisions within the Group to structure comprehensive financial solutions, which include 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 concentrates on niche client groups and targeted industry sectors, such as the construction/infrastructure and oil and gas industries. The division is further supported by the four (4) RBCs and an offshore branch in Labuan, ensuring that the Group has a CIB footprint across Malaysia and the Labuan International Business and Financial Centre.

4.6.4 Transaction Banking

The Transaction Banking division offers a full suite of trade finance and cash management solutions; and is one of the few market players in Malaysia with full online transaction capability for both its trade finance and cash management internet banking channels (AmTrade & e-AmBiz).

Its trade finance and cash management solutions are customized for business and corporate customers; and are aimed at making business transactions for customers cost effective and efficient. Trade finance solutions include domestic sales and purchase financing, import and export financing, structured trade and trade advisory services. The cash management services provided are designed to assist clients in managing their receivables and payables and include internet banking, web-based payroll, payment, liquidity management, collection and electronic invoice products.

The financial results of the Transaction Banking division are accounted for in the results of the Retail Banking division, the Business Banking division and the CIB division.

The Transaction Banking division's strategy is to focus on its core cash management and trade finance product lines in order to increase current account balances under management. It also aims to offer tailor-made solutions for customers' supply chain requirements to improve working capital cycles and process efficiency.

In April 2013, Transaction Banking successfully completed implementation of its trade operational support infrastructure. This was a significant project aimed to enhance customer experience by creating specialization and efficiencies between back-office and front-office functions.

Additionally, this financial year, Transaction Banking via its partnership with ANZ, has successfully implemented various key cross border customer solutions which include the implementation of Global and Regional Cash Management Request For Proposals for Fortune 1000 companies.

4.6.5 Markets

The Markets division operates as the gateway to the financial markets for the Bank. For the half-year ended 30 September 2013, the Markets division accounted for 5.6% of the Group's consolidated net profits.

This division has traditionally focused on the fixed income segment and is leveraging on that established track record in order to expand into the foreign exchange and derivatives business, via its strategic collaboration with ANZ. The Group's foreign exchange and derivatives business has seen revenues increase by more than 46.1% over the last three (3) years. The Markets division has won the Alpha Southeast Asia award for the "Best FX Bank for the Corporates and Financial Institutions in Malaysia" for two (2) consecutive years in 2012 and 2013.

The Markets division's strategic initiatives include leveraging its strategic partnership with ANZ and shifting its focus to client solutions, which it aims to achieve through its multi-product sales team.

4.7 Competitive Strengths

AmBank considers the following to be its principal competitive strengths:

4.7.1 Strategic partnership with ANZ, a major international banking and financial services group

The partnership with ANZ enables AmBank to leverage on the international expertise and strengths of ANZ, as ANZ brings with it its international best practices as well as exposure to international products, banking systems and cross-border capabilities. The equity participation of ANZ is expected to enable AmBank to compete more effectively against international banks, given the expected enhancement of its product development abilities and risk management practices.

AmBank believes that the following benefits will be derived by AmBank from the AMMB Group's strategic partnership with ANZ:

(i) Risk Management Framework: ANZ has a proven track record in transferring risk capabilities to its partners. This includes improvements of credit risk management systems, knowledge transfer on Basel II implementation and enhancement of financial discipline.

(ii) Retail and Business Banking: ANZ has experience and capabilities in deposit-raising strategies, auto financing, mortgages and branch service enhancement. ANZ's experience with SMEs will also enable AmBank to leverage on ANZ's vast corporate banking experience for business expansion purposes. ANZ's credit card business in other Asian markets is expected to enable AmBank to adopt ANZ's best practices and capture a larger share of the fast-growing Malaysian credit card market.

(iii) Product Innovation: AmBank will have access to ANZ's products and services expertise for product enhancement and innovation as well as cross-selling activities via AmBank's existing franchise and distribution channels.

(iv) Branding: It is envisaged that ANZ will add significant credibility and provide a "unique selling point" for AmBank to position itself as a domestic bank with a significant foreign shareholding, and further strengthen its brand equity.

(v) IT Infrastructure and other Operations: AmBank is expected to be able to leverage on ANZ's international standards and IT practices for the enhancement of its existing IT infrastructure. ANZ's best practices in the area of compliance are expected to enable AmBank to enhance its internal auditing and reporting systems. Further, AmBank is expected to also gain exposure to ANZ's highly automated banking processes and centralised back office operations.

(vi) Training and Development: With staff secondment and training, AmBank is expected to be able to absorb and implement ANZ's international service standards to enhance the overall quality of its human capital.

(vii) Regional Presence and Cross-Border Transactions: The partnership is expected to also provide AmBank with access to ANZ's wide international network for remittance, Transaction Banking operations and investment banking cross-border dealflow.

On 28 August 2008, with the technical expertise from ANZ, the AMMB Group has established the foreign exchange, interest rate derivatives and commodities business. The AMMB Group is leveraging on ANZ's markets division's sales, trading, IT, risk, product development and process skills to set the foundation for a sustainable Markets business in the AMMB Group. The business aspiration is to build complete and integrated end-to-end solutions that add significant value across the AMMB Group's businesses including retail banking, business banking and corporate banking.

4.7.2 Extensive and diversified distribution network

AmBank and AmIslamic currently jointly operate 190 branches (including 3 dedicated Islamic banking branches), more than 1,387 SSMs and 167 self-service EBCs in Malaysia. Besides its network of dedicated nationwide marketing officers and personal bankers, AmBank also leverages on the sales force in the AMMB Group which comprises marketing, sales and financial services personnel and agents.

4.7.3 Extensive and diversified retail banking business

The Group has a well-established retail franchise and offers a diversified range of retail banking products and services covering: (i) auto financing; (ii) mortgages; (iii) credit cards and line of credit; (iv) asset financing and small business (including leasing and equipment financing); (v) bancassurance and wealth management (including investment products and insurance products); (vi) deposits (including savings accounts, demand deposits, fixed term deposits, the "AmBank-ANZ Get Set" product and the "AmBank@Work" product (a recently launched employer and employee focused banking solution)); and (vii) other consumer loans. This range provides the Group with an extensive retail customer base.

4.7.4 Leading market position in key products

AMMB Group was the sixth (6^{th}) largest bank in Malaysia in terms of asset size as at 30 September 2013, based on the published financial results of the domestic and foreign banks in Malaysia. The Group is one of the largest providers of auto financing in Malaysia, with a market share of approximately 16.2% as at 31 March 2013, and currently has relationships with over 3,000 auto dealers in Malaysia. These relationships provide an extensive distribution network for the Group's auto financing products.

4.7.5 Ability to provide and cross-sell a wide range of products and services

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

4.7.6 Established and reputable brand name

The initiatives to strengthen the branding of AmBank come through the approach of elevating the brand of "AmBank" as the banking / finance products and services provider of the AMMB Group. The AMMB Group continues to adopt the brand name of "AmBank" in order to create and build a brand that is relevant and preferred for banking and finance.

By leveraging on the AMMB Group's extensive international networking to carry the brand of AmBank, it should add significant credibility in establishing AmBank as a prominent brand in the local front as well as the region. Through this approach, the Bank should be able to cater to all our customers' financial needs by offering a complete range of products and services and also a variety of banking concepts.

Another significant branding initiative comes in the form of "dual signage" where the brand name of AmBank appears side by side with the AmIslamic brand at major locations of the AMMB Group's shared branches throughout the country. This strategy is meant to elevate the visibility of AmBank as part of strengthening its brand.

AmBank Group has on 16 September 2013 repositioned itself with a new tagline "Your Bank. Malaysia's Bank. AmBank" which will further elevate AmBank Group brand as a modern Malaysian bank that is always connecting with its customers to ensure that AmBank understands and is able to fulfil the customers' needs.

4.7.7 Technology

The Group has a robust and secure technology infrastructure and there are on-going investments to ensure technology currency, enhance security controls and support business growth. The Group's information security management conforms to industry standards as well as BNM's policies and guidelines.

The Group carries out comprehensive live disaster recovery readiness tests at least once a year. Recovery techniques are employed to ensure data integrity and a daily back-up of the Group's critical data is stored offsite. The Group's disaster recovery policies and procedures comply with national standards and BNM requirements.

4.8 Strategy

AMMB Group's vision is "As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us". This will be achieved through AMMB Group's mission: Connecting, Growing and Outperforming.

For FYE 2014 – 2016, AMMB Group will be guided by its vision and five (5) strategic themes.

(i) Integrate Acquisitions And Deliver Strategy

AMMB Group's focus is on realising operational efficiencies from economies of scale from its recent acquisitions and capitalising on the expanded customer base for cross-selling opportunities and strengthening its competitive positioning to grow income in its preferred segments.

(ii) Simplify Business Model And Streamline Processes

With focus on customer centricity, AMMB Group is simplifying business structures and processes to enhance customer experience, and provide financial solutions that match customers' lifestyles and lifecycle needs. In addition, various process improvement programmes in business and support functions are underway to improve efficiency and productivity across the AMMB Group. This will enable the AMMB Group to reinvest what it saves into future growth initiatives.

(iii) Accelerate Organic Growth With Focus On Cross-Sell, Flow Business, Small Business, And Emerging Affluent Customers

In retail, the AMMB Group's focus is on building main bank relationships with preferred customer segments including growing market share by attracting new customers and via supporting SMEs to invest and expand their businesses. In non-retail, it will focus on deepening its existing relationships with customers via new product rollouts in Markets, foreign currency service propositions, and delivering on its enhanced trade and cash capabilities.

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(iv) Build Scale In Specialist Businesses With Strategic Partners

AMMB Group's strategic partnership with ANZ in banking will continue to support development of new customer solutions and provide greater cross-border linkages for our customers. In general insurance, AMMB Group's partner IAG continues to support the integration of Kurnia and building international best practices into its business. AMMB Group is in the midst of finding a new strategic partner for the Life Assurance and Family Takaful businesses. The new partnership is expected to accelerate its planned build-out of scale by leveraging on their international expertise and skilled resources, along with AMMB Group's distribution and customer franchises.

(v) Optimise Capital And Holding Company Structures

The AMMB Group remains proactive in managing capital according to evolving regulatory requirements and evaluating business opportunities on a risk adjusted basis for optimum returns on capital.

5. FINANCIAL AND OTHER MATERIAL INFORMATION

5.1 Financial Highlights

On 19 November 2011, the Malaysian Accounting Standards Board ("**MASB**") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("**MFRS**") Framework. The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012 and requires comparative information to be restated as if the requirements of MFRSs that were effective for annual periods beginning on or after 1 January 2012 had always been applied.

Accordingly, AmBank Group's financial statements for the year ended 31 March 2013 have been prepared using the MFRS Framework in its first MFRS financial statements for the year ended 31 March 2013. To comply with MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards, an entity's first MFRS financial statements shall include at least three (3) statements of financial position, two (2) income statements, two (2) statements of comprehensive income and related notes, including comparative information. In preparing its opening MFRS statements of financial position as at 1 April 2011, AmBank Group has adjusted the amounts previously reported in the financial statements prepared in accordance with FRS to reflect the financial effects of the adoption of MFRS.

AmBank's MFRS statements of financial position at 1 April 2011 and 31 March 2012, and the MFRS statements of income for the financial year ended 2012 have been restated as if the new policies had always been in effect.

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The following financial information is based on the audited consolidated financial statements for the FYE 31 March 2013 and the unaudited consolidated condensed financial statements for the half-year ended 30 September 2013:-

Consolidated income statements

	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
Interest income	4,245.2	4,305.6	2,227.0
Interest expense	(2,252.9)	(2,285.2)	(1,171.3)
Net interest income	1,992.3	2,020.4	1,055.7
Net income from Islamic Banking business	0.2	-	-
Other operating income	763.0	621.2	348.3
Share in results of associates	0.4	0.2	0.4
Net income	2,755.9	2,641.8	1,404.4
Other operating expenses	(1,002.6)	(1,047.5)	(610.2)
Operating profit	1,753.3	1,594.3	794.2
Writeback of allowance/(Allowance) for impairment on loans and advances	(223.5)	(32.4)	113.5
Writeback of/(Provision for) commitments and contingencies	(58.8)	68.4	0.5
Impairment (loss)/writeback on:-			
Doubtful sundry receivables, net	1.8	(1.6)	(0.9)
Financial investments	2.1	(0.8)	2.8
Foreclosed properties	(28.3)	(9.1)	(6.5)
Property and equipment	-	1.3	-
Other recoveries	1.7	6.3	1.1
Profit before taxation	**1,448.3**	**1,626.4**	**904.7**
Taxation	(360.4)	(375.2)	(135.6)
Profit for the financial year/period	**1,087.9**	**1,251.2**	**769.1**
Attributable to:-			
Equity holder of the Bank	1,087.9	1,251.2	769.1
Non-controlling interests	-	-	-
Profit for the financial year/period	**1,087.9**	**1,251.2**	**769.1**
Earnings per share (sen)			
Basic/Diluted	145.87	152.52	93.75

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Consolidated statements of comprehensive income

	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
Profit for the financial year/period	1,087.9	1,251.2	769.1
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations	2.8	(7.4)	12.1
Net movement on cash flow hedge	(60.2)	(1.2)	6.4
Net (loss)/gain on financial investments available-for-sale	4.2	(44.7)	(60.2)
Income tax relating to the components of other comprehensive income	13.5	11.6	13.0
Other comprehensive income/(loss) net of tax	(39.7)	(41.7)	(28.7)
Total comprehensive income for the financial year/period	1,048.2	1,209.5	740.4

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Consolidated statements of financial position

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
ASSETS				
Cash and short-term funds	8,741.0	5,453.6	7,324.7	10,283.6
Securities purchased under resale agreements	289.7	384.6	-	-
Deposits and placements with banks and other financial institutions	3,792.9	1,122.2	1,913.4	1,731.9
Derivative financial assets	396.7	380.0	383.2	567.3
Financial assets held-for-trading	4,167.0	8,910.9	4,100.6	2,433.6
Financial investments available-for-sale	6,332.0	4,440.7	3,348.6	3,961.0
Financial investments held-to-maturity	165.3	116.1	4,033.5	2,864.2
Loans and advances	55,515.0	56,491.3	59,231.8	60,071.8
Statutory deposit with Bank Negara Malaysia	143.8	2,011.3	2,122.4	2,212.2
Deferred tax assets	416.4	159.6	120.8	126.6
Investment in associates	1.2	1.6	0.9	2.4
Other assets	812.2	1,078.8	1,174.7	1,352.5
Property and equipment	155.4	141.7	149.2	145.9
Intangible assets	137.5	170.2	234.7	287.7
TOTAL ASSETS	**81,066.1**	**80,862.6**	**84,138.5**	**86,040.7**

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	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	4,467.9	3,968.3	2,330.5	2,259.3
Securities sold under repurchase agreements	30.5	41.2	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,018.0	1,176.1	1,264.3	1,257.1
Derivative financial liabilities	432.9	441.7	422.6	598.6
Deposits from customers	59,664.6	59,359.8	62,147.8	65,698.4
Term funding [1]	3,988.5	4,159.8	4,075.2	3,992.3
Bills and acceptances payable	988.4	353.5	1,242.0	14.8
Debt capital [2]	3,367.9	3,241.6	3,226.5	3,251.4
Other liabilities	2,082.7	2,149.2	3,129.6	2,300.5
TOTAL LIABILITIES	**76,041.4**	**74,891.2**	**77,838.5**	**79,372.4**
Share capital	670.4	820.4	820.4	820.4
Reserves	4,354.3	5,151.0	5,479.6	5,847.9
Equity attributable to equity holder of the Bank	5,024.7	5,971.4	6,300.0	6,668.3
Non-controlling interests	-	-	-	-
TOTAL EQUITY	**5,024.7**	**5,971.4**	**6,300.0**	**6,668.3**
TOTAL LIABILITIES AND EQUITY	**81,066.1**	**80,862.6**	**84,138.5**	**86,040.7**
COMMITMENTS AND CONTINGENCIES	92,223.3	93,217.7	94,244.1	94,215.7
Net assets per share (RM)	7.50	7.28	7.68	8.13

Notes:-

1 *Term funding comprises term loans and revolving credit, credit linked notes and senior notes.*

2 *Debt capital comprises non-cumulative non-voting guaranteed preference shares, medium term notes, non-innovative and innovative tier 1 capital securities and irredeemable non-cumulative convertible preference shares.*

3 *The summary consolidated financial statements of AmBank Group for FYE 31 March 2012 (and core financial ratios) and the statement of financial position as at 1 April 2011 had not incorporated restatement arising from acquisition of a subsidiary, AmCard Services Berhad (formerly known as Arab-Malaysian Credit Berhad) on 13 June 2013 under the pooling of interests method ("**Merger Method**"). Under the Merger Method, the results of the subsidiary acquired are consolidated in the consolidated financial statements of AmBank Group, as if the merger had been effected prior to and throughout the current financial year.*

4 *The summary consolidated financial statements of AmBank Group for FYE 31 March 2013 (and core financial ratios) had not incorporated restatement arising from acquisition of a subsidiary, AmCard Services Berhad (formerly known as Arab-Malaysian Credit Berhad) and transfer of assets, liabilities, activities and credit card business of MBf Cards (M'sia) Sdn Bhd to AmBank ("Business Transfer") under Merger Method. Under the Merger Method, the results of the subsidiary acquired and Business Transfer are consolidated in the consolidated financial statements of AmBank Group, as if the merger had been effected prior to and throughout the current financial year.*

Core financial ratios of the Bank can be summarised as follows:

	31 March 2012 (Unaudited)	31 March 2013 (Unaudited)	30 September 2013 (Unaudited)
	%	%	%
Financial Ratios			
Return on Assets	1.3	1.5	1.8 *
Return on Equity	19.8	20.4	23.7 *
Net Interest Margin	2.6	2.6	2.6 *
Net Loan to Deposit Ratio	95.2	95.3	91.4
Cost to Income	36.4	39.7	43.5

	31 March 2012 (Audited)	31 March 2013 (Audited)	30 September 2013 (Unaudited)
	%	%	%
Financial Ratios			
Loan Loss Coverage Ratio (excluding collateral values)	102.1	116.2	122.2
Gross Impaired Loan and Advances Ratio	2.9	2.3	2.1
Core Capital Ratio	9.9	N/A	N/A
Risk Weighted Capital Ratio	14.1	N/A	N/A
Common Equity Tier 1	N/A	8.1	8.899
Tier 1 Capital Ratio	N/A	10.4	11.157
Total Capital Ratio	N/A	13.7	14.511

* *On annualised basis*

The Financial Ratios used are defined as:

(a) "**Return on Assets**" means profit for the financial year/period as a percentage of the average of beginning and year/period end total assets.

(b) "**Return on Equity**" means profit for the financial year/period as a percentage of the average of beginning and year/period end equity attributable to equity holder of the Bank.

(c) "**Net Interest Margin**" means net interest income, including net income from Islamic Banking business, as a percentage of the average of beginning and year/period end interest-earning assets (comprising cash and short term funds, securities purchased under resale agreements, deposits and placements with banks and other financial institutions, financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and loans and advances).

(d) "**Net Loans to Deposits Ratio**" means net loans and advances as a percentage of deposits from customers.

(e) "**Cost to Income**" means operating expenses as a percentage of total net income (including net interest income, net income from Islamic Banking business and other operating income).

(f) "**Loan Loss Coverage Ratio (excluding collateral values)**" means total loan loss allowances as a percentage of gross impaired loans and advances.

(g) "**Gross Impaired Loans and Advances Ratio**" means gross impaired loans and advances as a percentage of gross loans and advances.

(h) "**Core Capital Ratio**" means the ratio of Tier 1 capital (net of proposed dividend) to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

(i) "**Risk Weighted Capital Ratio**" means the ratio of total capital base (net of proposed dividend) to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

(j) "**Common Equity Tier 1**" means the ratio of common equity Tier 1 capital (net of proposed dividend) to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

(k) "**Tier 1 Capital Ratio**" means the ratio of Tier 1 capital (net of proposed dividend) to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

(l) "**Total Capital Ratio**" means the ratio of total capital (net of proposed dividend) to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

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5.2 Capitalisation and Indebtedness

The following table sets out the capitalisation and indebtedness of AmBank Group based on the audited consolidated financial statements for the FYE 31 March 2013 and the unaudited consolidated condensed financial statements for the half-year ended 30 September 2013:-

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
Liabilities				
Deposits and placements of banks and other financial institutions	4,467.9	3,968.3	2,330.5	2,259.3
Securities sold under repurchase agreements	30.5	41.2	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,018.0	1,176.1	1,264.3	1,257.1
Derivative financial liabilities	432.9	441.7	422.6	598.6
Deposits from customers	59,664.6	59,359.8	62,147.8	65,698.4
Term funding	3,988.5	4,159.8	4,075.2	3,992.3
Bills and acceptances payable	988.4	353.5	1,242.0	14.8
Debt capital	3,367.9	3,241.6	3,226.5	3,251.4
Other liabilities	2,082.7	2,149.2	3,129.6	2,300.5
Total Liabilities	76,041.4	74,891.2	77,838.5	79,372.4
Equity				
Share capital	670.4	820.4	820.4	820.4
Reserves				
Share premium	942.8	942.8	942.8	942.8
Other reserves	773.9	1,034.6	993.0	1,019.9
Retained earnings	2,637.6	3,173.6	3,543.8	3,885.2
Equity attributable to equity holder of the Bank	5,024.7	5,971.4	6,300.0	6,668.3
Non-controlling interests	-	-	-	-
Total Equity	5,024.7	5,971.4	6,300.0	6,668.3
Total Liabilities and Equity	**81,066.1**	**80,862.6**	**84,138.5**	**86,040.7**
Commitments and contingencies	92,223.3	93,217.7	94,244.1	94,215.7

5.3 Funding

The Bank funds most of its operations from deposits and interbank borrowing, capitalising mainly on customer deposits. Distribution network comprises 190 branches (including 3 dedicated Islamic banking branches), 1,387 SSMs and 167 self-service EBCs spread across Malaysia. The Bank continuously invests to enlarge the distribution footprint and branch networks, which plays a pivotal role in deposit gathering. Total deposits and interbank borrowing balances have increased by 5.4% as at 30 September 2013 compared to 31 March 2013.

5.3.1 Customer Deposits

Profile of Customer Deposits by Type

The following table sets out the profile of customer deposits by type for the AmBank Group as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
Demand deposits	5,056.0	5,655.7	7,098.4	8,361.6
Savings deposits	2,923.6	3,209.9	3,327.5	3,349.3
Term/Investment deposits	51,460.9	49,976.8	51,658.6	53,939.7
Negotiable instruments of deposit	224.1	517.4	63.3	47.8
Total	**59,664.6**	**59,359.8**	**62,147.8**	**65,698.4**

Profile of term/investment deposits and negotiable instruments of deposit by remaining maturity

The following table sets out the profile of term/investment deposits and negotiable instruments of deposit by remaining maturity for the AmBank Group as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
Due within six months	41,698.1	38,338.0	37,638.2	40,469.2
Over six months to one year	6,471.7	8,795.1	11,460.3	10,519.3
Over one year to three years	1,783.7	2,322.7	2,323.7	2,433.9
Over three years to five years	1,731.5	1,038.4	299.7	565.1
Total	**51,685.0**	**50,494.2**	**51,721.9**	**53,987.5**

5.3.2 Interbank Deposits

The Bank is an active interbank participant. It also acts as a Principal Dealer in BNM money market tender operations. Interbank borrowings are normally used to fund short term mismatches in the Bank's maturity profiles or for on-financing and arbitrage, where there are opportunities to do so. The Bank seeks to maintain borrowings from the interbank market within manageable levels so as to avoid dependence on financing from the interbank market. As at the date of this IM and for the previous five (5) years, the Bank is, and has been, a net interbank lender.

The Bank also issues negotiable instruments of deposit to raise short term funds.

5.3.3 Other Funding Sources

Sale of credit facilities to Cagamas Berhad

The Bank is able to secure longer-term sources of funds of three (3) to seven (7) years tenure by selling consumer loans to Cagamas Berhad (the Malaysian national mortgage corporation) with recourse to the Bank. The Bank continues to service such loans, retaining the fixed or floating interest collected on the loans, and pays a fixed or floating rate of interest to Cagamas Berhad as selected by the Bank at the time of sale.

Senior Notes

The Bank has established a domestic Senior Notes Issuance Programme with a programme limit of RM7.0 billion which enables it to tap the Malaysian debt capital markets to meet its long-term funding requirements. The programme also facilitates the Bank's liquidity risk management activities. As at 30 September 2013, the amount of senior notes outstanding under the programme was RM2.6 billion.

Euro Medium Term Notes

In August 2013, the Bank has established a Euro Medium Term Notes Programme with a programme limit of USD2 billion (or equivalent in other currencies) which enables the Bank to issue foreign currency denominated notes with maturities exceeding one year in an effort to diversity its foreign currency funding sources. As at 30 September 2013, no issuance was made from the programme.

Asset securitisation

The Bank may obtain alternative funding by undertaking asset securitisation whereby it sells credit facilities or a portfolio of loans to a special purpose vehicle, which, in turn, issues securities to fund the acquisition from the Bank. By doing so, the Bank is able to realise the value of the assets sold to the special purpose vehicle as well as diversify external sources of asset funding and to transfer specific risk exposures. As at 30 September 2013, the Bank has undertaken one securitisation, which was an internal group transaction.

Non-Cumulative Non-Voting Guaranteed Preference Shares

On 27 January 2006, AMMB Capital (L) Ltd, a wholly-owned subsidiary of the Bank issued USD200.0 million 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 from the issue of the 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. As at 30 September 2013, the balance outstanding of the Hybrid securities was USD200.0 million or RM651.8 million.

Innovative Tier 1 Programme

The Bank implemented an Innovative Tier 1 capital programme on 7 August 2009. The programme has a size of RM500.0 million and a tenure of up to 60 years from the date of the first issue. As at 30 September 2013, the amount in issuance was at RM485.0 million. The proceeds from the issuance have been utilized for working capital and general banking purposes.

Non Innovative Tier 1 Programme

The Bank established a Non Innovative Tier 1 capital programme on 17 February 2009. The programme has a size of RM500.0 million and a tenure of up to 60 years from the date of the first issue. As at 30 September 2013, the amount in issuance was at RM500.0 million. The proceeds from the issuance have been utilized for working capital and general banking purposes.

Medium Term Notes Programme

On 21 January 2008, AmBank has set up a Medium Term Notes ("MTN") Tier 2 capital programme. The programme has a size of RM2.0 billion and a tenure of up to 20 years from the date of the first issue. The amount in issuance was RM1,557.8 million as at 30 September 2013. Proceeds raised from the issuance have been utilized to meet working capital and funding requirements.

5.3.4 Contingency Funding Plan

The Bank has put in place a contingency funding plan to identify early warning signals of possible liquidity problems. The contingency funding plan also sets out in detail the responsibilities of the relevant departments in the event a liquidity crisis occurs. The plan is designed to ensure orderly execution of procedures in such an event, in order to restore the liquidity position and confidence in the organization.

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5.4 Capital Adequacy Ratios

The historical capital adequacy ratios for the past two (2) FYEs 31 March 2012 to 2013 as well as unaudited for half-year ended 30 September 2013 are set out below:

	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
Common Equity Tier 1 ("CET1") Capital		
Ordinary shares	820.4	820.4
Share premium	942.8	942.8
Retained earnings	3,543.8	3,776.5
Less: Proposed dividend - final	(400.3)	-
Unrealised losses on financial investments available-for-sale	(9.2)	(54.8)
Foreign exchange translation reserve	(14.8)	(2.6)
Statutory reserve	981.0	981.0
Merger reserve	48.5	104.2
Cash flow hedging reserve	(12.6)	(7.9)
Less : Regulatory adjustments applied on CET1 capital		
Intangible assets	(234.7)	(287.7)
Deferred tax assets	(120.8)	(126.7)
Cash flow hedging reserve	12.6	7.9
Total CET1 capital	**5,556.7**	**6,153.1**
Additional Tier 1 capital		
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	1,561.6	1,561.6
Total Tier 1 capital	**7,118.3**	**7,714.7**
Tier 2 capital		
Tier 2 capital instruments (subject to gradual phase-out treatment)	1,557.8	1,557.8
Collective allowance and regulatory reserves	747.2	763.7
Less : Regulatory adjustments applied on Tier 2 capital	(0.9)	(2.4)
Total Tier 2 capital	**2,304.1**	**2,319.1**
Total capital	**9,422.4**	**10,033.8**

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The following is the breakdown of risk weighted assets ("RWA") of AmBank Group in the various categories of risk weights as at the dates indicated:

	31 March 2013 (Audited)	30 September 2013 (Unaudited)
	RM million	**RM million**
Credit RWA	59,772.2	61,097.5
Market RWA	3,722.2	2,894.5
Operational RWA	5,225.1	5,153.1
Large exposure risk RWA for equity holdings	0.7	0.7
Total risk weighted assets	**68,720.2**	**69,145.8**
Capital ratios (before deducting proposed dividends):		
Common Equity Tier 1	8.7%	8.899%
Tier 1 Capital Ratio	10.9%	11.157%
Total Capital Ratio	14.3%	14.511%
Capital ratios (after deducting proposed dividends):		
Common Equity Tier 1	8.1%	8.899%
Tier 1 Capital Ratio	10.4%	11.157%
Total Capital Ratio	13.7%	14.511%

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	31 March 2012 (Audited) RM million
Tier 1 capital	
Paid-up share capital	820.4
Innovative Tier 1 capital	1,111.1
Non-innovative Tier 1 capital	500.0
Share premium	942.8
Statutory reserve	981.0
Merger reserve	48.5
Exchange fluctuation reserve	2.1
Retained earnings	3,164.9
	7,570.8
Less: Deferred tax assets	(163.2)
Total Tier 1 capital	**7,407.6**
Tier 2 capital	
Innovative Tier 1 capital	124.0
Medium term notes	1,557.8
Collective allowance for impaired loans	1,074.0
Total Tier 2 capital	**2,755.8**
Maximum allowable Tier 2 capital	2,755.8
Total capital funds	**10,163.4**
Less:	
Investment in subsidiaries	(32.8)
Other deduction	(9.4)
Capital base	**10,121.2**

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The following is the breakdown of risk weighted assets ("RWA") of AmBank Group in the various categories of risk weights as at the dates indicated:

	31 March 2012 (Audited) RM million
Credit risk	57,292.2
Market risk	4,494.8
Operational risk	5,401.3
Large exposure risk requirement for equity holdings	3.3
Total risk weighted assets	**67,191.6**

Capital ratios (before deducting proposed dividends):	
Core capital ratio	11.0%
Risk weighted capital ratio	15.1%
Capital ratios (after deducting proposed dividends):	
Core capital ratio	9.9%
Risk weighted capital ratio	14.1%

5.5 Capital Commitments

Capital commitments for AmBank Group as at 31 March 2013 are as follows:

	31 March 2013 (Audited) RM million
Authorised and contracted for :	
Purchase of computer equipment and software	48.9
Leasehold improvements	7.2
	56.1
Authorised but not contracted for:	
Purchase of computer equipment and software	128.1
	184.2

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5.6 Asset Quality

5.6.1 Loans and Advances Portfolio

Loans and advances by type

The following table sets out the breakdown of AmBank Group's loan portfolio by product type as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
At amortised cost:				
Overdraft	1,989.0	2,297.0	2,420.7	2,365.4
Term loans	15,806.8	17,558.7	19,224.8	18,557.3
Housing loan receivables	11,551.5	11,868.9	12,371.8	12,795.6
Hire purchase receivables	18,296.0	16,851.9	16,680.9	16,561.1
Bills receivables	389.5	326.7	534.2	628.1
Trust receipts	569.1	792.8	885.6	977.5
Claims on customers under acceptance credits	2,218.0	2,442.5	2,534.6	2,591.7
Staff loans	151.8	147.9	134.3	128.2
Card receivables	1,491.9	1,446.3	1,400.1	1,797.8
Revolving credit	5,028.4	4,326.9	4,496.8	5,082.3
Others	106.7	130.8	171.0	207.0
Gross loans and advances	57,598.7	58,190.4	60,854.8	61,692.0
Allowance for impairment on loans and advances:				
- Collective allowance	(1,742.6)	(1,584.7)	(1,454.2)	(1,439.2)
- Individual allowance	(341.1)	(114.4)	(168.8)	(181.0)
Net loans and advances	**55,515.0**	**56,491.3**	**59,231.8**	**60,071.8**

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Gross loans and advances by sector

The following table sets out the breakdown of AmBank Group's gross loan portfolio by sector as at the dates indicated:

	1 April 2011 (Audited)	31 March 2012 (Audited)	31 March 2013 (Audited)	30 September 2013 (Unaudited)
	RM million	RM million	RM million	RM million
Agriculture	2,152.4	2,100.2	2,719.1	3,030.8
Mining and quarrying	1,635.2	1,466.2	1,747.2	2,566.3
Manufacturing	4,764.5	5,363.9	5,527.4	5,793.3
Electricity, gas and water	2,208.3	1,413.9	555.7	686.9
Construction	1,547.0	2,015.4	2,173.4	2,031.0
Wholesale and retail trade and hotel and restaurants	2,987.0	3,795.9	4,703.9	4,687.6
Transport, storage and communication	1,781.5	1,939.0	1,982.2	1,870.1
Finance and insurance	2,413.5	2,415.3	1,950.2	410.4
Real estate	3,822.8	4,425.6	5,443.2	5,852.7
Business activities	1,565.9	1,251.7	1,293.2	1,096.8
Education and health	597.3	1,374.0	1,044.6	1,113.1
Household of which:	31,638.4	30,546.8	31,478.8	32,468.6
- purchase of residential properties	11,517.8	11,987.6	12,519.3	12,969.3
- purchase of transport vehicles	16,685.0	15,014.4	15,277.0	15,298.8
- others	3,435.6	3,544.8	3,682.5	4,200.5
Others	484.9	82.5	235.9	84.4
	57,598.7	**58,190.4**	**60,854.8**	**61,692.0**

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5.6.2 Gross Loans and Advances Maturity Profile

The following table sets out the breakdown of AmBank Group's gross loan portfolio by remaining tenures as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
Maturing within one year	12,048.7	10,869.7	13,301.4	12,841.8
Over one year to three years	6,864.3	8,937.6	6,579.1	6,301.6
Over three years to five years	8,767.7	8,115.9	9,846.1	10,165.2
Over five years	29,918.0	30,267.2	31,128.2	32,383.4
	57,598.7	**58,190.4**	**60,854.8**	**61,692.0**

5.6.3 Impairment

Definition of Past Due and Impaired Loans

All loans 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 (principal and/or coupon) due under the contractual terms is received late or missed.

A loan is classified as impaired under the following circumstances:

(a) where the principal or coupon or both[1] is past due or the amount outstanding is in excess of the approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the loan exhibits weaknesses that render a classification appropriate according to the Bank's Credit Risk Rating Framework, which requires it to be categorised under the "unlikely to repay" category under the Bank's Watch-list Policy.

(c) for loan with repayment schedules on a quarterly basis or longer intervals, it will be classified as impaired as soon as default[2] occurs, unless it does not exhibit any weakness that would render it to be classified according to the Bank's Credit Risk Rating Framework. Notwithstanding that, these loans are to be classified as impaired when the principal or coupon or both is past due for more than 90 days or 3 months.

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[1] For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.

[2] "Default" is defined for loan with repayment schedules on a quarterly basis or longer as 1 day past due + 30 days

(d) for distressed rescheduled and restructured ("**R/R**") facilities, these loans are categorised as "unlikely to repay" and classified as impaired. Impaired R/R facilities remain impaired until the borrower shall have been assessed to have complied satisfactorily with the revised repayment terms.

Profile of impaired loans and advances

AmBank Group's total impaired loans and advances stood at RM1.3 billion as at 30 September 2013, representing a ratio of gross impaired loans and advances to total gross loans and advances of 2.1%.

Set out below are AmBank Group's total impaired loans and impaired loans ratios as at the dates indicated:

	31 March 2012	**31 March 2013**	**30 September 2013**
	(Audited)	**(Audited)**	**(Unaudited)**
	RM million	**RM million**	**RM million**
Balance at beginning of financial year	2,123.2	1,663.9	1,396.4
Effect arising from the pooling of interests	-	-	11.8
As restated	-	-	1,408.2
Impaired during the year/period	1,430.5	953.4	626.8
Reclassified as non-impaired	(254.0)	(240.5)	(248.1)
Recoveries	(557.4)	(374.5)	(141.2)
Amount written off	(1,078.4)	(608.8)	(320.4)
Repurchase of impaired loans	-	2.9	-
Balance at end of financial year/period	**1,663.9**	**1,396.4**	**1,325.3**
Gross impaired loans and advances as % of gross loans and advances	2.9%	2.3%	2.1%
Loan loss coverage (excluding collateral value)	102.1%	116.2%	122.2%

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Impaired loans and advances by sector

The table below sets out AmBank Group's impaired loans and advances by sector as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
Agriculture	38.4	23.9	20.2	20.9
Mining and quarrying	0.3	154.7	17.9	3.5
Manufacturing	244.9	184.9	238.1	178.8
Electricity, gas and water	288.5	132.1	25.8	24.0
Construction	284.0	94.9	49.1	38.2
Wholesale and retail trade and hotel and restaurants	58.7	42.4	42.3	38.6
Transport, storage and communication	19.6	4.1	18.4	82.2
Finance and insurance	46.9	37.6	28.3	1.4
Real estate	64.6	26.2	9.1	5.8
Business activities	5.3	12.4	11.0	22.1
Education and health	41.3	44.8	43.0	36.0
Household of which:	1,018.4	895.5	882.2	869.6
- purchase of residential properties	628.7	538.0	515.9	477.0
- purchase of transport vehicles	282.4	277.8	289.7	313.7
- others	107.3	79.7	76.6	78.9
Others	12.3	10.4	11.0	4.2
	2,123.2	**1,663.9**	**1,396.4**	**1,325.3**

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 are computed after making the necessary adjustments to reflect current economic conditions.

5.6.4 Portfolio of Securities

Banking institutions in Malaysia are required to classify their securities portfolio holdings into three (3) categories: financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity. The Group has the following accounting policies in connection with its securities portfolio:

The holdings of the securities portfolio of the Group are classified based on the following categories and valuation methods:

(a) Financial assets at fair value through profit or loss

This category comprises two (2) sub-categories: financial assets held-for-trading and those designated by management as at fair value through profit or loss on inception.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of sale in the near term.

Financial assets may be designated at fair value through profit or loss when the following criteria are met. Designation is determined on an instrument by instrument basis:

- the application of the fair value option eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets on a different basis; or
- the financial assets are part of a portfolio of financial instruments which is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately.

Financial assets at fair value through profit or loss are carried at fair value and any gain or loss arising from a change in their fair values is recognised in the income statements.

(b) Financial investments available-for-sale

Financial investments available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The financial investments available-for-sale are measured at fair value. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statements.

(c) Financial investments held-to-maturity

Financial investments held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. The financial investments held-to-maturity are measured at amortised cost based on the effective yield method, less impairment.

The financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity of AmBank Group as at the dates indicated are as follows:

	1 April 2011 (Audited) RM million	**31 March 2012 (Audited) RM million**	**31 March 2013 (Audited) RM million**	**30 September 2013 (Unaudited) RM million**
(a) Financial assets held-for-trading				
At fair value				
Money Market Instruments:				
Malaysian Treasury Bills	49.0	54.8	-	-
Malaysian Islamic Treasury Bills	5.3	-	-	-
Malaysian Government Securities	160.3	929.5	240.3	444.2
Government Investment Issues	221.7	223.5	88.6	291.3
Bank Negara Monetary Notes	2,270.4	5,049.9	438.3	-
	2,706.7	6,257.7	767.2	735.5
Quoted securities:				
In Malaysia:				
Shares	288.4	247.6	133.7	189.8
Unit trusts	74.1	65.0	88.2	28.1
Warrants	2.8	2.9	4.7	5.5
Private debt securities	-	-	23.2	14.7
	365.3	315.5	249.8	238.1
Outside Malaysia:				
Shares	4.7	-	4.6	-
	4.7	-	4.6	-
Unquoted Securities:				
In Malaysia:				
Private debt securities	1,019.6	1,732.1	2,653.5	1,339.7
	1,019.6	1,732.1	2,653.5	1,339.7
Outside Malaysia:				
Private debt securities	70.7	605.6	425.5	120.3
	70.7	605.6	425.5	120.3
Total financial assets held-for-trading	**4,167.0**	**8,910.9**	**4,100.6**	**2,433.6**

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
(b) Financial investments available-for-sale				
At fair value				
Money Market Instruments:				
Negotiable Instruments of Deposit	2,523.2	1,569.4	834.2	600.0
Malaysian Government Securities	255.8	20.8	-	296.1
Islamic Negotiable Instruments of Deposit	785.9	823.5	340.4	245.6
Government Investment Issues	94.7	45.4	15.2	-
	3,659.6	2,459.1	1,189.8	1,141.7
Quoted securities:				
In Malaysia:				
Shares	11.9	12.0	5.4	8.6
Unit trusts	39.4	60.2	212.0	220.8
Private debt securities	55.9	27.0	5.5	-
	107.2	99.2	222.9	229.4
Outside Malaysia:				
Shares	0.1	0.1	0.1	0.1
	0.1	0.1	0.1	0.1
Unquoted securities:				
In Malaysia:				
Private debt securities	2,377.2	1,623.8	1,623.0	2,238.0
	2,377.2	1,623.8	1,623.0	2,238.0
Outside Malaysia:				
Private debt securities	100.2	170.3	224.5	263.3
	100.2	170.3	224.5	263.3
At cost				
Unquoted securities:				
In Malaysia:				
Shares	86.8	87.3	87.3	87.4
	86.8	87.3	87.3	87.4
Outside Malaysia:				
Shares	0.9	0.9	1.0	1.1
	0.9	0.9	1.0	1.1
Total financial investments available-for-sale	**6,332.0**	**4,440.7**	**3,348.6**	**3,961.0**

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	30 September 2013 (Unaudited) RM million
(c) Financial investments held-to-maturity				
At amortised cost				
Money Market Instruments:				
Bank Negara Monetary Notes	-	-	2,092.6	915.2
Unquoted:				
In Malaysia:				
Private debt securities	373.1	318.2	2,134.9	1,957.6
Less: Accumulated impairment losses	(207.8)	(202.1)	(194.0)	(8.6)
Total financial investments held-to-maturity	**165.3**	**116.1**	**4,033.5**	**2,864.2**

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6. RISK MANAGEMENT FRAMEWORK

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 Bank'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.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Bank. 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 Bank. This 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, regulatory compliance risk, reputational risk, product risk and business and IT project 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.

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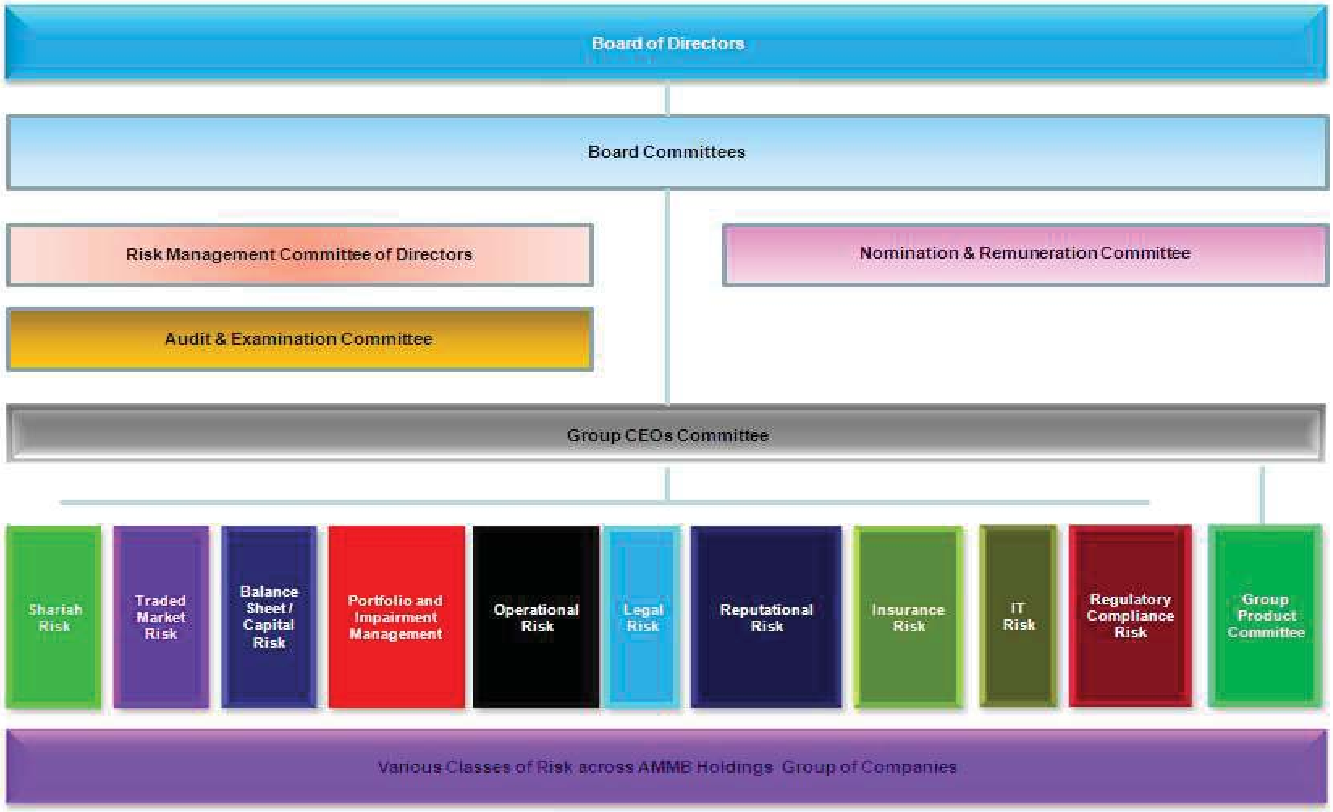

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7. INDUSTRY OVERVIEW

7.1 Overview of the Malaysian Economy in the Third Quarter 2013

7.1.1 The Malaysian economy recorded a stronger growth of 5.0% in the third quarter

The Malaysian economy recorded a stronger growth of 5.0% in the third quarter (2Q 2013: 4.4%). Domestic demand remained the key driver of growth, expanding by 8.3% (2Q 2013: 7.4%), while exports turned around to grow by 1.7% (2Q 2013: -5.2%). On the supply side, most major sectors expanded further in the third quarter, supported by the continued strength in domestic demand and the improvement in trade activity. The moderate expansion in the global economy in the third quarter supported the recovery in exports. International financial markets, however, experienced increased volatility amid uncertainties over the fiscal and monetary policies of the advanced economies, particularly the US. On a quarter-on-quarter seasonally adjusted basis, the economy expanded by 1.7% (2Q 2013: 1.4%).

Private consumption expanded by 8.2% (2Q 2013: 7.2%), supported by sustained employment conditions and wage growth. Growth in public consumption moderated in the third quarter to 7.8% (2Q 2013: 11.8%), reflecting mainly lower Government spending on supplies and services.

Growth in gross fixed capital formation improved to 8.6% (2Q 2013: 6.0%), underpinned by capital spending in the private sector. Private investment grew by 15.2% (2Q 2013: 12.7%), driven by capital spending in the services and manufacturing sectors as well as the on-going implementation of projects in the oil and gas sector. Meanwhile, public investment growth improved but remained weak at -1.3% (2Q 2013: -6.4%). Public investment was driven mainly by public enterprises investing in the transportation, oil and gas and utilities sectors.

On the supply side, growth in most economic sectors improved in the third quarter. The services and manufacturing sectors expanded further, supported by domestic demand and the improvement in trade activity. Growth of the agriculture sector was higher, supported mainly by the production of food crops, while the moderation in growth of the mining sector reflected the lower production of natural gas and crude oil. In the construction sector, growth was sustained, driven mainly by the residential sub-sector. Growth was further supported by the non-residential and civil engineering subsectors.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), was higher at 2.2% in the third quarter (2Q 2013: 1.8%). The increase was mainly attributed to higher inflation in the transport and food and non-alcoholic beverages categories.

In the external sector, the current account surplus increased to RM9.8 billion in the third quarter, equivalent to 4.1% of GNI (2Q 2013: RM2.6 billion or 1.1% of GNI), due mainly to a higher surplus in the goods account. The financial account recorded a net outflow of RM11.5 billion (2Q 2013: inflow of RM5.2 billion), as net inflows of direct investment were offset by outflows from portfolio and other investments. The overall balance of payments registered a larger surplus of RM11.8 billion in the third quarter (2Q 2013: RM1.5 billion).

The international reserves of Bank Negara Malaysia amounted to RM444.6 billion (equivalent to USD136.5 billion) as at 30 September 2013. This reserve level has taken into account the quarterly adjustment for foreign exchange revaluation changes. As at 31 October 2013, the reserves position amounted to RM446.2 billion (equivalent to USD137.1 billion), sufficient to finance 9.7 months of retained imports and is 3.7 times the short-term external debt.

(Source: Quarterly Bulletin, Third Quarter 2013, BNM)

7.1.2 Interest rates remained stable

The Overnight Policy Rate (OPR) was maintained at 3.00% during the third quarter of 2013. At the prevailing level of the OPR, monetary conditions remain supportive of economic activity.

The average interbank rates for all maturities remained relatively stable. In terms of retail interest rates, the average quoted fixed deposit (FD) rates of commercial banks were relatively unchanged. The average base lending rate (BLR) of commercial banks also remained unchanged at 6.53%, while the weighted average lending rate (ALR) on loans outstanding continued its gradual moderating trend (end-September 2013: 5.40%; end-June 2013: 5.43%).

The monetary aggregates continued to experience positive growth during the third quarter. M1, or narrow money, increased by RM10.9 billion. On an annual basis, M1 expanded by 12.9% as at end-September (end-June 2013: 12.5%). M3, or broad money, increased by RM16.4 billion on a quarter-on-quarter basis to record an annual growth rate of 7.4% as at end-September (end-June 2013: 8.5%). M3 continued to expand during the quarter on account of credit extended to the private sector by the banking system and higher net claims on the Government.

Total gross financing raised by the private sector through the banking system and the capital market amounted to RM260.5 billion in the third quarter (2Q 2013: RM251.0 billion). Outstanding banking system loans expanded at an annual growth rate of 9.5% as at end-September (end-June 2013: 9.1%), while net funds raised in the capital market amounted to RM20.1 billion in the third quarter (2Q 2013: RM13.9 billion).

The foreign exchange market was volatile during the quarter. The ringgit depreciated against the major and most regional currencies. The ringgit, alongside most regional currencies depreciated against the US dollar as expectations for a scale-back in the US Federal Reserve's asset purchase program prompted a reversal of capital flows from most regional financial markets. Overall, the ringgit depreciated by 2.4% against the US dollar during the quarter. The ringgit also depreciated against the pound sterling (7.8%), euro (5.6%) and Japanese yen (3.3%), as well as against most regional currencies, by between 1.7% and 8.5%. The ringgit, however, strengthened against the Indonesian rupiah by 14.6%.

Between 1 October and 13 November, the ringgit appreciated against the US dollar by 1.5%. The ringgit also appreciated against the pound sterling (3.3%), Japanese yen (3.1%) and euro (2.0%). Against regional currencies, the ringgit strengthened by between 0.9% and 2.2% during the period.

(Source: Quarterly Bulletin, Third Quarter 2013, BNM)

7.1.3 Financial stability continued to be preserved

The domestic financial system remained resilient throughout the third quarter, despite the increased volatility in global and domestic financial markets. Domestic financial intermediation continued to be well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

The banking system remained well capitalised, with the common equity tier 1 (CET1) capital ratio, tier 1 capital ratio and total capital ratio remaining well above the minimum regulatory levels, at 12.1%, 13.0% and 14.4%, respectively. Similarly, the capital adequacy ratio of the insurance sector remained strong at 236.7% (2Q 2013: 229.5%), with an excess capital buffer of RM27.4 billion.

(Source: Quarterly Bulletin, Third Quarter 2013, BNM)

7.1.4 Domestic demand will continue to be supportive of growth

Going forward, emerging signs of a recovery in the major advanced economies are expected to support overall global growth. Uncertainties surrounding the fiscal and monetary policy adjustments in these economies, however, may affect market sentiment and overall growth prospects in the global economy. While global policy spillovers may have some impact on Asia, growth will continue to be underpinned by domestic demand.

For the Malaysian economy, the gradual recovery in the external sector will support growth. Domestic demand from the private sector will remain supportive of economic activity amid the continued consolidation of the public sector. The economy is therefore expected to remain on its steady growth trajectory.

(Source: Quarterly Bulletin, Third Quarter 2013, BNM)

7.2 Financial Sector Development

During the first eight months of 2013, the banking system and capital market were further strengthened to facilitate and catalyse growth in the economy as Malaysia transitions to a high-income and developed nation. Financial intermediation continued to support economic activities with total loans outstanding in the banking sector increasing 9.3% to RM1,180.3 billion as at end-August 2013. Meanwhile, total financing outstanding of development financial institutions (DFIs) increased 8.5% to RM117 billion, particularly to strategic economic sectors. Microfinancing was also extended through the Skim Pembiayaan Mikro, Amanah Ikhtiar Malaysia (AIM) and Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN Nasional) to support microenterprises.

The capital market remains an important source of financing for companies, with total private bonds outstanding amounting to RM415.3 billion and market capitalisation of the equity market increasing to RM1,598.8 billion as at end-August 2013. In January 2013 a new sukuk asset class was launched on Bursa Malaysia, making sukuk and bonds available to all investors, for the first time. The DanaInfra Retail Sukuk issued by DanaInfra National Berhad was used to partly fund the current MY Rapid Transit (MRT) project.

Malaysia continues to be a global hub for Islamic finance with a deep primary and active secondary sukuk market, an efficient price discovery mechanism, a diverse talent base with global capabilities, and an efficient multi-currency clearing and settlement system. Furthermore, with the new Islamic Financial Services Act 2013 (IFSA) that came into force in June this year, there will be greater clarity in the legal and prudential requirements underpinned by Shariah principles on the Islamic finance industry. The Act will strengthen the regulatory and legal system to meet the challenges and developments of an increasingly sophisticated and internationalised industry.

(Source: Economic Report 2013/2014, Ministry of Finance, Malaysia)

7.3 Banking System Performance

Sustained demand for financing

Credit growth in the banking system continued, albeit at a more moderate pace, during the first eight months of 2013. Loan applications increased 0.5% to RM535.6 billion while loan approvals declined 1.4% to RM261 billion (January – August 2012: 7.5%, RM533 billion; -0.3%, RM264.6 billion). During the same period, loan disbursements grew 0.7% to RM619.2 billion (January – August 2012: 17.5%; RM614.6 billion). Total loans outstanding in the banking system expanded 9.3% to RM1,180.3 billion as at end-August 2013 (end-2012: 10.4%; RM1,108 billion).

Lending to businesses moderated during the first eight months of 2013. Loan applications by businesses dropped 12.5% to RM236.7 billion, while approvals fell 20.5% to RM103.8 billion (January – August 2012: 15%, RM270.4 billion; 4%, RM130.6 billion). Likewise, disbursements to businesses slowed 3.8% to RM421.5 billion (January – August 2012: 26.9%; RM437.9 billion). The largest portion of loans disbursed to businesses was to the manufacturing sector at 20.9%; followed by the wholesale and retail trade, accommodation and restaurant sector at 19.2%; the finance, insurance and business services sector at 7.2%; and the construction sector at 6.6%. Total business loans outstanding grew 7.7% to RM440.8 billion as at end-August 2013 (end-2012: 10.9%; RM419.1 billion).

Financing to small and medium enterprises (SMEs) was also moderate during the first eight months of 2013. Loan applications grew 3.5% to RM128.2 billion while approvals eased 12.9% to RM47.7 billion (January – August 2012: 13%, RM123.8 billion; 14.5%, RM54.8 billion). During the period, the finance, insurance and business services sector received the largest share of loans with 27.7%, followed by the wholesale and retail trade, accommodation and restaurant sector with 25.8% while the manufacturing sector accounted for 19.4%. SME loans outstanding expanded 11% to RM191.5 billion, comprising 43.4% of total business loans outstanding in the banking system as at end- August 2013 (end-2012: 15.5%; RM177 billion; 42.2%).

Additionally, SMEs were provided with financing from five special revolving funds administered under Bank Negara Malaysia (BNM). In the first eight months of 2013, total financing amounted to RM1,106 million with 2,994 accounts approved (January – August 2012: RM774.1 million; 2,087 accounts), which represented a 42.9% and 43.5% increase, respectively over the same period last year. As at end-August 2013, total financing approved since the establishment of the funds, amounted to RM23.7 billion with an average utilisation rate of 90.9% and benefited 57,373 SMEs (end-2012: RM22.6 billion; 92.2%; 54,379 SMEs).

Meanwhile, microenterprises continued to gain access to microfinancing under Skim Pembiayaan Mikro, which was established in 2006. Under this scheme, viable microenterprises are eligible to obtain either conventional or Islamic financing of between RM1,000 and RM50,000 from 10 financial institutions with more than 2,400 access points. During the first eight months of 2013, a total of RM208.7 million were approved to 10,658 microenterprises (January – August 2012: RM222.5 million; 11,397 microenterprises). As at end-August 2013, total loans outstanding under the scheme amounted to RM867.3 million, assisting 71,102 microenterprises (end-2012: RM870.3 million; 68,799 microenterprises).

In addition, AIM and TEKUN Nasional continued to extend financing to microentrepreneurs. AIM, which was established in September 1987, currently provides five types of Islamic financing to its growing number of members. As at end-August 2013, AIM has a total of 341,006 registered members, of which about 70% are between 20 and 50 years old. Most of the members are involved in the business sector (51.7%) followed by agriculture (23.6%), manufacturing (8.9%) and services (7.5%). Total financing approved to 279,777 members amounted to RM1,118.1 million in the first eight months of 2013 (January – August 2012: 276,926 members; RM1,211.8 million). The repayment rate for financing extended remained high at 98.4% during the period (January – August 2012: 99.4%). Meanwhile, TEKUN Nasional disbursed a total of RM398.2 million to 32,194 microentrepreneurs (January – August 2012: RM326.4 million; 22,905 microentrepreneurs), with the bulk of financing channelled to the services (50.3%) and the retail (36.5%) sectors. Overall, since its establishment in 1998, TEKUN Nasional has provided financing totalling RM2.8 billion to 269,367 microentrepreneurs.

During the first eight months of 2013, financing to households remained firm with all household loan indicators increasing at double-digit rates. Household loan applications grew 13.8% to RM298.9 billion, approvals 17.3% to RM157.2 billion and disbursements 11.9% to RM197.7 billion (January – August 2012: 0.8%, RM262.7 billion; -4.2%, RM134 billion; -0.8%, RM176.7 billion). Total household loans outstanding expanded 11.9% to RM663.4 billion and accounted for 56.2% of total loans outstanding in the banking system as at end-August 2013 (end-2012: 11.6%; RM616.5 billion; 55.6%). Most of the total loans disbursed to households were for consumption credit (43.8%), purchase of residential properties (24.2%) and purchase of passenger cars (14.7%).

Total household debt, which includes loans provided by the banking system, DFIs, the Treasury Housing Loan Division and other credit institutions, expanded at an average annual rate of 12% over the past five years. The accumulation of debt was primarily for asset purchase, such as properties and vehicles, which accounted for 69.8% of total household debt. As at end-August 2013, household debt increased 12.6% to RM824.3 billion (end-2012: 13%; RM761.9 billion). Total household debt relative to nominal GDP stood at 85.1% as at end-June 2013 (end-2012: 80.9%). Meanwhile, household financial assets grew 10.3 to RM1,812.3 billion as at end-August 2013 (end-2012: 12.6%; RM1,686.5 billion). Growth in household debt was supported by sustained growth in income levels and favourable employment conditions. The household sector continued to exhibit the ability to service their loans with the loan impairment ratio remaining low at 1.4% of banking system loans extended to households as at end-August 2013 (end-2012: 1.5%).

While the overall household debt level remains manageable, it was noted that borrowers in the lower income brackets are vulnerable as their leverage position has increased relative to other income groups. This has been accompanied by the rapid increase in personal financing and extended financing tenures, which can encourage over-borrowing by households that are not in a position to take on more debt. In July 2013, BNM introduced several pre-emptive measures aimed at promoting a more resilient household sector, reinforcing responsible lending practices as well as mitigating potential longer-term risks to financial stability. These measures include, limiting the tenures for housing loan from up to 45 years to 35 years and personal financing, from up to 25 years to 10 years. In addition, financial institutions are prohibited from offering personal financing without application from borrowers. Financial institutions are also required to observe a prudent debt service ratio when extending credit to borrowers, to ensure that they have sufficient financial buffers to support them in the event of rising costs and unexpected adversities. The measures also ensure that households that have the capacity to borrow can continue to have access to financing. In order to ascertain consistency in the financing practices of major credit providers to the household sector, these measures are also applied to cooperatives regulated by Suruhanjaya Koperasi Malaysia, the Malaysia Building Society Berhad (MBSB) and Aeon Credit Service (M) Berhad, in addition to commercial and Islamic banks as well as DFIs regulated by BNM. These measures complemented earlier measures that have been progressively implemented since 2010.

Credit card usage continued to increase in the first eight months of 2013. Transactions grew 5.8% to 221.9 million, amounting to RM65.2 billion (January – August 2012: 6%; 214.7 million; RM61.6 billion). Credit card balances outstanding increased slightly by 2.4% to RM33.8 billion as at end-August 2013 (end-2012: 1.7%; RM34 billion). Meanwhile, credit card debt accounted for 2.9% of total loans outstanding in the banking system and 5.1% of total loans to households as at end-August 2013 (end-2012: 3.1%; 5.5%). Despite the introduction of stricter income requirements, credit card applications rose 13.3% to 1.9 million during the first eight months of 2013 (January – August 2012: -0.6%; 1.7 million). However, the approval rate was lower at 44.3% (January – August 2012: 48.7%). The level of credit card debt impairment remained low at 1.2% as at end-August 2013 (end-2012: 1.3%).

Agensi Kaunseling dan Pengurusan Kredit (AKPK) continued to undertake initiatives to promote financial literacy and prudent financial management, especially to young adults. During the first eight months of 2013, AKPK provided credit counselling to a total of 24,286 individuals, of which 10,785 or 44.4% committed to the Debt Management Programme (DMP) (January – August 2012: 23,842; 10,789; 45.3%). The DMP assisted borrowers in coordinating repayments of RM828.5 million (January – August 2012: RM724.2 million) to financial institutions during the period, of which 7,820 cases were credit card-related debt with a value of RM467.5 million, and 4,956 personal financing cases amounting to RM151.6 million (January – August 2012: 8,670 cases, RM420.6 million; 5,202 cases, RM173.7 million). Meanwhile, home and motor vehicle financing accounted for 450 and 103 cases (January – August 2012: 264 cases; 73 cases), respectively. Since its establishment in 2006, AKPK has assisted more than 94,000 individuals through the DMP.

In addition, the DMP has been extended to include borrowers with non-bank lenders, such as the MBSB and credit cooperatives. AKPK has introduced the DMP Booklet to credit providers as a guide to the DMP process. A second module of the successful financial literacy programme, POWER!, focusing on debt management, is being developed, targeting adults between 25 and 45 years old. AKPK, together with Jabatan Kemajuan Islam Malaysia, have also developed a post-marital programme to assist couples in family financial planning.

Banking system remains resilient

The banking system remained strong and well capitalised even with the implementation of the new and more stringent Basel III capital adequacy framework, effective from 1 January 2013. As at end-August 2013, the common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio of the banking system registered 12%, 12.8% and 14.1%. Capital buffers in excess of the minimum regulatory requirement, remained high at more than RM73 billion. Liquidity remained ample with banks maintaining strong liquidity buffers and a large placement of more than RM147 billion with BNM. The banking system also recorded a projected liquidity surplus of 14% of total deposits for liquidity needs maturing within one week.

During the first eight months of 2013, the banking system recorded a slightly lower pre-tax profit of RM18.9 billion (January – August 2012: RM19.5 billion). The profit was primarily contributed by revenue from financing activities and gains from trading and investment activities. Loan quality in the banking system remained stable with the net impaired loans ratio at 1.4% of net loans as at end-August 2013 (end-2012: 1.4%), while the overall loan loss coverage ratio remained above 90%.

Meanwhile, the financial sector regulatory and supervisory framework was further strengthened when the Financial Services Act 2013 (FSA) and the IFSA came into force on 30 June 2013. The FSA and IFSA were the culmination of efforts to modernise the laws that govern the conduct and supervision of financial institutions in Malaysia. This is to ensure that these laws continue to be relevant and effective to maintain financial stability, support inclusive growth in the financial system and the economy, as well as to provide adequate protection for consumers. The FSA and IFSA consolidated and replaced several separate laws, namely the Banking and Financial Institutions Act 1989 (BAFIA), Islamic Banking Act 1983, Insurance Act 1996, Takaful Act 1984, Payment Systems Act 2003 and Exchange Control Act 1953, to govern the financial sector under a single legislative framework for the conventional and the Islamic financial sector, respectively.

The new legislations provided greater clarity and transparency in the implementation and administration of the law. The FSA and IFSA also included provisions for differentiated regulatory requirements that reflect the nature of financial intermediation activities and their risks to the overall financial system. In addition, there are provisions to regulate financial holding companies and non-regulated entities to take account of systemic risks that can emerge from the interaction between regulated and unregulated institutions, activities and markets. The IFSA further provides a clear focus on Shariah compliance and governance in the Islamic financial sector, with a comprehensive legal framework that is fully consistent with Shariah in all aspects of regulation and supervision.

The new laws also strengthened business conduct and consumer protection requirements to promote consumer confidence in the use of financial services and products as well as strengthened provisions for effective and early enforcement and supervisory intervention to promote the safety and soundness of financial institutions. The FSA and IFSA also strengthened conditions for the financial sector to contribute to the economic transformation process by supporting innovation, competition and growth with adequate safeguards to ensure that financial intermediaries do so responsibly and in a manner that does not create risks for the financial system as a whole. The FSA and IFSA also enable BNM to approve a financial ombudsman scheme to ensure an effective mechanism in the resolution of disputes between consumers and financial service providers in relation to financial services or products.

(Source: Economic Report 2013/2014, Ministry of Finance, Malaysia)

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8. OTHER INFORMATION

8.1 Material Contracts

There are no material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business which have been entered into by AmBank during the past two (2) years preceding the date of this IM.

8.2 Material Litigation

As at the date of this IM:

(a) in respect of material litigation, claims and arbitration arising from the ordinary course of business, there are none apart from those which:

  (i) the financial impact thereof has already been accounted for in the last audited financial statements of AmBank; and

  (ii) if not accounted for as alluded to in the preceding sub-paragraph (i), AmBank is of the view that there is no material adverse impact on the business, financial condition, results of operations or prospects of AmBank arising from such litigation, claims and arbitration.

  Further, AmBank does not know of any threatened proceedings against AmBank that are likely to have a material adverse effect on our business, financial condition, results of operations or prospects; and

(b) in respect of material litigation, claims and arbitration arising outside the ordinary course of business:

  (i) AmBank is not engaged in any such material litigation, claims and arbitration either as plaintiff or defendant; and

  (ii) the Board does not know of any such proceedings threatened against AmBank that are likely to have a material adverse effect on AmBank's business, financial condition, results of operations or prospects.

8.3 Commitments and Contingent Liabilities

In the normal course of business, AmBank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against AmBank's assets.

Please refer to audited financial statements for the financial year ended 31 March 2013 and interim financial statements for the financial period 1 April 2013 to 30 September 2013 for contingent liabilities of AmBank.

APPENDIX

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD 1 APRIL 2012 TO 31 MARCH 2013

ERNST & YOUNG

AMBANK (M) BERHAD
(8515-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2013

Company No. 8515-D

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONTENTS

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to carry on the business of a licensed commercial bank and finance company.

The principal activities of its subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

SIGNIFICANT EVENT

The significant event during the financial year is as disclosed in Note 52 to the financial statements.

SUBSEQUENT EVENT

The subsequent event during the financial year is as disclosed in Note 53 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit for the financial year	1,251,235	1,259,439
Attributable to:		
Equity holder of the Bank	1,251,222	1,259,439
Non-controlling interests	13	-
	1,251,235	1,259,439

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the changes in accounting policies as disclosed in Note 2 of 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 Bank for the current financial year in which this report is made.

DIVIDENDS

During the financial year, the Bank paid the final single-tier cash dividend of 80.15 sen per ordinary share on 820,363,762 ordinary shares amounting to RM657,521,556 in respect of the financial year ended 31 March 2012.

An interim single-tier cash dividend of 26.00 sen per ordinary share on 820,363,762 ordinary shares amounting to RM213,294,578 in respect of the current financial year was paid on 21 November 2012.

In respect of the current financial year, the Directors recommend a final single-tier cash dividend of 48.80 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM400,337,516. The financial statements for the current financial year do not reflect this dividend. Such dividend, upon approval of the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2014.

BUSINESS PLAN AND STRATEGY

For financial year 2014, the AMMB Holdings and its subsidiary companies ("the AMMB Group") will be guided by five strategic themes to achieve our Vision - *As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.*

Firstly, integrate acquisitions and deliver synergies. With the acquisitions of Kurnia in General Insurance and MBF Cards in Retail Banking, the AMMB Group is now the leading general insurer in Malaysia and Top 3 in merchant acquiring business. Our focus will be on realising operational efficiencies from economies of scale and capitalising on the expanded customer base for cross-selling opportunities to grow non-interest income.

Secondly, simplify business model and streamline processes. The AMMB Group has reorganised its business model to be around customers, a move away from the traditional product silos. Plans are in place to simplify business structures and processes to enhance customer experience (for example, consistent and seamless experience) as well as to better provide financial solutions that matches customers' lifestyle and lifecycle needs. To achieve this, the AMMB Group will continue to strategically invest in human capital and technology uplift while maintaining top tier cost-to-income ratio.

Thirdly, accelerate organic growth with focus on cross-sell, flow business, small business, and emerging affluent customers.

The AMMB Group plans to leverage closer partnerships with existing customers to increase share-of-wallet through cross-selling while increasing market share in targeted segments through attracting new customers.

In retail, a refreshed marketing approach will be supported by enhanced analytical capabilities to partner customers in meeting their financial goals. The AMMB Group's focus is on building long lasting main bank relationships in preferred customer segments.

In non-retail, we will deepen existing relationships with our Corporate and Institutional, Business and Investment Banking customers by improving our coverage and providing comprehensive financial solutions leveraging opportunities in domestic private investments. We will support small businesses by providing them capital to invest and expand their businesses. In Transaction Banking, we will improve our foreign currency service proposition and encourage CASA stickiness by expanding business with high transaction value clients. In Markets, we will speed up product rollout, increase flow volumes and increase utilisation of derivatives across clients.

Fourthly, build scale in specialist businesses with strategic partners. Our strategic partnership with Australia and New Zealand Banking Group Limited ("ANZ") in banking will continue to enhance development of new products as well as cross-border opportunities through expanded distribution capabilities. In general insurance, our partnership with Insurance Australia Group ("IAG") will support in driving the integration of Kurnia and continue to support the implementation of international best practices. We are in the midst of finding a new strategic partner for the Life Assurance and Family Takaful businesses. The new partnership is expected to bring scale and technical expertise, while the AMMB Group provides a universal banking platform for the businesses to leverage.

Fifthly, optimise capital and holding company structures. The AMMB Group remains proactive in managing capital according to evolving regulatory requirements and evaluating business opportunities on a risk adjusted basis for optimal returns on capital.

OUTLOOK FOR NEXT FINANCIAL YEAR

Malaysia's economic growth in 2013 is expected to be sustained by private consumption and expansion in investments. The external environment remains challenging as the economic recovery of major trading partners remain uncertain.

Domestic private investment is expected to play a significant role as the government consolidates its fiscal position. With a smooth transition post elections, the government is expected to maintain its focus on sustaining growth momentum and facilitating long-term economic transformation plans. Monetary policy is expected to be accommodative, ensuring sustainable economic growth in 2013.

ISSUANCE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

BAD AND DOUBTFUL DEBTS

Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Bank 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 the making of allowances for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowances had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Bank inadequate to any substantial extent.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank 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 Bank which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability in respect of the Group and of the Bank 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 Bank.

No contingent or other liability of the Group and of the Bank 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 Bank 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 Bank that would render any amount stated in the financial statements misleading.

CURRENT ASSETS

Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

DIRECTORS

The Directors of the Bank who served on the Board since the date of the last report and at the date of this report are:

Tan Sri Azman Hashim
Cheah Tek Kuang
Tun Mohammed Hanif bin Omar
Tan Sri Datuk Clifford Francis Herbert
Dato' Gan Nyap Liou @ Gan Nyap Liow
Chin Yuen Yin
Christopher Robin Page (appointed on 20.06.2012)
Ashok Ramamurthy

DIRECTORS' INTERESTS

Under the Bank's Articles of Association, the Directors are not required to hold shares in the Bank.

The interests in shares and options in the holding company of those who were Directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

DIRECT INTERESTS

In the holding company,
AMMB Holdings Berhad ("AMMB")

	No. of ordinary shares of RM1.00 each ("shares")			
Shares	**Balance at 1.4.2012**	**Bought/ Vested/ Exercised**	**Sold**	**Balance at 31.3.2013**
Cheah Tek Kuang	136,000	564,800	572,000	128,800
Ashok Ramamurthy	100,000	198,250	-	298,250

	No. of shares pursuant to AMMB Executives' Share Scheme				
Scheme Shares*	**Balance at 1.4.2012**	**Granted**	**Vested**	**Forfeited^**	**Balance at 31.3.2013**
Cheah Tek Kuang	492,400	223,400	283,500	8,300	424,000
Ashok Ramamurthy	344,400	135,000	198,250	6,600	274,550

	No. of shares pursuant to AMMB Executives' Share Scheme				
Shares under Options*	**Balance at 1.4.2012**	**Granted**	**Vested**	**Forfeited^**	**Balance at 31.3.2013**
Cheah Tek Kuang	558,200	-	281,300	49,600	227,300
Ashok Ramamurthy	446,700	-	225,100	39,700	181,900

	No. of shares pursuant to AMMB Executives' Share Scheme			
Shares under Options* (In vested account)	**Balance at 1.4.2012**	**Vested**	**Exercised**	**Balance at 31.3.2013**
Cheah Tek Kuang	-	281,300	281,300	-
Ashok Ramamurthy	-	225,100	-	225,100

* 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 AMMB Executives' Share Scheme.

^ Forfeited due to non-vesting of Long Term Incentive award pursuant to the By-Laws of AMMB Executives' Share Scheme.

INDIRECT INTERESTS

In the holding company,
AMMB Holdings Berhad

		No. of ordinary shares of RM1.00 each			
Shares	**Name of Company**	**Balance at 1.4.2012**	**Bought**	**Sold**	**Balance at 31.3.2013**
Tan Sri Azman Hashim	Amcorp Group Berhad	505,780,554	1,839,701	13,500,000	494,120,255

By virtue of Tan Sri Azman Hashim's shareholding in the holding company, AMMB Holdings Berhad, he is deemed to have interests in the shares of the Bank and its related corporations, to the extent the holding company has an interest.

None of the other Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits 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 Bank 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, other than for the related party transactions as shown in Note 42 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is a party to whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB, the holding company.

CORPORATE GOVERNANCE

(a) Board Responsibility and Oversight

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and recomendations in corporate governance are applied consistently in the Bank and its subsidiaries. The Board complies with the recomendations in corporate governance as set out in the Malaysian Code on Corporate Governance 2012.

The Board supervises the management of the Bank's businesses, policies and affairs with the goal of enhancing shareholder's value. The Board meets nine (9) times in the 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 law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises eight (8) Directors with wide skills and experience, three (3) of whom are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Chief Executive Officer of the Bank. The Senior Management team of the Bank are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

CORPORATE GOVERNANCE (CONTD.)

(b) Committees of the Board

The Board delegates certain responsibilities to the Board Committees. The Committees together with the Committees established at Group level (AMMB Holdings Berhad), which were created to assist the Board in certain areas of deliberations, are:

1. Group Nomination Committee (at Group level) *
2. Group Remuneration Committee (at Group level) *
3. Group Nomination and Remuneration Committee (at Group level)
4. Audit and Examination Committee
5. Risk Management Committee

* Consolidated into a single committee known as Group Nomination and Remuneration Committee (at Group level) on 4 March 2013.

The roles and responsibilities of each Committee are set out under their 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.

The attendance of Board members at the meetings of the Board and the various Board Committees is set out below:

Number of meetings attended in Financial Year 2013 ("FY2013")						
	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Group Nomination and Remuneration Committee	Audit and Examination Committee	Risk Management Committee
Tan Sri Azman Hashim	9 (Chairman)	5	5	N/A	N/A	N/A
Cheah Tek Kuang	9 (Deputy Chairman)	N/A	N/A	N/A	N/A	N/A
Tun Mohammed bin Hanif Omar	8	5	N/A	1	N/A	N/A
Tan Sri Datuk Clifford Francis Herbert	7	5 (Chairman)	2	0 (Chairman)	9	8 (Chairman)
Dato' Gan Nyap Liou @ Gan Nyap Liow	8	N/A	N/A	- [a]	8 (Chairman)	8
Chin Yuen Yin	9	N/A	N/A	N/A	7	7
Christopher Robin Page (appointed on 20.06.2012)	7	N/A	N/A	N/A	N/A	N/A
Ashok Ramamurthy	9	N/A	N/A	N/A	N/A	N/A
Number of meetings held in FY2013	9	5	5	1	9	9

a. Appointed as member on 19.03.2013

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

CORPORATE GOVERNANCE (CONTD.)

(b) Committees of the Board (contd.)

Group Nomination and Remuneration Committee

The Committee was established at Group level (AMMB) following the consolidation of the Group Nomination and Group Remuneration Committees. The Committee comprises seven (7) members, all of whom are Non-Executive Directors. The Committee continues with the roles of the previous Group Nomination and Group Remuneration Committees and is responsible for:

- regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Bank 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 Committee 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, benchmarked against the industry. Remuneration is determined at levels, which enable the Group to attract and retain the Directors, Chief Executive Officers and 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.

Group Nomination and Group Remuneration Committees met five (5) times respectively during the financial year 2013. The Committee met once since its establishment during the financial year 2013.

Audit and Examination Committee

The Committee comprises three (3) members, all 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 Bank's assets and shareholder's investments.

The AEC met nine (9) times during the financial year 2013 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 financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

In addition, the AEC has reviewed the procedures set up by the Bank to identify and report, and where necessary, seeks approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions.

CORPORATE GOVERNANCE (CONTD.)

(b) Committees of the Board (contd.)

Risk Management Committee

Risk management is an integral part of the Bank'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 also approves the engagement of new products or activities after considering the risk bearing capacity and readiness of the Bank.

The Risk Management Committee exercises oversight on behalf of the Board to ensure adequate overall management of credit, market, liquidity, operational, legal and capital risks impacting the Bank.

The Committee is independent from Management and comprises three (3) members, all of whom are Independent 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 Bank. It also assesses the Bank's 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 Bank. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodology and formulation of risk strategies.

The Committee met nine (9) times during the financial year 2013.

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 Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meetings. The minutes of the AEC meetings 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 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 Bank. 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.

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.

CORPORATE GOVERNANCE (CONTD.)

MANAGEMENT INFORMATION

The Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank 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 Bank, 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 in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

HOLDING COMPANY

Upon approval of the Minister of Finance and Bank Negara Malaysia, AMMB Holdings Berhad ("AMMB") has, on 14 September 2012, entered into an agreement with its wholly-owned subsidiary, AMFB Holdings Berhad ("AMFB") to transfer 100% equity interest held by AMFB in the Bank to AMMB (the "Internal Transfer").

The Internal Transfer is a shareholding reorganisation exercise to make the Bank a direct 100% held subsidiary of AMMB in line with AMMB's current direct 100% shareholding in AmIslamic Bank Berhad and AmInvestment Bank Berhad.

The Internal Transfer was completed on 4 October 2012.

RATING BY EXTERNAL AGENCIES

During the financial year, Moody's Investors Service upgraded the foreign currency deposit ratings of the Bank to Baa1/P-2 from Baa2/P-3. More recently, RAM Rating Services revised the Bank's outlook to positive from stable whilst Fitch Ratings and Standard & Poor's ratings were all reaffirmed.

Details of the Bank's ratings are as follows:

Rating agency	Date accorded	Rating Classification	Ratings
Moody's Investor Service	December 2012	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 2012	Foreign long-term issuer credit rating Foreign short-term issuer credit rating	BBB+/Stable A-2
Fitch Ratings	February 2013	Long-term foreign currency issuer default rating Short-term foreign currency issuer default rating	BBB/Stable F3
RAM Rating Services	January 2013	Long-term financial institution rating Short-term financial institution rating	AA3/Positive P1

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

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
Chairman

ASHOK RAMAMURTHY
Chief Executive Officer

Kuala Lumpur, Malaysia
15 May 2013

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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 **AMBANK (M) BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 16 to 175 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 Bank as at 31 March 2013 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

TAN SRI AZMAN HASHIM
Chairman

ASHOK RAMAMURTHY
Chief Executive Officer

Kuala Lumpur, Malaysia
15 May 2013

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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 **AMBANK (M) BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 175 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
this 15 May 2013

MANDY JEAN SIMPSON

Before me,

COMMISSIONER FOR OATHS
Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur
Telephone Number: 03-20362633

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No. W 633
MURALITHERAN
ART PILLAI
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8515-D

Independent auditors' report to the member of AmBank (M) Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AmBank (M) Berhad, which comprise statements of financial position as at 31 March 2013 of the Group and of the Bank, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 175.

Directors' responsibility for the financial statements

The directors of the Bank 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 misstatement, 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 about 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.

ERNST & YOUNG

8515-D

Independent auditors' report to the member of
AmBank (M) Berhad (cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2013 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 Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank 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.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the member of the Bank, 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. 2190/12/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
15 May 2013

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013

		Group			Bank		
	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
ASSETS							
Cash and short-term funds	5	7,324,650	5,453,638	8,740,986	7,255,748	5,133,039	8,375,879
Securities purchased under resale agreements	6	-	384,570	289,731	-	384,570	289,731
Deposits and placements with banks and other financial institutions	7	1,913,422	1,122,194	3,792,922	1,913,422	1,091,549	3,702,163
Derivative financial assets	8	383,243	380,035	396,673	383,243	380,035	396,673
Financial assets held-for-trading	9	4,100,623	8,910,943	4,167,002	4,100,623	8,910,943	4,167,002
Financial investments available-for-sale	10	3,348,641	4,440,721	6,331,969	3,507,031	4,631,972	6,557,696
Financial investments held-to-maturity	11	4,033,535	116,155	165,331	4,033,164	113,501	159,589
Loans and advances	12	59,231,752	56,491,272	55,514,989	59,032,684	56,252,935	55,234,910
Statutory deposit with Bank Negara Malaysia	13	2,122,386	2,011,288	143,811	2,122,386	2,011,288	143,811
Deferred tax assets	14	120,781	159,570	416,439	120,523	158,391	417,364
Investment in subsidiaries	15	-	-	-	65,800	65,800	65,800
Investment in associates	16	892	1,611	1,243	122	127	142
Other assets	17	1,174,721	1,078,760	812,194	1,169,340	1,073,126	807,582
Property and equipment	18	149,150	141,678	155,322	125,859	117,888	131,078
Intangible assets	19	234,687	170,213	137,454	234,676	170,198	137,436
TOTAL ASSETS		84,138,483	80,862,648	81,066,066	84,064,621	80,495,362	80,586,856

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013 (CONTD.)

		Group			Bank		
	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
LIABILITIES AND EQUITY							
Deposits and placements of banks and other financial institutions	20	2,330,512	3,968,264	4,467,908	2,338,370	4,528,215	4,792,644
Securities sold under repurchase agreements	6	-	41,195	30,465	-	41,195	30,465
Recourse obligation on loans sold to Cagamas Berhad	21	1,264,251	1,176,054	1,018,043	1,264,251	1,176,054	1,018,043
Derivative financial liabilities	8	422,675	441,704	432,932	422,675	441,704	432,932
Deposits from customers	22	62,147,776	59,359,849	59,664,604	62,120,335	58,496,288	59,036,112
Term funding	23	4,075,158	4,159,813	3,988,475	4,075,158	4,159,813	3,988,475
Bills and acceptances payable	24	1,241,980	353,526	988,389	1,241,980	353,526	988,389
Debt capital	25	3,226,507	3,241,592	3,367,860	3,226,507	3,241,592	3,367,860
Other liabilities	26	3,129,646	2,149,210	2,082,720	3,118,784	2,138,688	2,072,071
TOTAL LIABILITIES		77,838,505	74,891,207	76,041,396	77,808,060	74,577,075	75,726,991
Share capital	27	820,364	820,364	670,364	820,364	820,364	670,364
Reserves	28	5,479,555	5,151,031	4,354,260	5,436,197	5,097,923	4,189,501
Equity attributable to equity holder of the Bank		6,299,919	5,971,395	5,024,624	6,256,561	5,918,287	4,859,865
Non-controlling interests	29	59	46	46	-	-	-
TOTAL EQUITY		6,299,978	5,971,441	5,024,670	6,256,561	5,918,287	4,859,865
TOTAL LIABILITIES AND EQUITY		84,138,483	80,862,648	81,066,066	84,064,621	80,495,362	80,586,856
COMMITMENTS AND CONTINGENCIES	46	94,244,139	93,217,715	92,223,251	94,261,611	93,233,992	92,220,904
NET ASSETS PER SHARE (RM)		7.68	7.28	7.50	7.63	7.21	7.25

The accompanying notes form an integral part of the financial statements.

AMBANK (M) BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

		Group		Bank	
	Note	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Operating revenue		4,926,915	5,008,476	4,936,936	5,126,456
Interest income	30	4,305,644	4,245,204	4,297,874	4,237,059
Interest expense	31	(2,285,168)	(2,252,922)	(2,285,813)	(2,253,910)
Net interest income		2,020,476	1,992,282	2,012,061	1,983,149
Net income from Islamic banking business	32	9	238	-	-
Other operating income	33	621,242	763,002	639,062	889,397
Share in results of associates		151	368	-	-
Net income		2,641,878	2,755,890	2,651,123	2,872,546
Other operating expenses	34	(1,047,568)	(1,002,642)	(1,046,978)	(1,001,849)
Operating profit		1,594,310	1,753,248	1,604,145	1,870,697
Allowance for impairment on loans and advances	36	(32,468)	(223,492)	(34,323)	(229,114)
Writeback of/(Provision for) commitments and contingencies	26(a)	68,374	(58,844)	68,363	(58,842)
Impairment (loss)/writeback on:					
Associates	16	-	-	(5)	(15)
Doubtful sundry receivables, net	17(a)	(1,563)	1,809	(1,563)	1,789
Recoveries of other receivables		6,267	1,785	6,267	1,785
Financial investments	37	(768)	2,135	(3,070)	1,075
Foreclosed properties	17(c)	(9,086)	(28,345)	(9,086)	(28,345)
Property and equipment		1,350	-	1,350	-
Profit before taxation		**1,626,416**	**1,448,296**	**1,632,078**	**1,559,030**
Taxation	38	(375,181)	(360,443)	(372,639)	(363,148)
Profit for the financial year		1,251,235	1,087,853	1,259,439	1,195,882
Attributable to:					
Equity holder of the Bank		1,251,222	1,087,853	1,259,439	1,195,882
Non-controlling interests		13	-	-	-
Profit for the financial year		1,251,235	1,087,853	1,259,439	1,195,882
Earnings per share (sen)					
Basic/Diluted	40	152.52	145.87	153.52	160.35

The accompanying notes form an integral part of the financial statements.

AMBANK (M) BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Note	Group 31 March 2013 RM'000	Group 31 March 2012 RM'000	Bank 31 March 2013 RM'000	Bank 31 March 2012 RM'000
Profit for the financial year		1,251,235	1,087,853	1,259,439	1,195,882
Other comprehensive income/(loss)					
Exchange differences on translation of foreign operations		(7,435)	2,794	(7,642)	278
Net movement on cash flow hedge		(1,178)	(60,202)	(1,178)	(60,202)
Net (loss)/gain on financial investments available-for-sale		(44,716)	4,215	(42,470)	12,359
Income tax relating to the components of other comprehensive income	14	11,607	13,509	11,050	11,481
Other comprehensive loss net of tax		(41,722)	(39,684)	(40,240)	(36,084)
Total comprehensive income for the financial year, net of tax		1,209,513	1,048,169	1,219,199	1,159,798
Attributable to:					
Equity holder of the Bank		1,209,500	1,048,169	1,219,199	1,159,798
Non-controlling interests		13	-	-	-
		1,209,513	1,048,169	1,219,199	1,159,798

The accompanying notes form an integral part of the financial statements.

AMBANK (M) BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

		Attributable to equity holder of the Bank						
			Non-distributable		Distributable			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total attributable to equity holder RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At **1 April 2011**		670,364	942,844	773,803	2,637,613	5,024,624	46	5,024,670
Profit for the financial year		-	-	-	1,087,853	1,087,853	-	1,087,853
Other comprehensive loss		-	-	(39,684)	-	(39,684)	-	(39,684)
Total comprehensive income/(loss) for the financial year		-	-	(39,684)	1,087,853	1,048,169	-	1,048,169
Dividends on ordinary shares:	41							
- final, financial year ended 31 March 2011		-	-	-	(248,034)	(248,034)	-	(248,034)
Conversion of INCPS	27	150,000	-	-	-	150,000	-	150,000
Transfer to statutory reserve		-	-	300,510	(300,510)	-	-	-
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	(3,364)	(3,364)	-	(3,364)
At **31 March 2012**		820,364	942,844	1,034,629	3,173,558	5,971,395	46	5,971,441
At **1 April 2012**		820,364	942,844	1,034,629	3,173,558	5,971,395	46	5,971,441
Profit for the financial year		-	-	-	1,251,222	1,251,222	13	1,251,235
Other comprehensive loss		-	-	(41,722)	-	(41,722)	-	(41,722)
Total comprehensive income/(loss) for the financial year		-	-	(41,722)	1,251,222	1,209,500	13	1,209,513
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	(10,159)	(10,159)	-	(10,159)
Dividends on ordinary shares:	41							
- final, financial year ended 31 March 2012		-	-	-	(657,522)	(657,522)	-	(657,522)
- interim, financial year ended 31 March 2013		-	-	-	(213,295)	(213,295)	-	(213,295)
At **31 March 2013**		820,364	942,844	992,907	3,543,804	6,299,919	59	6,299,978

The accompanying notes form an integral part of the financial statements.

AMBANK (M) BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

		Attributable to equity holder of the Bank				
			Non-distributable		Distributable	
Bank	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At **1 April 2011**		670,364	942,844	728,045	2,518,612	4,859,865
Profit for the financial year		-	-	-	1,195,882	1,195,882
Other comprehensive loss		-	-	(36,084)	-	(36,084)
Total comprehensive income/(loss) for the financial year		-	-	(36,084)	1,195,882	1,159,798
Dividends on ordinary shares:	41					
- final, financial year ended 31 March 2011		-	-	-	(248,034)	(248,034)
Conversion of INCPS	27	150,000	-	-	-	150,000
Transfer to statutory reserve		-	-	300,510	(300,510)	-
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	(3,342)	(3,342)
At **31 March 2012**		820,364	942,844	992,471	3,162,608	5,918,287
At **1 April 2012**		820,364	942,844	992,471	3,162,608	5,918,287
Profit for the financial year		-	-	-	1,259,439	1,259,439
Other comprehensive loss		-	-	(40,240)	-	(40,240)
Total comprehensive income/(loss) for the financial year		-	-	(40,240)	1,259,439	1,219,199
Transfer of AMMB ESS shares recharged - difference on purchase price for shares vested		-	-	-	(10,108)	(10,108)
Dividends on ordinary shares:	41					
- final, financial year ended 31 March 2012		-	-	-	(657,522)	(657,522)
- interim, financial year ended 31 March 2013		-	-	-	(213,295)	(213,295)
At **31 March 2013**		820,364	942,844	952,231	3,541,122	6,256,561

The accompanying notes form an integral part of the financial statements.

AMBANK (M) BERHAD
(Incorporated in Malaysia)
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Group		Bank	
	31 March 2013 RM'000	**31 March 2012 RM'000**	**31 March 2013 RM'000**	**31 March 2012 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	1,626,416	1,448,296	1,632,078	1,559,030
Adjustments for:				
Amortisation of fair value on terminated hedge	(23,317)	(10,348)	(23,317)	(10,348)
Amortisation of intangible assets	45,985	38,223	45,981	38,219
Amortisation of issuance costs	1,592	1,527	1,592	1,527
Amortisation of premium less accretion of discount	(107,159)	(108,697)	(107,080)	(108,376)
Depreciation of property and equipment	41,798	43,162	41,289	42,649
Gain on disposal of foreclosed properties	(25)	(4)	(25)	(4)
Gross dividend income from financial assets held-for-trading	(9,178)	(13,847)	(9,178)	(13,847)
Gross dividend income from financial investments available-for-sale	(10,507)	(12,334)	(10,507)	(12,334)
Gross dividend income from associates	-	-	(1,160)	-
Gross dividend income from subsidiary	-	-	(17,393)	(130,406)
Impairment loss of associates	-	-	5	15
Impairment writeback of sundry receivables	(4,704)	(3,594)	(4,704)	(3,574)
Impairment writeback of property and equipment	(1,350)	-	(1,350)	-
Impairment loss/(writeback) on financial investments	768	(2,135)	3,070	(1,075)
Impairment loss on foreclosed properties	9,086	28,345	9,086	28,345
Intangible assets written off	-	983	-	983
Loan and advances allowances, net of writeback	521,754	682,767	521,314	682,297
Loss/(Gain) on disposal of property and equipment	1,541	(623)	1,541	(553)
Net gain on redemption of financial investments held-to-maturity	(40,766)	(13,714)	(40,766)	(13,714)
Net (gain)/loss on revaluation of derivatives	(38,081)	19,755	(38,081)	19,755
Net (gain)/loss on revaluation of financial assets held-for-trading	(3,805)	14,829	(3,805)	14,829
Net gain on sale of financial assets held-for-trading	(29,072)	(170,253)	(29,072)	(170,253)
Net gain on sale of financial investments available-for-sale	(33,905)	(97,940)	(33,905)	(97,940)
Property and equipment written off	12	10	12	10
Provision for commitments and contingencies	(68,374)	58,844	(68,363)	58,842
Scheme shares and options granted under Executive Share Scheme	32,506	26,857	32,434	26,753

AMBANK (M) BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONTD.)

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Share in results of associates	(151)	(368)	-	-
Unrealised gain on foreign exchange contracts	28,105	(9,899)	28,105	(9,899)
Operating profit before working capital changes	1,939,169	1,919,842	1,927,801	1,900,931
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreements	384,570	(94,839)	384,570	(94,839)
Deposits and placements with banks and other financial institutions	(791,228)	2,670,728	(821,873)	2,610,614
Financial assets held-for-trading	4,889,108	(4,539,934)	4,889,108	(4,539,934)
Loans and advances	(3,262,234)	(1,659,038)	(3,301,063)	(1,700,322)
Statutory deposit with Bank Negara Malaysia	(111,098)	(1,867,477)	(111,098)	(1,867,477)
Other assets	(142,376)	(318,965)	(142,346)	(317,993)
(Decrease)/Increase in operating liabilities:				
Deposits and placements of banks and other financial institutions	(1,637,752)	(499,644)	(2,189,845)	(264,429)
Securities sold under repurchase agreements	(41,195)	10,730	(41,195)	10,730
Recourse obligation of loans sold to Cagamas Berhad	89,813	158,618	89,813	158,618
Deposits from customers	2,787,927	(304,755)	3,624,047	(539,824)
Term funding	(93,909)	158,396	(93,909)	158,396
Bills and acceptances payable	888,454	(634,863)	888,454	(634,863)
Other liabilities	944,442	193,305	943,588	191,627
Cash generated from/(used in) operations	5,843,691	(4,807,896)	6,046,052	(4,928,765)
Net taxation paid	(226,268)	(274,053)	(224,257)	(272,451)
Net cash generated from/(used in) operating activities	5,617,423	(5,081,949)	5,821,795	(5,201,216)

AMBANK (M) BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONTD.)

	Group		Bank	
	31 March 2013 RM'000	**31 March 2012 RM'000**	**31 March 2013 RM'000**	**31 March 2012 RM'000**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net dividend received from financial assets held-for-trading	8,462	12,665	8,462	12,665
Net dividend received from financial investments available-for-sale	10,459	12,292	10,459	12,292
Net dividend received from subsidiaries	-	-	16,875	125,639
Net dividend received from associate	870	-	870	-
Net redemption of financial investments held-to-maturity	(3,870,243)	60,205	(3,873,220)	55,806
Net sale of financial investments available-for-sale	1,135,378	2,058,337	1,168,798	2,100,888
Proceeds from disposal of property and equipment	1,985	743	1,985	673
Purchase of intangible assets	(110,582)	(71,965)	(110,582)	(71,964)
Purchase of property and equipment	(51,923)	(29,642)	(51,916)	(29,589)
Net cash (used in)/generated from investing activities	(2,875,594)	2,042,635	(2,828,269)	2,206,410
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid, representing net cash used in financing activities	(870,817)	(248,034)	(870,817)	(248,034)
Net increase/(decrease) in cash and cash equivalents	1,871,012	(3,287,348)	2,122,709	(3,242,840)
Cash and cash equivalents at beginning of financial year	5,453,638	8,740,986	5,133,039	8,375,879
Cash and cash equivalents at end of financial year (Note 5)	7,324,650	5,453,638	7,255,748	5,133,039

The accompanying notes form an integral part of the financial statements.

AMBANK (M) BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2013

1. CORPORATE INFORMATION

The principal activity of the Bank is to carry on the business of a licensed commercial bank and finance company.

The principal activities of its subsidiaries are disclosed in Note 15.

There have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business for the Retail and Business Banking Divisions are located at Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur and Menara Dion, Jalan Sultan Ismail, 50250 Kuala Lumpur, respectively.

The financial statements of the Group and of the Bank have been approved and authorised for issue by the Board of Directors on 30 April 2013.

2. CHANGES IN ACCOUNTING POLICIES

2.1 Transition to Malaysian Financial Reporting Standards Framework

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

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

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

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

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

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

Computation of the collective allowance for loans and advances based on MFRS 139 is as described in Note 3.5m(i). This change in accounting policy has been applied retrospectively and the effects on the Group's financial position, financial performance and cash flows are set out in Note 54.

2. CHANGES IN ACCOUNTING POLICIES (CONTD.)

2.2 New and amended standards and interpretations

2.2a Standards issued but not yet effective

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

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

- MFRS 3, Business Combinations (IFRS 3, Business Combinations issued by IASB in March 2004)
- MFRS 10, Consolidated Financial Statements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 127, Separate Financial Statements
- 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 and IC Interpretations contained in the document entitled “Annual Improvements 2009–2011 Cycle"

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

- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

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

- MFRS 9, Financial Instruments

(iv) Effect of adoption of standards issued but not yet effective

A discussion of the significant MFRSs that have been issued but not yet effective is set out below. The Group is assessing the financial effects of their adoption.

(a) MFRS 3, Business Combinations - The standard was issued as a consequence to the amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance to allow eligible entities to apply the earlier version of MFRS 3.

(b) MFRS 10, Consolidated Financial Statements - Upon adoption, MFRS 10 supersedes MFRS 127, Consolidated and Separate Financial Statements. MFRS 10 converges the financial reporting requirements in MFRS 127 and SIC-12, which interprets the requirements of MFRS 10 in relation to special purpose entities. A major feature of MFRS 10 is where it sets out the requirements on how the application of the control principle is applied in the preparation of consolidated financial statements, especially in circumstances where the investor holds less than the majority of voting power, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity.

(c) MFRS 12, Disclosure of Interests in Other Entities - MFRS 12 prescribes the disclosure requirements for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. MFRS 12 aims at providing standardised and comparable information that enable users of financial statements to evaluate the nature of and risks associated with, the entity’s interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

2. CHANGES IN ACCOUNTING POLICIES (CONTD.)

2.2 New and amended standards and interpretations (contd.)

2.2a Standards issued but not yet effective (contd.)

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

(d) MFRS 10, MFRS 11 and MFRS 12, Transition Guidance - Entities are required to apply the amendments for annual periods beginning on or after 1 January 2013, which is aligned with the effective date of MFRS 10, Consolidated Financial Statements, MFRS 11, Joint Arrangements and MFRS 12, Disclosure of Interests in Other Entities. The amendment clarifies that the "date of initial application" in MFRS 10 means "the beginning of the annual reporting period in which MFRS 10 is applied for the first time".

Consequently, an entity is not required to adjust its previous accounting if:

(i) the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting; or
(ii) the entity had disposed of its interests in investees during a comparative period.

If an entity has to consolidate an investee that was not previously consolidated when applying MFRS 10 or concludes that it will no longer consolidate an investee that was previously consolidated, the amendments limit the requirement to present adjusted comparative information to the period immediately preceding the date of initial application. However, the entity is not prohibited from presenting adjusted comparative information for earlier periods.

A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structured entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity concludes that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of MFRS 3, Business Combinations and MFRS 127, Consolidated and Separate Financial Statements issued by the MASB in November 2011, the amendments clarify that the entity can apply the earlier versions of MFRS 3 and MFRS 127. Therefore the MASB has issued MFRS 3 (IFRS 3 issued by IASB in 2004) and MFRS 127 (IAS 27 as revised by IASB in 2003) in this regard.

(e) MFRS 13, Fair Value Measurement - MFRS 13 sets out a framework for measuring fair value and the disclosure requirements about fair value to address the inconsistencies in the requirements for measuring fair value across different accounting standards. MFRS 13 defines fair value as a market-based measurement, not an entity specific measurement.

(f) MFRS 127, Separate Financial Statements - As MFRS 10 prescribes the accounting requirements relating to the preparation of consolidated financial statements that were previously covered under MFRS 127, MFRS 127 has now been reissued to only cover the requirements relating to the accounting for investments in subsidiary companies, associated companies and joint ventures in the separate financial statements of the entity. In such cases, the entity should account for such investments either at cost or in accordance with MFRS 9.

(g) MFRS 128, Investments in Associates and Joint Ventures - MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the IASB was of the view that the equity method was applicable for both investments in joint ventures and associated companies. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

2. CHANGES IN ACCOUNTING POLICIES (CONTD.)

2.2 New and amended standards and interpretations (contd.)

2.2a Standards issued but not yet effective (contd.)

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

(h) MFRS 132 and MFRS 7, Offsetting Financial Assets and Financial Liabilities - The amendments to MFRS 132 clarify the meaning of "currently has a legally enforceable right to set-off". The amendments to MFRS 7 require the disclosure of information about rights to set-off and related arrangements (for example, collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with MFRS 132.42 and for financial assets that are subject to an enforceable master netting arrangement or similar arrangement regardless whether they are set off.

(i) MFRS 101, Presentation of Items of Other Comprehensive Income - The amendments change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

(j) Annual Improvements 2009-2011 Cycle - These improvements will not have an impact on the Group, but include:

MFRS 1, First-time Adoption of International Financial Reporting Standards: This improvement clarifies that an entity that stopped applying MFRS in the past and chooses or is required to apply MFRS, has the option to re-apply MFRS 1. If MFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying MFRS.

MFRS 101, Presentation of Financial Statements: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

MFRS 116, Property Plant and Equipment: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

MFRS 132, Financial Instruments, Presentation: This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with MFRS 112 Income Taxes.

MFRS 134 Interim Financial Reporting: The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

(k) MFRS 9, Financial Instruments - MFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 (equivalent to MFRS 139) and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the IASB will address impairment and hedge accounting. The adoption of the first phase of MFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets.

3. ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments that have been measured at fair value.

3.2 Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia.

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 position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date ("current") and more than 12 months after the reporting date ("non-current") is presented in Note 47.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries ("Group entities") for the year ended 31 March 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses arising from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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 interest
- 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 profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies

3.5a 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 non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling 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 expenses.

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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 forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.5b Investment in subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Bank'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 profit or loss.

3.5c Investment in an associate

An associate is an entity in which the Group has significant influence.

Investment in associate is accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5c Investment in an associate (contd.)

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of an associate's profit or loss in the period in which the investment is acquired.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in "Impairment (loss)/writeback on associate" in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining 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 profit or loss.

In the Bank's separate financial statements, investment in associate is stated at cost less accumulated impairment losses. On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.5d Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets 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 parent shareholders' equity. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling 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. The difference between the fair value of any consideration paid and the relevant fair value of the share of net assets of the subsidiary is recorded in equity.

3.5e Foreign currency translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in Ringgit Malaysia, which is also the Bank's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each Group entity are measured using that functional currency.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5e Foreign currency translation (cont.)

(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 other comprehensive income 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 other comprehensive income.

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 (that is, translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

(iii) Group entities

On consolidation, the assets and liabilities of foreign subsidiaries and operations are translated into Ringgit Malaysia at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign subsidiary and operation, the component of other comprehensive income relating to that particular foreign subsidiary and operation is recognised in the income statement.

3.5f Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property 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 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 straight-line basis over the shorter of the lease period or fifty years.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5f Property and equipment (contd.)

Depreciation of other property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. The annual depreciation rates for the various classes of property and equipment are as follows:

Leasehold land	2% or remaining lease period (whichever is shorter)
Buildings	2% or over the term of short term lease
Leasehold improvements	20%
Motor vehicles	20%
Computer equipment	20%
Office equipment, furniture and fittings	20% - 50%

An item of property 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, if appropriate.

3.5g 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) 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 profit or loss on a straight-line basis over the lease term.

(ii) 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.

3.5h Intangible assets, other than goodwill arising from business combination

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible asset 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 expenditure is reflected in the income statement in the year in which the expenditure is incurred.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5h Intangible assets, other than goodwill arising from business combination (contd.)

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic lives 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 is 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 is accounted for by changing 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 in the expense category 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 it 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

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. During the period of development, the asset is tested for impairment annually.

3.5i Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, that is the date that the Group becomes a 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 generally 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 the purpose and the management’s intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(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 and dividend income are recognised in “Investment and trading income”. Interest income or expense is recorded in “Interest income” or “Interest expense”, as appropriate and based on effective yield.

Included in this classification are debt securities, equities and short positions.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5i Financial instruments - initial recognition and subsequent measurement (contd.)

(iii) Subsequent measurement (contd.)

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 investments available-for-sale

Financial investments available-for-sale include equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which 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 and advances as available-for-sale.

After initial measurement, financial investments available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the "Available-for-sale 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 "Available-for-sale reserve" to the income statement in "Impairment losses on financial investments". Interest earned whilst holding financial investments available-for-sale is reported as interest income using the EIR method. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as "Other operating income" when the right to the payment has been established.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets 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 assets. Reclassification to loans and receivables is permitted when the financial assets 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 asset accordingly.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5i Financial instruments - initial recognition and subsequent measurement (contd.)

(iii) Subsequent measurement (contd.)

c. Financial investments available-for-sale (contd.)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss 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 and whose fair value cannot be reliably measured are also classified as financial investments available-for-sale.

d. Financial investments held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity financial investments 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 held-to-maturity financial investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

e. 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 and advances" for loans or “Impairment losses on other assets” for receivables.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5i Financial instruments - initial recognition and subsequent measurement (contd.)

(iii) Subsequent measurement (contd.)

f. 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. Amortised cost is calculated by taking into account any discount or premium on the issue and 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.

(iv) “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.

(v) 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 and advances” 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 profit or loss 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.

Reclassification, where permitted, is at the election of management and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5i Financial instruments - initial recognition and subsequent measurement (contd.)

(vi) 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 expired. Where 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 between the carrying value of the original financial liability and new financial liabilities is recognised in profit or loss.

3.5j 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 re-pledge 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 resale agreements at a specified future date are not recognised in the statement of financial position. The consideration paid 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".

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5k 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 “Investment and trading income”.

3.5l 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 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 to similar instruments for which market observable prices exist, option pricing models, credit 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 50.

3.5m Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) 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 borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates 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

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as financial investments held-to-maturity), the Group first assesses individually whether objective evidence of impairment exists 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, 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued 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. The interest income is recorded as part of “Interest income”. 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 future write-off is later recovered, the recovery is credited to the “Allowance for impairment on loans and advances” to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5m Impairment of financial assets (contd.)

(i) Financial assets carried at amortised cost (contd.)

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 and advances, 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of 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 similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are 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 available-for-sale

For financial investments available-for-sale, the Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment 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 is based 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. The interest income is recorded as part of "Interest income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit 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 available-for-sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group treats "significant" generally as 20% and "prolonged" generally as greater than six months. Where 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 equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

(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.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5m Impairment of financial assets (contd.)

(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 49.2 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.

3.5n 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 objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. 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 are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group 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

For designated and qualifying 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 is also recognised in "Investment and trading income" in the income statement.

If the hedging instrument expires or is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5n Hedge accounting (contd.)

(ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the “Cash flow hedge reserve". The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in "Investment and trading income” in the income statement.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement. When a hedging instrument expires or is sold, terminated, exercised or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

(iii) Hedge 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 other comprehensive income while 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 recognised in other comprehensive income is transferred to the income statement.

3.5o Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

3.5p 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 to sell and its value in use. Where 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may 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 exceeds 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.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5p Impairment of non-financial assets (contd.)

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 finite 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.

3.5q 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 3.5m(v) on collateral repossessed.

3.5r 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.

3.5s 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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.5t Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

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 uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the statement of financial position but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5u Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the statement of financial position (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement. The premium received is recognised in the income statement in “Guarantee fees” on a straight-line basis over the life of the guarantee.

3.5v 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 also be met before revenue is recognised.

(i) Interest income and similar income and expense

For all financial instruments measured at amortised cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which 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 (for example, prepayment options) 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 profit or loss. 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 commission income and 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.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5v Recognition of income and expenses (contd.)

(ii) Fee and commission income (contd.)

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, such as brokerage fees.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

(iv) Net investment and trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial assets and financial liabilities "held-for-trading". This includes any ineffectiveness recorded in hedging transactions.

(v) Rental income

Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease terms.

(vi) 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 profit or loss.

3.5w Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the 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

As required by law, the Group makes contributions to the Employee Provident Fund in Malaysia. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) 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.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5w Employee benefits (contd.)

(iv) Share-based payment transactions

The holding company, AMMB Holdings Berhad ("AMMB") operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB 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.

3.5x Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for its intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.5y Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's and the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group or the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3.5z Income taxes

(i) Current tax

Current income tax assets and liabilities for the current period 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, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5z Income taxes (contd.)

(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:

a. when 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

b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when 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:

a. when 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

b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 profit 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 profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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 changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

3.5aa Segment reporting

The Group's segmental reporting is based on the following operating segments: retail banking, business banking, corporate and institutional banking, markets with minor segments aggregated under group functions and others.

3. ACCOUNTING POLICIES (CONTD.)

3.5 Summary of significant accounting policies (contd.)

3.5ab Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Bank 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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

4.1 Impairment losses on loans and advances (Note 12 and 36)

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment 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 and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances 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) and judgments to cover model risks (for example, error for design/development process, data quality, data extraction and transformation) and macro risks (for example, covering economic, portfolio and procedural issues).

4.2 Impairment losses on financial investments available-for-sale (Note 37)

The Group reviews its debt securities classified as financial investments available-for-sale at each reporting date to assess whether they are impaired.

The Group also records impairment loss on available-for-sale 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 judgment. In making this judgment, 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 38)

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

4.4 Consolidation of SPV (Note 15)

The Group sponsors the formation of SPVs, which may or may not be directly or indirectly owned subsidiaries. The Group consolidates those SPVs that it controls. In assessing and determining if the Group has control over the SPVs, judgment is exercised to determine whether the activities of the SPVs are being conducted on behalf of the Group to obtain benefits from the SPVs' operations; whether the Group has the decision-making powers to control or to obtain control of the SPVs or their assets; whether the Group has rights to obtain the majority of the benefits of the SPVs' activities; and whether the Group retains the majority of the risks related to the SPVs or its assets in order to obtain benefits from its activities.

4.5 Fair value of financial instruments (Note 50)

Where the fair values of financial assets and financial liabilities recorded on the statements 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 derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments 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. The valuation of financial instruments is described in more detail in Note 50.

5. CASH AND SHORT-TERM FUNDS

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Cash and bank balances	813,328	622,790	533,539	812,703	618,456	529,870
Deposit placements maturing within one month:						
Licensed banks	981,322	990,848	2,094,447	913,045	674,583	1,733,009
Bank Negara Malaysia	5,530,000	3,840,000	6,113,000	5,530,000	3,840,000	6,113,000
	7,324,650	5,453,638	8,740,986	7,255,748	5,133,039	8,375,879

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND SOLD UNDER REPURCHASE AGREEMENTS

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Assets						
Licensed banks	-	384,570	289,731	-	384,570	289,731
Liabilities						
Licensed banks	-	41,195	30,465	-	41,195	30,465

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Licensed banks	902,552	398,385	1,187,036	902,552	367,740	1,096,277
Licensed investment banks	1,010,870	723,809	605,886	1,010,870	723,809	605,886
Bank Negara Malaysia	-	-	2,000,000	-	-	2,000,000
	1,913,422	1,122,194	3,792,922	1,913,422	1,091,549	3,702,163

Included in deposits and placements with banks and other financial institutions is deposit received from AmIslamic Bank Berhad ("AmIslamic") under the Restricted Profit Sharing Investment Accounts ("RPSIA") arrangement of RM500,866,000 (31 March 2012: Nil, 1 April 2011: Nil). The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, that is the, investor (Bank) and entrepreneur (AmIslamic) to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses from the business venture shall be borne solely by the investor.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group and Bank	31 March 2013 Contract/ Notional Amount RM'000	31 March 2013 Fair Value Assets RM'000	31 March 2013 Fair Value Liabilities RM'000	31 March 2012 Contract/ Notional Amount RM'000	31 March 2012 Fair Value Assets RM'000	31 March 2012 Fair Value Liabilities RM'000	1 April 2011 Contract/ Notional Amount RM'000	1 April 2011 Fair Value Assets RM'000	1 April 2011 Fair Value Liabilities RM'000
Trading Derivatives									
Interest rate related contracts									
- One year or less	4,103,404	5,343	6,297	8,753,655	12,219	14,387	5,800,000	6,133	11,615
- Over one year to three years	8,643,427	36,958	55,506	6,434,399	34,513	30,483	11,050,922	55,699	46,517
- Over three years	21,569,366	172,173	167,413	17,962,138	151,960	163,213	10,561,759	65,265	82,859
Foreign exchange related contracts									
- One year or less	22,584,554	77,447	64,908	20,064,852	112,201	88,562	28,584,266	83,225	89,973
- Over one year to three years	1,615,737	18,009	20,965	751,968	9,695	4,479	344,632	10,277	9,635
- Over three years	2,662,212	53,668	55,256	2,452,218	16,306	50,374	736,482	13,554	45,443
Credit related contracts									
- One year or less	267,510	-	2,140	61,290	140	98	76,473	132	132
- Over one year to three years	-	-	-	255,704	10,966	2,848	252,433	5,364	5,364
- Over three years	596,026	12,930	3,973	586,502	10,193	2,285	-	-	-
Equity related contracts									
- One year or less	322,791	1,521	20,210	484,281	2,046	43,107	601,986	26,137	110,934
- Over one year to three years	547,989	4,661	9,375	348,919	10,423	8,970	312,356	3,775	3,771
- Over three years	-	-	-	13,450	41	5,301	208,716	4,951	9,239
Hedging Derivatives									
Interest rate related contracts									
- Interest rate swaps									
Cash flow hedge	2,025,000	533	16,632	8,190,000	9,332	27,597	8,710,000	52,290	16,830
Fair value hedge	-	-	-	-	-	-	905,060	69,871	620
Total	64,938,016	383,243	422,675	66,359,376	380,035	441,704	68,145,085	396,673	432,932

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

Derivative financial instruments and hedge accounting

(i) Fair value hedge

The Group's and the Bank'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 subordinated term loan and loans sold to Cagamas Berhad.

The gain/(loss) arising from fair value hedges is as follows:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Group and Bank			
Gain/(Loss) arising from fair value hedges:			
Hedged item (attributable to hedged risk only)	-	(35,785)	(9,185)
Hedging instruments	-	36,245	11,490
	-	460	2,305

During the financial year ended 31 March 2012, the Bank has 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 to 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 2013, amortisation of the fair value of the subordinated term loan and loans sold to Cagamas Berhad for the Group and the Bank amounted to RM21,701,000 (31 March 2012: RM9,741,000, 1 April 2011: Nil) and RM1,616,000 (31 March 2012: RM607,000, 1 April 2011: Nil) respectively.

(ii) Cash flow hedge

The Group's and the Bank'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 4 years (31 March 2012 and 1 April 2011: 5 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 RM1,403,000 (31 March 2012: gain of RM4,182,000, 1 April 2011: gain of RM22,253,000) for the Group and the Bank. During the financial year ended 31 March 2011, the Group and the Bank recognised a loss of RM20,244,000 arising from unwinding of hedges beyond 5 years' duration in order to align with the Group's macro cash flow hedging strategy.

9. FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At fair value			
Money Market Instruments:			
Malaysian Treasury Bills	-	54,784	49,046
Malaysian Islamic Treasury Bills	-	-	5,358
Malaysian Government Securities	240,252	929,544	160,285
Government Investment Issues	88,625	223,512	221,650
Bank Negara Monetary Notes	438,302	5,049,904	2,270,387
	767,179	6,257,744	2,706,726
Quoted securities:			
In Malaysia:			
Shares	133,740	247,555	288,337
Unit trusts	88,238	65,033	74,137
Warrants	4,651	2,864	2,835
Private debt securities	23,178	-	-
	249,807	315,452	365,309
Outside Malaysia:			
Shares	4,590	-	4,744
	4,590	-	4,744
Unquoted securities:			
In Malaysia:			
Private debt securities	2,653,570	1,732,100	1,019,549
	2,653,570	1,732,100	1,019,549
Outside Malaysia:			
Private debt securities	425,477	605,647	70,674
	425,477	605,647	70,674
	4,100,623	8,910,943	4,167,002

Malaysian Government Securities with a carrying value of RM41,604,000 as at 31 March 2012 (1 April 2011: RM30,258,000) have been sold under repurchase agreements (Note 6).

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At fair value						
Money Market Instruments:						
Negotiable instruments of deposit	834,227	1,569,355	2,523,145	834,227	1,569,355	2,523,145
Malaysian Government Securities	-	20,782	255,789	-	20,782	255,789
Islamic Negotiable Instruments of Deposit	340,360	823,480	785,855	340,360	823,480	785,855
Government Investment Issues	15,173	45,425	94,734	15,173	45,425	94,734
	1,189,760	2,459,042	3,659,523	1,189,760	2,459,042	3,659,523
Quoted securities:						
In Malaysia:						
Shares	5,430	11,990	11,926	5,430	11,858	11,809
Unit trusts	212,035	60,160	39,400	212,035	60,160	39,400
Private debt securities	5,455	27,050	55,881	5,455	27,050	55,881
	222,920	99,200	107,207	222,920	99,068	107,090
Outside Malaysia						
Shares	80	83	93	42	41	40
	80	83	93	42	41	40
Unquoted securities:						
In Malaysia:						
Private debt securities	1,623,034	1,623,836	2,377,211	1,782,331	1,816,122	2,603,959
	1,623,034	1,623,836	2,377,211	1,782,331	1,816,122	2,603,959
Outside Malaysia:						
Private debt securities	224,492	170,289	100,196	224,492	170,289	100,196
	224,492	170,289	100,196	224,492	170,289	100,196
At cost						
Unquoted securities:						
In Malaysia:						
Shares	87,330	87,330	86,804	87,330	87,330	86,804
	87,330	87,330	86,804	87,330	87,330	86,804
Outside Malaysia:						
Shares	1,025	941	935	156	80	84
	1,025	941	935	156	80	84
	3,348,641	4,440,721	6,331,969	3,507,031	4,631,972	6,557,696

The Bank was appointed Principal Dealer ("PD") by Bank Negara Malaysia ("BNM") for Government and BNM issuances with effect from 1 July 2009 until 31 December 2012.

As PD, the Bank is required to undertake certain obligations as well as accorded certain incentives during the appointment period. One of the incentives accorded is the eligibility to maintain Statutory Reserve Requirement ("SRR") in the form of Malaysian Government Securities ("MGS") and/or Malaysian Government Investment Issues ("GII") holdings instead of cash. As at 31 March 2013 and 31 March 2012, there were no MGS and GII holdings maintained for SRR purposes by the Group and the Bank (1 April 2011: RM350,000,000 maintained by the Group and the Bank).

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At amortised cost						
Unquoted:						
Money Market Instruments:						
Bank Negara Monetary Notes	2,092,645	-	-	2,092,645	-	-
In Malaysia:						
Private debt securities	2,134,898	318,210	373,106	2,133,336	313,768	364,608
Less: Accumulated impairment losses	(194,008)	(202,055)	(207,775)	(192,817)	(200,267)	(205,019)
	4,033,535	116,155	165,331	4,033,164	113,501	159,589

Impairment allowance

A reconciliation of the allowance for impairment losses is as follows:

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	202,055	207,775	200,267	205,019
Charge for the year, net (Note 37)	5,722	3,020	6,337	4,010
Recoveries/reversal	(13,787)	(8,762)	(13,787)	(8,762)
Exchange differences	18	22	-	-
Balance at end of financial year	194,008	202,055	192,817	200,267

12. LOANS AND ADVANCES

		The Group			The Bank		
		31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At amortised cost:							
Overdraft		2,420,734	2,297,029	1,988,963	2,420,734	2,297,029	1,988,963
Term loans		19,224,764	17,558,672	15,806,820	19,224,764	17,557,035	15,801,712
Housing loan receivables		12,371,805	11,868,932	11,551,536	12,116,379	11,583,554	11,231,830
Hire purchase receivables		16,680,923	16,851,911	18,296,017	16,680,923	16,851,911	18,296,017
Bills receivables		534,258	326,656	389,482	534,258	326,656	389,482
Trust receipts		885,571	792,784	569,084	885,571	792,784	569,084
Claims on customers under acceptance credits		2,534,569	2,442,453	2,217,959	2,534,569	2,442,453	2,217,959
Staff loans		134,260	147,894	151,830	134,173	147,446	151,337
Card receivables		1,400,140	1,446,318	1,491,939	1,400,140	1,446,318	1,491,939
Revolving credits		4,496,793	4,326,943	5,028,403	4,552,923	4,376,193	5,074,217
Others		171,014	130,844	106,636	171,014	130,844	106,636
Gross loans and advances		60,854,831	58,190,436	57,598,669	60,655,448	57,952,223	57,319,176
Allowance for impairment on loans and advances:							
- Collective allowance	Note 12 (i)	(1,454,239)	(1,584,690)	(1,742,609)	(1,453,924)	(1,584,814)	(1,743,195)
- Individual allowance	Note 12 (i)	(168,840)	(114,474)	(341,071)	(168,840)	(114,474)	(341,071)
Net loans and advances		59,231,752	56,491,272	55,514,989	59,032,684	56,252,935	55,234,910

During the current financial year, the Bank entered into Restricted Profit Sharing Investment Accounts ("RPSIA") arrangement with AmIslamic. The Bank records the amount it provides as financing under the arrangement as deposits and placements with banks and other financial institutions (see Note 7). The financing to external parties made by AmIslamic is recorded by AmIslamic as financing and advances. As losses from the business venture is borne solely by the Bank, the related collective allowance is recorded by the Bank.

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

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Domestic non-bank financial institutions	1,925,829	2,384,610	2,383,193	2,006,335	2,464,527	2,459,268
Domestic business enterprises						
- Small and medium enterprises	7,448,088	6,721,159	6,038,799	7,448,088	6,721,159	6,038,799
- Others	19,511,811	18,030,268	16,977,426	19,511,811	18,028,631	16,972,319
Government and statutory bodies	36,377	3,032	72,789	36,377	3,032	72,789
Individuals	31,421,060	30,514,820	31,623,468	31,165,547	30,228,993	31,303,271
Other domestic entities	13,009	12,715	1,862	13,009	12,715	1,862
Foreign entities	498,657	523,832	501,132	474,281	493,166	470,868
	60,854,831	58,190,436	57,598,669	60,655,448	57,952,223	57,319,176

12. LOANS AND ADVANCES (CONTD.)

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

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
In Malaysia	59,957,307	57,426,097	56,916,037	59,782,299	57,218,550	56,666,808
Outside Malaysia	897,524	764,339	682,632	873,149	733,673	652,368
	60,854,831	58,190,436	57,598,669	60,655,448	57,952,223	57,319,176

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

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Fixed rate						
- Housing loans	1,800,358	1,833,433	1,946,773	1,544,866	1,547,694	1,626,688
- Hire purchase receivables	14,954,294	14,959,579	17,370,545	14,954,273	14,959,491	17,370,433
- Other fixed rate loans	5,612,833	5,400,261	5,104,309	5,612,833	5,400,261	5,104,309
Variable rate						
- Base lending rate plus	22,072,533	22,061,917	20,076,576	22,072,533	22,061,917	20,076,576
- Cost plus	14,985,617	12,701,345	11,767,017	15,041,747	12,750,596	11,812,828
- Other variable rates	1,429,196	1,233,901	1,333,449	1,429,196	1,232,264	1,328,342
	60,854,831	58,190,436	57,598,669	60,655,448	57,952,223	57,319,176

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

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Agriculture	2,719,051	2,100,167	2,152,426	2,719,051	2,100,167	2,152,426
Mining and quarrying	1,747,207	1,466,216	1,635,221	1,747,207	1,466,216	1,635,221
Manufacturing	5,527,439	5,363,907	4,764,496	5,527,439	5,362,270	4,759,389
Electricity, gas and water	555,701	1,413,859	2,208,251	555,701	1,413,859	2,208,251
Construction	2,173,359	2,015,392	1,547,042	2,173,359	2,015,392	1,547,042
Wholesale and retail trade and hotels and restaurants	4,703,894	3,795,913	2,987,022	4,703,894	3,795,913	2,987,022
Transport, storage and communication	1,982,218	1,939,008	1,781,495	1,982,218	1,939,008	1,781,495
Finance and insurance	1,950,205	2,415,276	2,413,465	2,006,335	2,464,527	2,459,277
Real estate	5,443,212	4,425,647	3,822,791	5,443,212	4,425,647	3,822,791
Business activities	1,293,249	1,251,729	1,565,936	1,293,249	1,251,729	1,565,936
Education and health	1,044,614	1,374,018	597,289	1,044,614	1,374,018	597,289
Household of which:	31,478,778	30,546,783	31,638,379	31,223,265	30,260,956	31,318,181
- Purchase of residential properties	12,519,273	11,987,637	11,517,804	12,263,781	11,701,898	11,197,718
- Purchase of transport vehicles	15,276,980	15,014,404	16,684,955	15,276,959	15,014,316	16,684,843
- Others	3,682,525	3,544,742	3,435,620	3,682,525	3,544,742	3,435,620
Others	235,904	82,521	484,856	235,904	82,521	484,856
	60,854,831	58,190,436	57,598,669	60,655,448	57,952,223	57,319,176

12. LOANS AND ADVANCES (CONTD.)

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

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Maturing within one year	13,301,411	10,869,709	12,048,701	13,357,541	10,915,860	12,093,193
Over one year to three years	6,579,129	8,937,606	6,864,279	6,566,200	8,924,201	6,846,265
Over three years to five years	9,846,130	8,115,921	8,767,663	9,830,189	8,096,586	8,743,674
Over five years	31,128,161	30,267,200	29,918,026	30,901,518	30,015,576	29,636,044
	60,854,831	58,190,436	57,598,669	60,655,448	57,952,223	57,319,176

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

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	1,663,897	2,123,247	1,663,202	2,122,976
Impaired during the year	953,387	1,430,503	952,735	1,429,951
Reclassified as non-impaired	(240,481)	(253,979)	(240,146)	(253,867)
Recoveries	(374,505)	(557,407)	(374,470)	(557,391)
Amount written off	(608,808)	(1,078,467)	(608,808)	(1,078,467)
Repurchase of impaired loans	2,888	-	2,888	-
Balance at end of financial year	1,396,378	1,663,897	1,395,401	1,663,202
Gross impaired loans and advances as % of gross loans and advances	2.3%	2.9%	2.3%	2.9%
Loan loss coverage (excluding collateral values)	116.2%	102.1%	116.3%	102.2%

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

12. LOANS AND ADVANCES (CONTD.)

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

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Agriculture	20,239	23,935	38,356	20,239	23,935	38,356
Mining and quarrying	17,866	154,677	355	17,866	154,677	355
Manufacturing	238,061	184,869	244,898	238,061	184,869	244,898
Electricity, gas and water	25,800	132,130	288,508	25,800	132,130	288,508
Construction	49,114	94,839	284,056	49,114	94,839	284,056
Wholesale and retail trade and hotels and restaurants	42,309	42,430	58,724	42,309	42,430	58,724
Transport, storage and communication	18,382	4,089	19,562	18,382	4,089	19,562
Finance and insurance	28,287	37,628	46,865	28,287	37,628	46,865
Real estate	9,120	26,200	64,638	9,120	26,200	64,638
Business activities	11,023	12,369	5,253	11,023	12,369	5,253
Education and health	43,049	44,805	41,337	43,049	44,805	41,337
Household of which:	882,165	895,513	1,018,435	881,188	894,818	1,018,164
- Purchase of residential properties	515,943	537,997	628,715	514,966	537,302	628,444
- Purchase of transport vehicles	289,662	277,835	282,368	289,662	277,835	282,368
- Others	76,560	79,681	107,352	76,560	79,681	107,352
Others	10,963	10,413	12,260	10,963	10,413	12,260
	1,396,378	1,663,897	2,123,247	1,395,401	1,663,202	2,122,976

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

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Collective allowance				
Balance at beginning of financial year	1,584,690	1,742,609	1,584,814	1,743,195
Charge to income statement, net (Note 36)	246,478	363,822	246,038	363,352
Amount transferred from AmIslamic *	1,871	-	1,871	-
Amount written off	(384,011)	(521,758)	(384,011)	(521,758)
Foreign exchange differences	5,211	17	5,212	25
Balance at end of financial year	1,454,239	1,584,690	1,453,924	1,584,814
Collective allowances as % of gross loans and advances less individual allowance	2.4%	2.7%	2.4%	2.7%

* As at 31 March 2013, the gross exposure and collective allowance relating to the RPSIA financing are RM500.9 million and RM2.1 million respectively.

There was no individual allowance provided for the RPSIA financing.

12. LOANS AND ADVANCES (CONTD.)

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

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Individual allowance				
Balance at beginning of financial year	114,474	341,071	114,474	341,071
Charge to income statement, net (Note 36)	275,276	318,945	275,276	318,945
Amount written off	(220,910)	(545,542)	(220,910)	(545,542)
Balance at end of financial year	168,840	114,474	168,840	114,474

13. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities.

14. DEFERRED TAX ASSETS

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	159,570	416,439	158,391	417,364
Recognised in profit or loss (Note 38)	(50,396)	(270,378)	(48,918)	(270,454)
Recognised in other comprehensive income (Note 39)	11,607	13,509	11,050	11,481
Balance at end of financial year	120,781	159,570	120,523	158,391

14. DEFERRED TAX ASSETS (CONTD.)

The components and movements of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows:

	Balance at beginning of financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehen- -sive income RM'000	Balance at end of financial year RM'000
Group				
31 March 2013				
Collective allowance for impaired loans and advances	92,316	(92,316)	-	-
Deferred charges	(32,160)	2,606	-	(29,554)
Excess of capital allowance over depreciation	(40,377)	(6,452)	-	(46,829)
Allowance for impairment of foreclosed properties	41,286	1,934	-	43,220
Provision for expenses	88,895	(503)	-	88,392
Other temporary differences	13,325	44,335	-	57,660
Available-for-sale reserve	(7,636)	-	11,312	3,676
Cash flow hedging reserve	3,921	-	295	4,216
	159,570	(50,396)	11,607	120,781
31 March 2012				
Collective allowance for impaired loans and advances	508,617	(416,301)	-	92,316
Deferred charges	(38,755)	6,595	-	(32,160)
Excess of capital allowance over depreciation	(38,416)	(1,961)	-	(40,377)
Allowance for impairment of foreclosed properties	36,184	5,102	-	41,286
Provision for expenses	88,849	46	-	88,895
Other temporary differences	(122,816)	136,141	-	13,325
Available-for-sale reserve	(6,095)	-	(1,541)	(7,636)
Cash flow hedging reserve	(11,129)	-	15,050	3,921
	416,439	(270,378)	13,509	159,570
Bank				
31 March 2013				
Collective allowance for impaired loans and advances	90,838	(90,838)	-	-
Deferred charges	(32,160)	2,606	-	(29,554)
Excess of capital allowance over depreciation	(40,377)	(6,452)	-	(46,829)
Allowance for impairment of foreclosed properties	41,286	1,934	-	43,220
Provision for expenses	88,895	(503)	-	88,392
Other temporary differences	13,325	44,335	-	57,660
Available-for-sale reserve	(7,337)	-	10,755	3,418
Cash flow hedging reserve	3,921	-	295	4,216
	158,391	(48,918)	11,050	120,523
31 March 2012				
Collective allowance for impaired loans and advances	507,215	(416,377)	-	90,838
Deferred charges	(38,755)	6,595	-	(32,160)
Excess of capital allowance over depreciation	(38,416)	(1,961)	-	(40,377)
Allowance for impairment of foreclosed properties	36,184	5,102	-	41,286
Provision for expenses	88,849	46	-	88,895
Other temporary differences	(122,816)	136,141	-	13,325
Available-for-sale reserve	(3,768)	-	(3,569)	(7,337)
Cash flow hedging reserve	(11,129)	-	15,050	3,921
	417,364	(270,454)	11,481	158,391

As at 31 March 2013, the Bank has unutilised capital allowances of approximately RM181,008,000 (31 March 2012: RM183,025,000; 1 April 2011: RM184,288,000) that is available for offset against future taxable profit of the leasing business. Deferred tax assets is not recognised due to uncertainty in timing of its recoverability.

15. INVESTMENT IN SUBSIDIARIES

	Bank 31 March 2013 RM'000	Bank 31 March 2012 RM'000	Bank 1 April 2011 RM'000
Unquoted shares, at cost	93,711	93,711	93,711
Less: Impairment loss	(27,911)	(27,911)	(27,911)
	65,800	65,800	65,800

The subsidiaries are all incorporated in Malaysia except for AmTrade Services Limited which is incorporated in Hong Kong.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Issued and paid-up ordinary share capital in RM 31 March 2013	31 March 2012	1 April 2011	Effective equity interest 31 March 2013	31 March 2012	1 April 2011
		RM'000	RM'000	RM'000	%	%	%
AmPremier Capital Berhad	Issue of subordinated securities	-*	-*	-*	100.0	100.0	100.0
AmMortgage One Berhad	Securitisation of mortgage loans	1	1	1	100.0	100.0	100.0
AmProperty Holdings Sdn. Bhd.	Property investment	500	500	500	100.0	100.0	100.0
Bougainvillaea Development Sdn. Bhd.	Property investment	11,000	11,000	11,000	100.0	100.0	100.0
MBf Information Services Sdn. Bhd.	Property investment	27,500	27,500	27,500	100.0	100.0	100.0
MBf Trustees Berhad	Trustee services	250	250	250	60.0	60.0	60.0
MBf Nominees (Tempatan) Sdn. Bhd.	Nominee services	10	10	10	100.0	100.0	100.0
Teras Oak Pembangunan Sendirian Berhad	Dormant	4,700	4,700	4,700	100.0	100.0	100.0
Komuda Credit & Leasing Sdn. Bhd.	Dormant	14,259	14,259	14,259	100.0	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd.	Dormant	684	684	684	100.0	100.0	100.0
AmCredit & Leasing Sdn. Bhd.	Dormant	3,892	3,892	3,892	100.0	100.0	100.0
Malco Properties Sdn. Bhd.	Dormant	417	417	417	81.5	81.5	81.5
Economical Enterprises Sendirian Berhad	Dormant	535	535	535	100.0	100.0	100.0
		USD'000	USD'000	USD'000	%	%	%
AmInternational (L) Ltd	Labuan banking	10,000	10,000	10,000	100.0	100.0	100.0
AmCapital (L) Inc	Dormant	-**	-**	-**	100.0	100.0	100.0
AMBB Capital (L) Ltd	Issue of Hybrid Capital securities	-**	-**	-**	100.0	100.0	100.0
		HKD'000	HKD'000	HKD'000	%	%	%
AmTrade Services Limited ^	Trade finance services	-***	-***	-***	100.0	100.0	100.0

^ Audited by an affiliate of Ernst & Young.
* Subsidiary with issued and paid-up ordinary share capital of RM2.00.
** Subsidiaries with issued and paid-up ordinary share capital of USD3.00.
*** Subsidiary with issued and paid-up ordinary capital of HKD$2.00.

16. INVESTMENT IN ASSOCIATES

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Unquoted shares, at cost	100	100	100	150	150	150
Less: Impairment loss	-	-	-	(28)	(23)	(8)
	100	100	100	122	127	142
Group's share of post-acquisition reserve	792	1,511	1,143	-	-	-
	892	1,611	1,243	122	127	142

Details of the associates, which are both incorporated in Malaysia, are as follows:

	Principal activity	Issued and paid-up ordinary capital		
		31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
AmTrustee Berhad	Trustee Services	500	500	500
MBf Trustees Berhad	Trustee Services	250	250	250

The effective equity interests are as follows:

	Group Effective equity interest			Bank Effective equity interest		
	31 March 2013	31 March 2012	1 April 2011	31 March 2013	31 March 2012	1 April 2011
AmTrustee Berhad	20%	20%	20%	20%	20%	20%
MBf Trustees Berhad	60%	60%	60%	20%	20%	20%

The investment in MBf Trustees Berhad is classified as investment in subsidiary at Group level through additional equity interests held by two other subsidiaries of the Bank.

The summarised financial information of the associate is as follows:

	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Total assets	15,637	17,413	22,160
Total liabilities	9,601	7,700	14,238
Operating revenue	7,800	7,319	5,676
Profit for the year	755	1,842	1,286

17. OTHER ASSETS

	Note	Group 31 March 2013 RM'000	Group 31 March 2012 RM'000	Group 1 April 2011 RM'000	Bank 31 March 2013 RM'000	Bank 31 March 2012 RM'000	Bank 1 April 2011 RM'000
Other receivables, deposits and prepayments, net of allowance for impairment	(a)	550,979	540,239	352,537	545,541	534,562	347,919
Interest receivable, net of allowance for impairment	(a)	153,322	141,534	122,740	153,379	141,577	122,746
Amount due from originators	(b)	256,047	166,238	19,583	256,047	166,238	19,583
Foreclosed properties, net of allowance for impairment	(c)	72,682	82,607	110,993	72,682	82,607	110,993
Deferred charges		141,691	148,142	171,597	141,691	148,142	171,597
Deferred assets	(d)	-	-	34,744	-	-	34,744
		1,174,721	1,078,760	812,194	1,169,340	1,073,126	807,582

(a) Included in other receivables, deposits and prepayments of the Group and the Bank are amounts due from related companies of RM21,311,000 (31 March 2012: RM19,250,000, 1 April 2011: RM16,996,000) and RM16,882,000 (31 March 2012: RM14,903,000, 1 April 2011: RM14,184,000) respectively.

Other receivables, deposits and prepayments of the Group and the Bank are shown net of impairment of RM37,271,000 (31 March 2012: RM21,383,000, 1 April 2011: RM19,982,000) and RM24,876,000 (31 March 2012: RM8,988,000, 1 April 2011: RM7,567,000) respectively.

Interest receivable of the Group and the Bank are shown net of impairment of RM727,000 (31 March 2012: RM139,000, 1 April 2011: RM4,008,000).

The movement in allowance for impairment of interest receivable and other receivables, deposits and prepayments is as follows:

	Group 31 March 2013 RM'000	Group 31 March 2012 RM'000	Bank 31 March 2013 RM'000	Bank 31 March 2012 RM'000
Balance at beginning of financial year	21,522	23,990	9,127	11,575
Allowance made/(writeback) during the year, net	1,563	(1,809)	1,563	(1,789)
Amount reversed/written-off	(87)	(659)	(87)	(659)
Transferred from financial assets held-for-trading	15,000	-	15,000	-
Balance at end of financial year	37,998	21,522	25,603	9,127

(b) Amount due from originators represents personal and housing loans acquired from originators for onward sale to Cagamas Berhad as mentioned in Note 21.

17. OTHER ASSETS (CONTD.)

(c) The movement in allowance for impairment of foreclosed properties is as follows:

	Group		Bank	
	31 March 2013 RM'000	**31 March 2012 RM'000**	**31 March 2013 RM'000**	**31 March 2012 RM'000**
Balance at beginning of financial year	165,145	136,800	165,145	136,800
Allowance made during the year, net	9,086	28,345	9,086	28,345
Amount reversed	(1,151)	-	(1,151)	-
Balance at end of financial year	173,080	165,145	173,080	165,145

(d) Deferred assets

	Group and Bank		
	31 March 2013 RM'000	**31 March 2012 RM'000**	**1 April 2011 RM'000**
Arising from takeover of Kewangan Usahasama Makmur Berhad	-	-	34,744

In 1988, the Bank took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co-operative in Malaysia. The Government of Malaysia granted KUMB a future tax benefit amounting to RM434 million; subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from deposit taking co-operatives. The tax benefit is a fixed monetary sum and is not dependent on any changes in tax rates.

The net tax benefit is shown as a deferred asset and the utilisation of the deferred tax benefit is based on the receipt of notices of assessment and subsequent remission of tax liabilities by the relevant authority net of the amount payable to the tax authorities for purposes of Section 108 tax credit.

During the financial year ended 31 March 2012, upon approval by the Ministry of Finance, the deferred assets were fully utilised for remission of the Bank's tax liabilities.

18. PROPERTY AND EQUIPMENT

31 March 2013 Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost										
Balance at beginning of financial year	12,481	4,977	534	39,161	104,608	96,827	289,825	7,326	8,793	564,532
Additions	-	-	-	-	8,965	5,907	12,840	464	21,724	49,900
Transfer from/(to) related companies, net	-	-	-	-	12	1	2,047	-	(37)	2,023
Disposals	(3,492)	-	-	-	-	(141)	(5,241)	(652)	-	(9,526)
Reclassification/Adjustments	-	-	-	-	678	(2)	8,654	-	(9,901)	(571)
Foreign exchange differences	-	-	-	3	-	13	3	1	-	20
Written off	-	-	-	-	(1)	(1,098)	(48)	-	-	(1,147)
Balance at end of financial year	8,989	4,977	534	39,164	114,262	101,507	308,080	7,139	20,579	605,231
Accumulated depreciation and impairment losses										
Balance at beginning of financial year	1,350	1,571	264	14,404	88,488	84,487	228,536	3,754	-	422,854
Depreciation charge for the year	-	91	8	770	7,752	5,217	27,279	681	-	41,798
Disposals	(1,350)	-	-	-	-	(137)	(5,210)	(653)	-	(7,350)
Foreign exchange differences	-	-	-	1	-	12	3	1	-	17
Reclassification/Adjustments	-	-	-	-	(103)	-	-	-	-	(103)
Written off	-	-	-	-	(1)	(1,086)	(48)	-	-	(1,135)
Balance at end of financial year	-	1,662	272	15,175	96,136	88,493	250,560	3,783	-	456,081
Analysed as:										
Accumulated depreciation	-	1,408	272	14,289	96,136	88,493	250,560	3,783	-	454,941
Accumulated impairment losses	-	254	-	886	-	-	-	-	-	1,140
	-	1,662	272	15,175	96,136	88,493	250,560	3,783	-	456,081
Carrying Amount										
At 31 March 2013	8,989	3,315	262	23,989	18,126	13,014	57,520	3,356	20,579	149,150

18. PROPERTY AND EQUIPMENT (CONTD.)

31 March 2012 Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost										
Balance at beginning of financial year	12,623	4,906	534	39,255	100,373	95,380	307,185	7,155	5,033	572,444
Additions	-	-	-	-	3,901	4,479	10,152	1,050	10,003	29,585
Transfer from/(to) related companies, net	-	-	-	-	95	(2,288)	39	(145)	-	(2,299)
Disposals	-	-	-	(170)	(1)	(346)	(14,930)	(737)	-	(16,184)
Reclassification	(142)	71	-	71	245	(6)	6,004	-	(6,243)	-
Foreign exchange differences	-	-	-	5	-	17	4	3	-	29
Written off	-	-	-	-	(5)	(409)	(18,629)	-	-	(19,043)
Balance at end of financial year	12,481	4,977	534	39,161	104,608	96,827	289,825	7,326	8,793	564,532
Accumulated depreciation and impairment losses										
Balance at beginning of financial year	1,350	1,470	267	13,710	79,209	81,812	235,351	3,953	-	417,122
Depreciation charge for the year	-	91	7	773	9,247	5,762	26,680	602	-	43,162
Transfer from/(to) related companies, net	-	-	-	-	36	(2,350)	25	(67)	-	(2,356)
Disposals	-	-	-	(80)	(1)	(345)	(14,901)	(737)	-	(16,064)
Foreign exchange differences	-	-	-	1	-	16	3	3	-	23
Reclassification	-	10	(10)	-	-	-	-	-	-	-
Written off	-	-	-	-	(3)	(408)	(18,622)	-	-	(19,033)
Balance at end of financial year	1,350	1,571	264	14,404	88,488	84,487	228,536	3,754	-	422,854
Analysed as:										
Accumulated depreciation	-	1,317	264	13,518	88,488	84,487	228,536	3,754	-	420,364
Accumulated impairment losses	1,350	254	-	886	-	-	-	-	-	2,490
	1,350	1,571	264	14,404	88,488	84,487	228,536	3,754	-	422,854
Carrying amount										
At beginning of financial year	11,273	3,436	267	25,545	21,164	13,568	71,834	3,202	5,033	155,322
At end of financial year	11,131	3,406	270	24,757	16,120	12,340	61,289	3,572	8,793	141,678

18. PROPERTY AND EQUIPMENT (CONTD.)

31 March 2013 Bank	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost										
Balance at beginning of financial year	3,582	3,806	303	16,663	104,575	95,424	289,517	7,204	8,793	529,867
Additions	-	-	-	-	8,965	5,900	12,840	464	21,724	49,893
Transfer from/(to) related companies, net	-	-	-	-	12	1	2,047	-	(37)	2,023
Disposals	(3,492)	-	-	-	-	(141)	(5,241)	(652)	-	(9,526)
Reclassification/Adjustments	-	-	-	-	678	(2)	8,654	-	(9,901)	(571)
Written off	-	-	-	-	(1)	(1,098)	(48)	-	-	(1,147)
Balance at end of financial year	90	3,806	303	16,663	114,229	100,084	307,769	7,016	20,579	570,539
Accumulated depreciation and impairment losses										
Balance at beginning of financial year	1,350	1,317	169	5,574	88,454	83,227	228,257	3,631	-	411,979
Depreciation charge for the year	-	76	3	330	7,752	5,177	27,270	681	-	41,289
Disposals	(1,350)	-	-	-	-	(137)	(5,210)	(653)	-	(7,350)
Reclassification/Adjustments	-	-	-	-	(103)	-	-	-	-	(103)
Written off	-	-	-	-	(1)	(1,086)	(48)	-	-	(1,135)
Balance at end of financial year	-	1,393	172	5,904	96,102	87,181	250,269	3,659	-	444,680
Analysed as:										
Accumulated depreciation	-	1,139	172	5,018	96,102	87,181	250,269	3,659	-	443,540
Accumulated impairment losses	-	254	-	886	-	-	-	-	-	1,140
	-	1,393	172	5,904	96,102	87,181	250,269	3,659	-	444,680
Carrying amount										
At end of financial year	90	2,413	131	10,759	18,127	12,903	57,500	3,357	20,579	125,859

18. PROPERTY AND EQUIPMENT (CONTD.)

31 March 2012 Bank	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost										
Balance at beginning of financial year	3,582	3,806	303	16,833	100,340	93,990	306,873	6,901	5,033	537,661
Additions	-	-	-	-	3,901	4,436	10,142	1,050	10,003	29,532
Transfer from/(to) related companies, net	-	-	-	-	95	(2,288)	39	(145)	-	(2,299)
Disposals	-	-	-	(170)	(1)	(346)	(14,930)	(602)	-	(16,049)
Reclassification	-	-	-	-	245	(6)	6,004	-	(6,243)	-
Written off	-	-	-	-	(5)	(362)	(18,611)	-	-	(18,978)
Balance at end of financial year	3,582	3,806	303	16,663	104,575	95,424	289,517	7,204	8,793	529,867
Accumulated depreciation and impairment losses										
Balance at beginning of financial year	1,350	1,231	176	5,321	79,175	80,560	235,067	3,703	-	406,583
Depreciation charge for the year	-	76	3	333	9,247	5,723	26,670	597	-	42,649
Transfer from/(to) related companies, net	-	-	-	-	36	(2,350)	25	(67)	-	(2,356)
Disposals	-	-	-	(80)	(1)	(345)	(14,901)	(602)	-	(15,929)
Reclassification	-	10	(10)	-	-	-	-	-	-	-
Written off	-	-	-	-	(3)	(361)	(18,604)	-	-	(18,968)
Balance at end of financial year	1,350	1,317	169	5,574	88,454	83,227	228,257	3,631	-	411,979
Analysed as:										
Accumulated depreciation	-	1,063	169	4,688	88,454	83,227	228,257	3,631	-	409,489
Accumulated impairment losses	1,350	254	-	886	-	-	-	-	-	2,490
	1,350	1,317	169	5,574	88,454	83,227	228,257	3,631	-	411,979
Carrying amount										
At beginning of financial year	2,232	2,575	127	11,512	21,165	13,430	71,806	3,198	5,033	131,078
At end of financial year	2,232	2,489	134	11,089	16,121	12,197	61,260	3,573	8,793	117,888

19. INTANGIBLE ASSETS

	Group			Bank		
	Computer software RM'000	Work-in-progress RM'000	Total RM'000	Computer software RM'000	Work-in-progress RM'000	Total RM'000
31 March 2013						
Cost						
Balance at beginning of financial year	470,761	63,384	534,145	470,720	63,384	534,104
Additions	18,093	83,575	101,668	18,093	83,575	101,668
Transfer from related companies, net	8,914	-	8,914	8,914	-	8,914
Reclassification/Adjustments	49,636	(49,759)	(123)	49,636	(49,759)	(123)
Balance at end of financial year	547,404	97,200	644,604	547,363	97,200	644,563
Accumulated depreciation						
Balance at beginning of financial year	363,932	-	363,932	363,906	-	363,906
Depreciation charge for the year	45,985	-	45,985	45,981	-	45,981
Balance at end of financial year	409,917	-	409,917	409,887	-	409,887
Carrying amount						
At end of financial year	137,487	97,200	234,687	137,476	97,200	234,676
31 March 2012						
Cost						
Balance at beginning of financial year	418,741	45,790	464,531	418,700	45,790	464,490
Additions	16,446	55,513	71,959	16,445	55,513	71,958
Transfer from related companies	13	-	13	13	-	13
Reclassification	37,919	(37,919)	-	37,919	(37,919)	-
Written off	(2,358)	-	(2,358)	(2,357)	-	(2,357)
Balance at end of financial year	470,761	63,384	534,145	470,720	63,384	534,104
Accumulated depreciation						
Balance at beginning of financial year	327,077	-	327,077	327,054	-	327,054
Depreciation charge for the year	38,223	-	38,223	38,219	-	38,219
Transfer from related companies	7	-	7	7	-	7
Written off	(1,375)	-	(1,375)	(1,374)	-	(1,374)
Balance at end of financial year	363,932	-	363,932	363,906	-	363,906
Carrying amount						
At beginning of financial year	91,664	45,790	137,454	91,646	45,790	137,436
At end of financial year	106,829	63,384	170,213	106,814	63,384	170,198

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Licensed banks	183,403	2,274,788	263,639	185,624	2,842,893	596,413
Licensed investment banks	830,143	844,829	1,013,511	830,143	844,829	1,013,511
Other financial institutions	488,436	670,443	958,697	494,073	662,289	950,659
Bank Negara Malaysia	828,530	178,204	2,232,061	828,530	178,204	2,232,061
	2,330,512	3,968,264	4,467,908	2,338,370	4,528,215	4,792,644

Included in deposits from BNM as at 1 April 2011 were deposits (RM135,000,000 with interest of 1% per annum) and non-interest bearing loans (RM493,000,000) placed with the Group and the Bank in connection with the transfer of assets and liabilities of KUMB to the Bank as mentioned in Note 17(d).

As at 31 March 2012, the deposit and non-interest bearing loans from BNM were repaid upon full utilisation of the deferred assets relating to KUMB as mentioned in Note 17(d).

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from the sale of loans directly from the Bank or acquired from the originators (as disclosed in Note 17(b)) to Cagamas Berhad with recourse. Under this arrangement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria with recourse to the Bank. Under the back-to-back arrangement with the originators, the Bank 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 Bank has terminated the fair value hedge on the interest rate risk of the loans sold to Cagamas Berhad. The unamortised fair value is amortised to profit or loss over the remaining term to maturity of the loans sold to Cagamas Berhad using the effective interest rate method. As at 31 March 2013, amortisation of the fair value of the loans sold to Cagamas Berhad amounted to RM1,616,000 (31 March 2012: RM607,000, 1 April 2011: NIL).

22. DEPOSITS FROM CUSTOMERS

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Demand deposits	7,098,444	5,655,715	5,055,998	7,099,779	5,656,951	5,056,308
Savings deposits	3,327,501	3,209,941	2,923,609	3,327,501	3,209,941	2,923,609
Term/Investment deposits	51,658,578	49,976,753	51,460,867	51,629,802	49,111,956	50,832,065
Negotiable instruments of deposits	63,253	517,440	224,130	63,253	517,440	224,130
	62,147,776	59,359,849	59,664,604	62,120,335	58,496,288	59,036,112

Included in deposits from customers of the Group and the Bank are deposits of RM1,783,000,000 and RM1,780,000,000 (31 March 2012: RM1,581,000,000 for the Group and the Bank; 1 April 2011: RM1,308,000,000 and RM1,304,000,000 for the Group and the Bank respectively) held as collateral for loans and advances.

	Group			Bank		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
(i) The deposits are sourced from the following types of customers:						
Government and other statutory bodies	5,442,649	5,314,300	10,393,190	5,442,649	5,314,300	10,393,190
Business enterprises	27,442,980	26,111,157	21,034,247	27,416,240	25,247,634	20,406,728
Individuals	28,181,271	26,809,139	27,314,789	28,180,581	26,809,139	27,314,053
Others	1,080,876	1,125,253	922,378	1,080,865	1,125,215	922,141
	62,147,776	59,359,849	59,664,604	62,120,335	58,496,288	59,036,112
(ii) The maturity structure of term/investment deposits and negotiable instruments of deposits is as follows:						
Due within six months	37,638,164	38,338,036	41,698,063	37,609,386	37,473,239	41,069,261
Over six months to one year	11,460,281	8,795,115	6,471,725	11,460,281	8,795,115	6,471,725
Over one year to three years	2,323,726	2,322,715	1,783,750	2,323,727	2,322,715	1,783,750
Over three years to five years	299,660	1,038,327	1,731,459	299,661	1,038,327	1,731,459
	51,721,831	50,494,193	51,684,997	51,693,055	49,629,396	51,056,195

23. TERM FUNDING

	Note	Group 31 March 2013 RM'000	Group 31 March 2012 RM'000	Group 1 April 2011 RM'000	Bank 31 March 2013 RM'000	Bank 31 March 2012 RM'000	Bank 1 April 2011 RM'000
Term loans and revolving credits (net of unamortised issuance expense of RM1,642,000; 31 March 2012: RM3,234,000, 1 April 2011: RM4,761,000)	(a)	1,003,745	824,181	902,829	1,003,745	824,181	902,829
Senior Notes	(b)	2,658,771	2,891,852	2,910,527	2,658,771	2,891,852	2,910,527
Credit-Linked Notes	(c)	412,642	443,780	175,119	412,642	443,780	175,119
		4,075,158	4,159,813	3,988,475	4,075,158	4,159,813	3,988,475

(a) The salient terms of the term loans and revolving credits drawn by the Bank's Labuan offshore branch are as follows:

(i) USD30 million unsecured term loan which bears interest at 0.75% per annum above the lender's cost of funds, was obtained for working capital purposes. This term loan was initially repayable in full on 26 March 2011, but was subsequently extended to and repaid on 26 March 2012.

(ii) USD30 million unsecured term loan was obtained from the Singapore branch of Australia and New Zealand Banking Group ("ANZ") in the financial year ended 31 March 2011 for working capital purposes. This term loan bears interest at 0.75% per annum above LIBOR. It was repaid in full on 15 April 2011 and a new revolving credit facility of USD30 million was obtained from ANZ on 16 April 2011. This new revolving credit facility bears interest at 0.75% per annum above LIBOR and matured on 16 April 2012. On the maturity date, the Labuan branch of ANZ had offered to extend the facility for another year, with the terms and conditions remaining unchanged.

(iii) USD30 million term loan was drawn on 10 June 2010 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. The term loan was repaid on maturity date. A new 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) 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 the Bank and is due and payable in full 3 years after the drawdown date.

(v) 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.

(b) The Senior Notes issued by the Bank 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 the Bank'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, the Bank 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 the Bank. RAM Ratings has assigned a long-term rating of AA3/Stable to the SNP. The Senior Notes issued which remains outstanding as at reporting date has a fixed interest rate ranging from 3.8% to 5.25% (31 March 2012 and 1 April 2011: 3.5% to 5.25%) per annum and is payable semi-annually. The Senior Notes issued are repayable between 2 to 7 years.

(c) The Credit-Linked Notes ("CLN") is a structured investment product issued by the Bank and subscribed at nominal value.

The nominal value of CLN issued and outstanding at reporting date amounted to RM438.4 million (31 March 2012: RM468.6 million, 1 April 2011: RM178.4 million). The CLN carries a fixed interest rate ranging from 4.0% to 6.0% per annum (31 March 2012: 4.0% to 6.0%, 1 April 2011: 4.1% to 6.0%) and will mature between 3 months to 8 years (31 March 2012: 3 months to 9 years, 1 April 2011: 1 year to 3 years).

24. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market.

25. DEBT CAPITAL

	Note	Group 31 March 2013 RM'000	Group 31 March 2012 RM'000	Group 1 April 2011 RM'000	Bank 31 March 2013 RM'000	Bank 31 March 2012 RM'000	Bank 1 April 2011 RM'000
Subordinated Term Loan	(a)	-	-	-	683,707	698,792	675,060
Non-Cumulative Non-Voting Guaranteed Preference Shares	(b)	683,707	698,792	675,060	-	-	-
Medium Term Notes	(c)	1,557,800	1,557,800	1,557,800	1,557,800	1,557,800	1,557,800
Non-Innovative Tier 1 Capital Securities	(d)	500,000	500,000	500,000	500,000	500,000	500,000
Innovative Tier 1 Capital Securities	(e)	485,000	485,000	485,000	485,000	485,000	485,000
Irredeemable Non-Cumulative Convertible Preference Shares	(f)	-	-	150,000	-	-	150,000
		3,226,507	3,241,592	3,367,860	3,226,507	3,241,592	3,367,860

(a) Subordinated term loan

The subordinated term loan (USD200 million) which was on-lent from a wholly-owned subsidiary of the Bank, AMBB Capital (L) Ltd, from the proceeds of the issue of the Hybrid Securities as explained in Note 25(b), is for a period of 50 years to mature on 27 January 2056 with an option to make a first call on 27 January 2016.

The interest rate of the subordinated term loan has been fixed at 6.77% per annum from the date of issue to the date of the first call on 27 January 2016. Thereafter, a floating rate per annum of 3 month US Dollar LIBOR plus 2.90% will be charged till 27 January 2056.

During the financial year ended 31 March 2012, the Bank terminated the fair value hedge on the interest rate risk of the subordinated term loan. The unamortised fair value is amortised through profit or loss over the remaining term to maturity of the subordinated term loan using effective interest rate method. As at 31 March 2013, the amortisation of the fair value of the subordinated term loan amounted to RM21,701,000 (31 March 2012: RM9,741,000, 1 April 2011: Nil).

(b) Non-Cumulative Non-Voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of the Bank issued USD200,000,000 Hybrid Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are guaranteed by the Bank on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Securities were on-lent to the Bank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing the Bank'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.

25. DEBT CAPITAL (CONTD.)

(c) Medium Term Notes

In the financial year 2008, the Bank implemented a RM2.0 billion nominal value Medium Term Notes Programme ("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 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 recognised as a capital instrument under Tier 2 Capital and eligible for gradual phased-out treatment under the transitional arrangements of the Basel III accord.

The salient features of the MTN issued are as follows:

(i) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23% per annum. RM300 million was early redeemed on 8 October 2012. The remaining RM200 million of Tranche 1 was called and cancelled on its first call date of 4 February 2013.

(ii) Tranche 2 and 3 totalling RM240 million was issued on 14 March 2008 as follows:

- Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum. This tranche was fully called and cancelled on its first call date of 14 March 2013.

- Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iii) Tranche 4 and 5 totalling RM120 million was issued on 28 March 2008 as follows:

- Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum. This tranche was fully called and cancelled on its first call date of 28 March 2013.

- Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iv) Tranche 6 amounting to RM600 million issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25% per annum.

(v) 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.

(vi) Tranche 8 amounting to RM710 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:

- at the beginning of the 6th year for Tranche 1
- at the beginning of the 6th year for Tranche 2
- at the beginning of the 8th year for Tranche 3
- at the beginning of the 6th year for Tranche 4
- at the beginning of the 8th year for Tranche 5
- at the beginning of the 11th year for Tranche 6
- at the beginning of the 6th year for Tranche 7

and every anniversary thereafter, preceding the maturity date of the MTN. The step up feature does not apply to Tranche 8.

25. DEBT CAPITAL (CONTD.)

(d) Non-Innovative Tier 1 Capital Securities

In financial year 2009, the Bank 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 the Bank 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 the Bank.

(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 the Bank.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of the Bank 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. Effective 1 January 2013, the Stapled Capital Securities qualify as Additional Tier 1 Capital as a capital instrument eligible for gradual phased-out treatment under the transitional arrangements of the Basel III accord.

(e) Innovative Tier 1 Capital Securities

On 18 August 2009, the Bank 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 the issuance of the Bank's ordinary shares. Upon BNM's approval, the Bank 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 phased-out treatment under the transitional arrangements of the Basel III accord.

(f) Irredeemable Non-Cumulative Convertible Preference Shares

In the financial year 2008, the Bank issued RM150 million Irredeemable Non-Cumulative Convertible Preference Shares ("INCPS") to the holding company, AMFB Holdings Berhad ("AMFB"). The INCPS are perpetual securities and do not have a fixed maturity date. The dividend rate will be 6% per annum. The INCPS are convertible into new ordinary shares of the Bank on the basis of one (1) new ordinary share for every one (1) INCPS held. BNM has approved the INCPS as Tier 1 Capital of the Bank under the capital adequacy framework.

On 30 September 2011, AMFB had exercised its conversion right to convert the entire RM150 million into fully paid ordinary shares of RM1.00 each. With the conversion, the issued and fully paid-up ordinary share capital of the Bank increased to 820,363,762 ordinary shares of RM1.00 each.

26. OTHER LIABILITIES

	Note	Group 31 March 2013 RM'000	Group 31 March 2012 RM'000	Group 1 April 2011 RM'000	Bank 31 March 2013 RM'000	Bank 31 March 2012 RM'000	Bank 1 April 2011 RM'000
Other payables and accruals		2,298,571	1,384,452	1,256,717	2,289,247	1,375,836	1,248,203
Interest payable		561,931	513,655	435,565	561,926	513,594	434,892
Lease deposits and advance rentals		19,724	31,506	45,736	19,724	31,506	45,736
Provision for commitments and contingencies	(a)	148,307	216,837	158,988	148,317	216,835	158,988
Provision for taxation		101,113	2,760	185,714	99,570	917	184,252
		3,129,646	2,149,210	2,082,720	3,118,784	2,138,688	2,072,071

Included under other payables and accruals of the Group and of the Bank are outstanding balances owing to other related companies totalling RM28,938,000 and RM28,946,000 respectively (31 March 2012: RM193,272,000 for the Group and the Bank; 1 April 2011: RM70,482,000 and RM70,479,000 for the Group and the Bank respectively).

(a) The movement in provision for commitments and contingencies is follows:

	Group 31 March 2013 RM'000	Group 31 March 2012 RM'000	Bank 31 March 2013 RM'000	Bank 31 March 2012 RM'000
Balance at beginning of financial year	216,837	158,988	216,835	158,988
Provision made during the year, net	(68,374)	58,844	(68,363)	58,842
Amount reversed	-	(995)	-	(995)
Foreign exchange differences	(156)	-	(155)	-
Balance at end of financial year	148,307	216,837	148,317	216,835

27. SHARE CAPITAL

	Group		Bank	
	31 March 2013 '000	31 March 2012 '000	31 March 2013 '000	31 March 2012 '000
Authorised				
Balance at beginning of financial year				
Ordinary shares of RM1.00 each	1,386,250	1,386,250	1,386,250	1,386,250
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each (Note 25(f))	2,500,000	2,500,000	2,500,000	2,500,000
Balance at end of financial year	3,886,250	3,886,250	3,886,250	3,886,250
	RM'000	**RM'000**	**RM'000**	**RM'000**
Issued and fully paid				
Ordinary shares of RM1.00 each:				
Balance at beginning of financial year	820,364	670,364	820,364	670,364
Shares issued pursuant to conversion of 6% Irredeemable Non-Cumulative Convertible Preference Share of RM1.00 each (Note 25(f))	-	150,000	-	150,000
Balance at end of financial year	820,364	820,364	820,364	820,364
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each (Note 25(f)):				
Balance at beginning of financial year	-	150,000	-	150,000
Conversion to ordinary shares of RM1.00 each (Note 25(f))	-	(150,000)	-	(150,000)
Balance at end of financial year	-	-	-	-

28. RESERVES

		Group			Bank		
	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Share premium		942,844	942,844	942,844	942,844	942,844	942,844
Other reserves	(a)	992,907	1,034,629	773,803	952,231	992,471	728,045
Retained earnings	(b)	3,543,804	3,173,558	2,637,613	3,541,122	3,162,608	2,518,612
		5,479,555	5,151,031	4,354,260	5,436,197	5,097,923	4,189,501

28. RESERVES (CONTD.)

Movement in reserves are shown in the statements of changes in equity.

(a) The other reserves and their movements are analysed as follows:

	Statutory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
Group						
At 1 April 2011	680,459	48,516	21,556	33,391	(10,119)	773,803
Other comprehensive income:						
Net unrealised gain on changes in fair value of financial investments available-for-sale	-	-	102,155	-	-	102,155
Net gain on financial investments available-for-sale reclassified to profit or loss	-	-	(97,940)	-	-	(97,940)
Net unrealised loss on changes in fair value of derivatives designated as cash flow hedge	-	-	-	(56,020)	-	(56,020)
Net gain on cash flow hedge reclassified to profit or loss	-	-	-	(4,182)	-	(4,182)
Exchange differences on translation of foreign operations	-	-	-	-	2,794	2,794
Income tax relating to components of other comprehensive income	-	-	(1,541)	15,050	-	13,509
	-	-	2,674	(45,152)	2,794	(39,684)
Transaction with owner:						
Transfer to statutory reserve	300,510	-	-	-	-	300,510
At 31 March 2012	980,969	48,516	24,230	(11,761)	(7,325)	1,034,629
At 1 April 2012	980,969	48,516	24,230	(11,761)	(7,325)	1,034,629
Other comprehensive income:						
Net unrealised loss on changes in fair value of financial investments available-for-sale	-	-	(10,811)	-	-	(10,811)
Net gain on financial investments available-for-sale reclassified to profit or loss	-	-	(33,905)	-	-	(33,905)
Net unrealised gain on changes in fair value of derivatives designated as cash flow hedge	-	-	-	225	-	225
Net gain on cash flow hedge reclassified to profit or loss	-	-	-	(1,403)	-	(1,403)
Exchange differences on translation of foreign operations	-	-	-	-	(7,435)	(7,435)
Income tax relating to components of other comprehensive income	-	-	11,312	295	-	11,607
	-	-	(33,404)	(883)	(7,435)	(41,722)
At 31 March 2013	980,969	48,516	(9,174)	(12,644)	(14,760)	992,907

28. RESERVES (CONTD.)

(a) The other reserves and their movements are analysed as follows (contd.):

Bank	Statutory reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
At 1 April 2011	680,459	14,527	33,391	(332)	728,045
Other comprehensive income:					
Net unrealised gain on changes in fair value of financial investments available-for-sale	-	110,299	-	-	110,299
Net gain on financial investments available-for-sale reclassified to profit or loss	-	(97,940)	-	-	(97,940)
Net unrealised loss on changes in fair value of derivatives designated as cash flow hedge	-	-	(56,020)	-	(56,020)
Net gain on cash flow hedge reclassified to profit or loss	-	-	(4,182)	-	(4,182)
Exchange differences on translation of foreign operations	-	-	-	278	278
Income tax relating to components of other comprehensive income		(3,569)	15,050	-	11,481
	-	8,790	(45,152)	278	(36,084)
Transaction with owner:					
Transfer to statutory reserve	300,510	-	-	-	300,510
At 31 March 2012	980,969	23,317	(11,761)	(54)	992,471
At 1 April 2012	980,969	23,317	(11,761)	(54)	992,471
Other comprehensive income:					
Net unrealised loss on changes in fair value of financial investments available-for-sale	-	(8,565)	-	-	(8,565)
Net gain on financial investments available-for-sale reclassified to profit or loss	-	(33,905)	-	-	(33,905)
Net unrealised gain on changes in fair value of derivatives designated as cash flow hedge	-	-	225	-	225
Net gain on cash flow hedge reclassified to profit or loss	-	-	(1,403)	-	(1,403)
Exchange differences on translation of foreign operations	-	-	-	(7,642)	(7,642)
Income tax relating to components of other comprehensive income	-	10,755	295	-	11,050
	-	(31,715)	(883)	(7,642)	(40,240)
At 31 March 2013	980,969	(8,398)	(12,644)	(7,696)	952,231

28. RESERVES (CONTD.)

(a) The other reserves and their movements are analysed as follows (contd.):

Notes:

a) Share premium is used to record premium arising from new shares issued in the Bank.

b) 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.

c) Available-for-sale reserve comprises the unrealised fair value gains and losses on financial investments available-for-sale.

d) 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.

e) 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 Bank's and the Group's financial currency.

f) The merger reserve of the Group represents reserve arising from the acquisition of AmInternational (L) Ltd. which is accounted for using the merger accounting method.

The Bank has elected for the irrevocable option to disregard its Section 108 balance. Hence, the Bank will be able to distribute dividends out of its entire retained earnings under the single tier system.

29. NON-CONTROLLING INTERESTS

	Group	
	31 March 2013 RM'000	**31 March 2012 RM'000**
Balance at beginning of financial year	46	46
Share in net results of subsidiaries	13	-
Balance at end of financial year	59	46

30. INTEREST INCOME

	Group		**Bank**	
	31 March 2013 RM'000	**31 March 2012 RM'000**	**31 March 2013 RM'000**	**31 March 2012 RM'000**
Short-term funds and deposits with financial institutions	234,397	266,040	234,134	265,183
Financial assets held-for-trading	218,144	201,860	218,144	201,860
Financial investments available-for-sale	170,874	199,431	179,849	210,452
Financial investments held-to-maturity	54,605	4,439	54,526	4,118
Loans and advances	3,609,607	3,552,599	3,593,204	3,534,611
Impaired loans and advances	4,803	10,040	4,803	10,040
Others	13,214	10,795	13,214	10,795
	4,305,644	4,245,204	4,297,874	4,237,059

31. INTEREST EXPENSE

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Deposits from customers	1,774,243	1,728,379	1,773,894	1,726,373
Deposits and placements of banks and other financial institutions	72,855	88,895	73,853	91,869
Recourse obligation on loans sold to Cagamas Berhad	40,872	41,906	40,872	41,906
Term funding	170,115	171,350	170,115	171,350
Debt capital	200,172	205,510	200,164	205,501
Others	26,911	16,882	26,915	16,911
	2,285,168	2,252,922	2,285,813	2,253,910

32. NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	31 March 2013 RM'000	31 March 2012 RM'000
Income derived from investment of depositors' funds and others	25	42
Income derived from investment of shareholders' funds	4	228
Income attributable to the depositors	(20)	(32)
	9	238

33. OTHER OPERATING INCOME

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Fee and commission income:				
Bancassurance commission	36,326	29,111	36,326	29,111
Brokerage fees, commission and rebates	1,750	1,647	1,750	1,647
Corporate advisory	-	46	-	-
Fees on loans, advances and securities	204,704	180,101	204,668	180,088
Guarantee fees	41,647	37,772	41,235	37,160
Underwriting commission	5,500	37	5,500	37
Remittances	21,269	22,567	21,269	22,567
Service charges fee	22,541	21,200	23,662	22,549
Other fee and commission income	4,161	11,180	4,111	11,051
	337,898	303,661	338,521	304,210
Investment and trading income:				
Foreign exchange[1]	91,324	106,869	91,324	106,869
Gross dividend income from:				
Associate	-	-	1,160	-
Financial assets held-for-trading	9,178	13,847	9,178	13,847
Financial investments available-for-sale	10,507	12,334	10,507	12,334
Subsidiaries	-	-	17,393	130,406
Net gain on sale/redemption of:				
Financial assets held-for-trading	29,067	170,253	29,072	170,253
Financial investments available-for-sale	33,905	97,940	33,905	97,940
Financial investments held-to-maturity	40,766	13,714	40,766	13,714
Net gain/(loss) on revaluation of financial assets held-for-trading	3,805	(14,829)	3,805	(14,829)
Net gain on derivatives:				
Fair value hedge[2]	-	460	-	460
Others	56,658	76,700	56,658	76,700
Others	(5,720)	(36,188)	(5,720)	(36,188)
	269,490	441,100	288,048	571,506
Other income:				
Net (loss)/gain on disposal of property and equipment	(1,541)	623	(1,541)	553
Net non-trading foreign exchange gain	1,582	4,245	1,523	861
Rental income	4,155	3,305	3,395	2,687
Others	9,658	10,068	9,116	9,580
	13,854	18,241	12,493	13,681
	621,242	763,002	639,062	889,397

1 Foreign exchange gain includes gains and losses from spot and forward contracts and other currency derivatives.

2 Arising from changes in fair value of interest rate swaps (hedging instrument) and subordinated term loan and loans sold to Cagamas Berhad (hedged items) relating to the hedged risk. The fair value hedge for the above hedged items was terminated as at 31 March 2012.

34. OTHER OPERATING EXPENSES

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Personnel costs:				
Salaries, allowances and bonuses	634,955	578,242	633,566	576,784
Shares and options granted under ESS	32,506	26,857	32,434	26,753
Pension costs - defined contribution plan	94,319	91,823	94,096	91,593
Social security cost	4,814	4,656	4,797	4,648
Others	63,852	76,727	63,775	76,632
	830,446	778,305	828,668	776,410
Establishment costs:				
Amortisation of intangible assets (Note 19)	45,985	38,223	45,981	38,219
Cleaning, maintenance and security	21,283	22,988	20,460	22,342
Computerisation cost	159,432	116,746	159,430	116,775
Depreciation of property and equipment (Note 18)	41,794	43,162	41,285	42,649
Rental	70,503	67,296	72,353	69,093
Others	28,211	27,257	27,437	26,498
	367,208	315,672	366,946	315,576
Marketing and communication expenses:				
Advertising and marketing	42,165	32,259	42,165	32,258
Commission	2,019	1,999	2,019	1,999
Communication	44,606	44,002	44,558	43,954
Others	10,422	10,051	10,401	10,040
	99,212	88,311	99,143	88,251
Administration and general expenses:				
Professional services	69,191	67,850	69,119	67,783
Others	35,725	28,175	35,302	27,754
	104,916	96,025	104,421	95,537
Service transfer pricing recovery, net	(336,074)	(270,939)	(334,060)	(269,193)
Expenses capitalised	(26,562)	(4,732)	(26,562)	(4,732)
Acquisition and business efficiency costs (included for the Group and the Bank depreciation charge amounting to RM4,000, 31 March 2012: Nil)	8,422	-	8,422	-
	1,047,568	1,002,642	1,046,978	1,001,849

34. OTHER OPERATING EXPENSES (CONTD.)

The above expenditure includes the following statutory disclosure:

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Auditors' remuneration:				
Parent company auditor				
Audit	999	961	930	895
Assurance related	1,268	577	1,205	577
Others	34	57	34	57
Firm affiliated with parent auditor				
Audit	19	19	-	-
Hire of office equipment	7,220	7,043	7,220	7,043
Intangible assets written off (Note 19)	-	983	-	983
Operating lease	41,346	28,227	41,346	28,227
Property and equipment written off (Note 18)	12	10	12	10
Rental of premises				
- subsidiaries	-	-	2,072	2,072
- others	70,497	67,236	70,281	67,021

Personnel costs include salaries, bonuses, contribution to Employees' Provident Fund ("EPF") (a substantial shareholder of the holding company) and all other staff related expenses.

35. DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows:

31 March 2013	Fees RM'000	Salaries RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director:						
Ashok Ramamurthy	- *	1,656	945	756	106	3,463
	-	1,656	945	756	106	3,463
Non-Executive Directors:						
Tan Sri Azman Hashim	-	-	-	393	-	393
Cheah Tek Kuang	- *	1,335	1,573	754	91	3,753
Tun Mohammed Hanif Omar	60	-	-	45	-	105
Tan Sri Datuk Clifford Francis Herbert	60	-	-	52	-	112
Dato' Gan Nyap Liou @ Gan Nyap Liow	60	-	-	48	-	108
Chin Yuen Yin	60	-	-	46	-	106
Christopher Robin Page	-	-	-	- **	-	-
	240	1,335	1,573	1,338	91	4,577
Total Directors' remuneration (Note 42(d))	240	2,991	2,518	2,094	197	8,040

31 March 2012	Fees RM'000	Salaries RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director:						
Cheah Tek Kuang	- *	1,740	1,917	2,243	151	6,051
	-	1,740	1,917	2,243	151	6,051
Non-Executive Directors:						
Tan Sri Azman Hashim	-	-	-	394	-	394
Tun Mohammed Hanif Omar	60	-	-	50	-	110
Tan Sri Datuk Clifford Francis Herbert	60	-	-	46	-	106
Dato' Gan Nyap Liou @ Gan Nyap Liow	60	-	-	33	-	93
Chin Yuen Yin	25	-	-	22	-	47
Ashok Ramamurthy	- *	1,200	1,260	672	69	3,201
	205	1,200	1,260	1,217	69	3,951
Total Directors' remuneration (Note 42(d))	205	2,940	3,177	3,460	220	10,002

Note :
* Directors' fees for executive directors of the subsidiaries of AMMB Holdings Berhad are paid to their respective companies.
** Paid to ANZ

36. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Allowance for impaired loans and advances:				
Individual allowance (Note 12 (i))	275,276	318,945	275,276	318,945
Collective allowance (Note 12 (i))	246,478	363,822	246,038	363,352
Impaired loans and advances recovered, net	(485,406)	(455,544)	(483,111)	(449,452)
Recovery from loans sold to Danaharta	(3,880)	(3,731)	(3,880)	(3,731)
	32,468	223,492	34,323	229,114

37. IMPAIRMENT LOSS/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Financial investments available-for-sale	(4,954)	(5,155)	(3,267)	(5,085)
Financial investments held-to-maturity (Note 11)	5,722	3,020	6,337	4,010
	768	(2,135)	3,070	(1,075)

38. TAXATION

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Current tax:				
Estimated tax payable	389,892	464,070	388,369	466,632
Overprovision in prior financial years	(65,107)	(374,005)	(64,648)	(373,938)
	324,785	90,065	323,721	92,694
Deferred tax (Note 14):				
- Origination and reversal of temporary differences	5,038	(110,271)	5,038	(110,195)
- Underprovision in prior financial years	45,358	380,649	43,880	380,649
	50,396	270,378	48,918	270,454
Taxation	375,181	360,443	372,639	363,148

Domestic income tax is calculated at the statutory tax rate of 25% (2012: 25%) on the estimated chargeable profit for the financial year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

38. TAXATION (CONTD.)

A reconciliation of taxation applicable to profit before taxation at the statutory tax rate to taxation at the effective tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	31 March 2013 RM'000	**31 March 2012 RM'000**	**31 March 2013 RM'000**	**31 March 2012 RM'000**
Profit before taxation	1,626,416	1,448,296	1,632,078	1,559,030
Taxation at Malaysian statutory tax rate of 25% (31 March 2012: 25%)	406,604	362,074	408,020	389,757
Deferred tax asset recognised on income subject to tax remission	(6,461)	-	(6,461)	-
Effect of different tax rates in Labuan	(9,954)	(9,920)	(8,655)	(7,683)
Expenses not deductible for tax purposes	13,337	11,368	12,793	10,977
Income not subject to tax	(8,596)	(9,723)	(12,290)	(36,614)
Underprovision of deferred tax assets in prior financial years	45,358	380,649	43,880	380,649
Overprovision of current tax in prior financial years	(65,107)	(374,005)	(64,648)	(373,938)
Total taxation	375,181	360,443	372,639	363,148

39. OTHER COMPREHENSIVE INCOME/(LOSS)

	Group		Bank	
	31 March 2013 RM'000	**31 March 2012 RM'000**	**31 March 2013 RM'000**	**31 March 2012 RM'000**
Exchange differences on translation of the financial statements of foreign operations	(7,435)	2,794	(7,642)	278
Cash flow hedge:				
Gains/(Losses) arising during the financial year	225	(56,020)	225	(56,020)
Less: Reclassification adjustments for gains included in the income statement	(1,403)	(4,182)	(1,403)	(4,182)
	(1,178)	(60,202)	(1,178)	(60,202)
Financial investments available-for-sale:				
(Losses)/Gains arising during the financial year	(10,811)	102,155	(8,565)	110,299
Less: Reclassification adjustments for gains included in the income statement (Note 33)	(33,905)	(97,940)	(33,905)	(97,940)
	(44,716)	4,215	(42,470)	12,359
Total other comprehensive loss	(53,329)	(53,193)	(51,290)	(47,565)
Income tax relating to other comprehensive loss (Note 14 and Note 39(a))	11,607	13,509	11,050	11,481
	(41,722)	(39,684)	(40,240)	(36,084)

39. OTHER COMPREHENSIVE INCOME/(LOSS) (CONTD.)

(a) Income tax effects relating to other comprehensive income/(loss).

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Group			
31 March 2013			
Cash flow hedge	(1,178)	295	(883)
Financial investments available-for-sale	(44,716)	11,312	(33,404)
	(45,894)	11,607	(34,287)
31 March 2012			
Cash flow hedge	(60,202)	15,050	(45,152)
Financial investments available-for-sale	4,215	(1,541)	2,674
	(55,987)	13,509	(42,478)
Bank			
31 March 2013			
Cash flow hedge	(1,178)	295	(883)
Financial investments available-for-sale	(42,470)	10,755	(31,715)
	(43,648)	11,050	(32,598)
31 March 2012			
Cash flow hedge	(60,202)	15,050	(45,152)
Financial investments available-for-sale	12,359	(3,569)	8,790
	(47,843)	11,481	(36,362)

40. EARNINGS PER SHARE

Basic/Diluted

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

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

	Group		Bank	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Net profit attributable to equity holder of the Bank (RM'000)	1,251,222	1,087,853	1,259,439	1,195,882
Number of ordinary shares at beginning of financial year ('000)	820,364	670,364	820,364	670,364
Effect of conversion of INCPS to shares ('000)	-	75,410	-	75,410
Weighted average number of ordinary shares in issue ('000)	820,364	745,774	820,364	745,774
Basic/Diluted earnings per share (sen)	152.52	145.87	153.52	160.35

41. DIVIDENDS

	Group and Bank 31 March 2013 RM'000	31 March 2012 RM'000
Recognised during the financial year:		
Final single-tier cash dividend of 80.15 sen per ordinary share in respect of financial year ended 31 March 2012 (2012: approximately 37.00 sen per ordinary share in respect of the financial year 31 March 2011)	657,522	248,034
First interim single-tier cash dividend of 26.00 sen per ordinary share in respect of financial year ended 31 March 2013	213,295	-
	870,817	248,034
Proposed but not recognised as a liability:		
Final single-tier cash dividend of 48.80 sen per ordinary share in respect of financial year ended 31 March 2013 (2012: 80.15 sen per ordinary shares)	400,338	657,522

In respect of the current financial year, the Directors recommend a final single-tier cash dividend of 48.80 sen per ordinary share on 820,363,762 ordinary shares amounting to approximately RM400,337,516. The financial statements for the current financial year do not reflect this dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2014.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or if one party controls both parties.

The related parties of the Group and the Bank are:

(a) Subsidiaries

Details of subsidiaries are disclosed in Note 15.

(b) Related companies

These are subsidiaries of the holding company.

(c) Associates

Details of associates are disclosed in Note 16.

(d) 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 Bank, either directly or indirectly. The key management personnel of the Group and the Bank includes Executive and Non-Executive directors of the Bank and certain members of the senior management of the Group (including close members of their families).

(e) Companies in which certain directors have substantial financial interest

These are entities in which significant voting power in such entities, either directly or indirectly, resides with certain directors of the Bank.

(f) Companies which have significant influence over the Group

These are entities who are substantial shareholders (including its related parties) of the holding company of the Bank.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Bank had the following transactions with related parties during the financial year:

Group	Related companies 31 March 2013 RM'000	Related companies 31 March 2012 RM'000	Associates 31 March 2013 RM'000	Associates 31 March 2012 RM'000	Key management personnel 31 March 2013 RM'000	Key management personnel 31 March 2012 RM'000	Companies in which certain Directors have substantial financial interest 31 March 2013 RM'000	Companies in which certain Directors have substantial financial interest 31 March 2012 RM'000	Companies which have significant influence over the Group 31 March 2013 RM'000	Companies which have significant influence over the Group 31 March 2012 RM'000
Income										
Interest on deposits	36,313	26,718	-	-	-	-	-	-	-	-
Interest on financial investments available-for-sale	30,119	36,696	-	-	-	-	-	-	-	-
Interest on loans and advances	2,606	634	-	-	32	42	-	-	-	-
Investment and trading income	13,085	-	-	-	-	-	-	-	-	-
Service transfer pricing income	376,044	313,957	468	428	-	-	-	-	-	-
	458,167	378,005	468	428	32	42	-	-	-	-
Expenses										
Airline ticketing service	-	-	-	-	-	-	3,430	3,132	-	-
Computer maintenance and consultancy services	-	-	-	-	-	-	427	358	-	-
Europay, Mastercard, Visa card personalization, fulfilment services and card embossment	-	-	-	-	-	-	382	613	-	-
Food and beverage	-	-	-	-	-	-	209	77	-	-
Information service provider	-	-	-	-	683	611	-	-	-	-
Insurance premium	-	-	-	-	-	-	16,299	7,932	-	-
Interbank GIRO expenses	-	-	-	-	115	385	-	-	-	-
Interest on deposits	26,646	22,913	-	-	773	-	-	-	-	-
Professional fees	3,166	3,214	-	-	-	3	-	-	-	1,625
Profit sharing arrangement expense	5,448	38,056	-	-	-	-	-	-	-	-
Purchase of computer hardware, software and related consultancy services	-	-	-	-	-	-	8,628	8,128	-	-
Rental of premises/car park/booth, management fee and maintenance	-	-	-	-	-	-	41,266	40,475	-	-
Service transfer pricing expense	45,181	43,449	-	-	-	-	-	-	-	-
Training and consultancy	-	-	-	-	125	92	262	279	-	-
	80,441	107,632	-	-	1,696	1,091	70,903	60,994	-	1,625

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Bank had the following transactions with related parties during the financial year (contd.):

Bank	Subsidiaries 31 March 2013 RM'000	Subsidiaries 31 March 2012 RM'000	Related companies 31 March 2013 RM'000	Related companies 31 March 2012 RM'000	Associates 31 March 2013 RM'000	Associates 31 March 2012 RM'000	Key management personnel 31 March 2013 RM'000	Key management personnel 31 March 2012 RM'000	Companies in which certain Directors have substantial financial interest 31 March 2013 RM'000	Companies in which certain Directors have substantial financial interest 31 March 2012 RM'000	Companies which have significant influence over the Group 31 March 2013 RM'000	Companies which have significant influence over the Group 31 March 2012 RM'000
Income												
Fee income	14	20	-	-	-	-	-	-	-	-	-	-
Interest on deposits	257	217	36,194	26,595	-	-	-	-	-	-	-	-
Interest on financial investments available-for-sale	8,948	11,028	30,119	36,696	-	-	-	-	-	-	-	-
Interest on loans and advances	4,305	4,139	2,095	38	-	-	32	42	-	-	-	-
Investment and trading income	-	-	13,085	-	-	-	-	-	-	-	-	-
Service fee	1,160	1,259	-	-	-	-	-	-	-	-	-	-
Service transfer pricing income	314	280	376,044	313,957	468	428	-	-	-	-	-	-
	14,998	16,943	457,537	377,286	468	428	32	42	-	-	-	-
Expenses												
Airline ticketing service	-	-	-	-	-	-	-	-	3,430	3,132	-	-
Computer maintenance and consultancy services	-	-	-	-	-	-	-	-	427	358	-	-
Europay, Mastercard, Visa card personalization, fulfilment services and card embossment	-	-	-	-	-	-	-	-	382	613	-	-
Food and beverage	-	-	-	-	-	-	-	-	209	77	-	-
Information service provider	-	-	-	-	-	-	683	611	-	-	-	-
Insurance premium	-	-	-	-	-	-	-	-	16,221	7,932	-	-
Interbank GIRO expenses	-	-	-	-	-	-	115	385	-	-	-	-
Interest on debt capital and term funding	86,879	86,585	-	-	-	-	-	-	-	-	-	-
Interest on deposits	1,889	3,992	26,641	22,909	3	3	773	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	-	-	3,166	3,214	-	-	-	3	-	-	-	1,625
Profit sharing arrangement expense	-	-	5,448	38,057	-	-	-	-	-	-	-	-
Purchase of computer hardware, software and related consultancy services	-	-	-	-	-	-	-	-	8,628	8,128	-	-
Rental of premises/car park/booth, management fee and maintenance	-	-	-	-	-	-	-	-	41,239	40,475	-	-
Service transfer pricing expense	2,326	2,022	45,181	43,450	-	-	-	-	-	-	-	-
Training and consultancy	-	-	-	-	-	-	125	92	262	279	-	-
	91,094	92,599	80,436	107,630	3	3	1,696	1,091	70,798	60,994	-	1,625

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(b) The significant outstanding balances of the Group and the Bank with its related parties are as follows:

Group	Related companies		Associates		Key management personnel		Companies which have significant influence over the Group	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Amount due from:								
Cash and short-term funds	459,918	156,005	-	-	-	-	-	-
Deposits and placements	1,511,267	723,809	-	-	-	-	-	-
Derivative financial assets	609	5	-	-	-	-	-	-
Financial investments available-for-sale	411,234	806,434	-	-	-	-	-	-
Loans and advances	177,449	30,209	-	-	614	698	-	-
Interest receivable	6,503	6,284	-	-	-	-	-	-
	2,566,980	1,722,746	-	-	614	698	-	-
Amount due to:								
Deposits and placements	827,474	671,141	100	100	52,535	34,861	-	-
Derivative financial liabilities	7,310	10,914	-	-	-	-	-	-
Interest payable	2,015	890	3	3	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	1,625
	836,799	682,945	103	103	52,535	34,861	-	1,625
Commitments and contingencies:								
Contingent liabilities	36,963	34,451	-	-	-	-	122,113	121,223
Commitments	609,776	529,131	-	-	-	-	517,887	328,777
Contract/Notional amount for derivatives	539,690	270,047	-	-	-	-	-	-
	1,186,429	833,629	-	-	-	-	640,000	450,000

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(b) The significant outstanding balances of the Group and the Bank with its related parties are as follows (contd.):

Bank	Subsidiaries		Related companies		Associates		Key management personnel		Companies which have significant influence over the Group	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Amount due from:										
Cash and short-term funds	31,554	-	455,402	154,888	-	-	-	-	-	-
Deposits and placements	-	-	1,511,267	723,809	-	-	-	-	-	-
Derivative financial assets	-	-	609	5	-	-	-	-	-	-
Financial investments available-for-sale	158,267	193,483	411,234	806,434	-	-	-	-	-	-
Loans and advances	80,506	79,917	153,146	3	-	-	614	698	-	-
Interest receivable	1	-	6,502	6,284	-	-	-	-	-	-
	270,328	273,400	2,538,160	1,691,423	-	-	614	698	-	-
Amount due to:										
Deposits and placements	35,999	600,543	826,827	671,141	100	100	52,535	34,861	-	-
Debt capital	1,118,700	1,198,792	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	7,310	10,914	-	-	-	-	-	-
Interest payable	10,998	10,977	2,014	888	3	3	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	1,625
	1,165,697	1,810,312	836,151	682,943	103	103	52,535	34,861	-	1,625
Commitments and contingencies:										
Contingent liabilities	15,468	15,323	36,963	34,451	-	-	-	-	122,113	121,223
Commitments	39,912	40,717	609,776	529,131	-	-	-	-	517,887	328,777
Contract/Notional amount for derivatives	47	-	569,690	270,047	-	-	-	-	-	-
	55,427	56,040	1,216,429	833,629	-	-	-	-	640,000	450,000

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(c) The transactions between the Bank and related parties were executed at terms agreed between the parties during the year.

(d) Key management personnel compensation

The remuneration of directors and other key management personnel during the year are as follows:

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Directors:				
Fees	240	205	240	205
Salaries and other remuneration	5,509	6,117	5,509	6,117
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	2,291	3,680	2,291	3,680
	8,040	**10,002**	**8,040**	**10,002**
Other key management personnel:				
Salaries and other remuneration	9,870	11,641	9,870	11,641
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	5,379	5,816	5,379	5,816
	15,249	**17,457**	**15,249**	**17,457**

43. CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES

	Group		Bank	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Outstanding credit exposures with connected parties (RM'000)	3,001,525	1,391,202	3,256,015	1,680,407
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures (%)	4.22	2.06	4.59	2.50
Percentage of outstanding credit exposures to connected parties which is impaired or in default (%)	0.19	0.03	0.17	0.03

The disclosure on credit transactions and exposure 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:

(a) directors of the Bank and their close relatives;

(b) controlling shareholder and his close relatives;

(c) 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;

(d) officers and his close relatives; officer refers to those 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;

43. CREDIT TRANSACTIONS AND EXPOSURE WITH CONNECTED PARTIES (CONTD.)

(e) firms, partnerships, companies or any legal entities which control, or are controlled by, any person listed in (a) to (d) above, or in which they have interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(f) any person for whom the persons listed in (a) to (d) above is a guarantor; and

(g) subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed include the extension of credit facility 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 are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered with other counterparties with similar circumtances 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.

44. CAPITAL COMMITMENTS

	Group and Bank	
	31 March 2013 RM'000	**31 March 2012 RM'000**
Authorised and contracted for:		
Purchase of computer equipment and software	48,864	80,120
Leasehold improvements	7,231	5,296
	56,095	85,416
Authorised but not contracted for:		
Purchase of computer equipment and software	128,059	145,435
	184,154	230,851

45. OPERATING LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating lease. The future minimum lease payments under the non-cancellable operating lease, net of sub-leases are as follows:

	Group		Bank	
	31 March 2013 RM'000	**31 March 2012 RM'000**	**31 March 2013 RM'000**	**31 March 2012 RM'000**
One year or less	105,730	93,685	105,542	93,497
Over one year to five years	149,839	82,668	149,619	82,636
Over five years	8,851	16,556	8,851	16,556
	264,420	192,909	264,012	192,689

The minimum lease rentals are not adjusted for operating expenses which the Group and the Bank are 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 rental expenses for the financial year.

46. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank 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. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The notional amounts of the commitments and contingencies of the Group and the Bank are as follows:

	Group			Bank		
	31 March 2013 RM'000	31 March 2,012 RM'000	1 April 2011 RM'000	31 March 2013 RM'000	31 March 2,012 RM'000	1 April 2011 RM'000
Contingent Liabilities						
Direct credit substitutes	1,253,726	1,608,754	2,259,750	1,253,726	1,608,754	2,259,750
Transaction related contingent items	3,812,587	3,120,757	1,869,799	3,812,587	3,120,757	1,869,799
Short term self liquidating trade related contingencies	617,806	615,243	615,999	617,689	613,825	615,999
Obligations under on-going underwriting agreements	250,000	265,000	260,000	250,000	265,000	260,000
Others	100	100	31,506	150	150	31,406
	5,934,219	5,609,854	5,037,054	5,934,152	5,608,486	5,036,954
Commitments						
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	14,674,911	13,251,953	10,796,440	14,715,741	13,292,670	10,840,686
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,859,056	4,682,068	4,498,060	5,859,056	4,682,068	4,498,060
Unutilised credit card lines	2,729,671	2,953,565	3,322,322	2,729,671	2,953,565	3,322,322
Forward asset purchases	108,266	360,899	424,290	108,266	360,899	424,290
	23,371,904	21,248,485	19,041,112	23,412,734	21,289,202	19,085,358
Derivative Financial Instruments						
Foreign exchange related contracts						
- One year or less	22,584,554	20,064,852	28,584,266	22,584,554	20,064,852	28,584,266
- Over one year to five years	3,440,503	3,145,654	929,849	3,440,503	3,145,654	929,849
- Over five years	837,446	58,532	151,265	837,446	58,532	151,265
Interest rate related contracts						
- One year or less	4,548,404	14,448,655	5,870,000	4,548,404	14,448,655	5,870,000
- Over one year to five years	22,110,386	18,849,399	27,256,982	22,110,386	18,849,399	27,256,982
- Over five years	9,682,407	8,042,138	3,900,759	9,682,407	8,042,138	3,900,759
Credit related contracts						
- One year or less	267,510	61,290	76,473	267,510	61,290	76,473
- Over one year to five years	298,274	549,473	252,433	298,274	549,473	252,433
- Over five years	297,752	292,733	-	297,752	292,733	-
Equity related contracts						
- One year or less	322,791	484,281	601,986	322,791	484,281	601,986
- Over one year to five years	547,989	362,369	521,072	547,989	362,369	521,072
	64,938,016	66,359,376	68,145,085	64,938,016	66,359,376	68,145,085
Total	94,244,139	93,217,715	92,223,251	94,284,902	93,257,064	92,267,397

The breakdown of the commitment and contingencies of the Bank is as follows:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Relating to AmBank (M) Berhad	94,261,611	93,233,992	92,220,904
Relating to AMIL with external parties*	23,291	23,072	46,493
	94,284,902	93,257,064	92,267,397

* The Bank has given a continuing guarantee to Labuan Financial Services Authority ("LFSA") to meet all the liabilities and financial obligations of its subsidiary, AmInternational (L) Ltd ("AMIL").

47. 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.

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Group			
31 March 2013			
ASSETS			
Cash and short-term funds	7,324,650	-	7,324,650
Deposits and placements with banks and other financial institutions	1,413,025	500,397	1,913,422
Derivative financial assets	84,310	298,933	383,243
Financial assets held-for-trading	4,100,623	-	4,100,623
Financial investments available-for-sale	1,329,833	2,018,808	3,348,641
Financial investments held-to-maturity	2,096,770	1,936,765	4,033,535
Loans and advances	12,946,645	46,285,107	59,231,752
Statutory deposit with Bank Negara Malaysia	-	2,122,386	2,122,386
Deferred tax assets	-	120,781	120,781
Investment in associates	-	892	892
Other assets	673,872	500,849	1,174,721
Property and equipment	-	149,150	149,150
Intangible assets	-	234,687	234,687
TOTAL ASSETS	29,969,728	54,168,755	84,138,483
LIABILITIES			
Deposits and placements of banks and other financial institutions	2,110,093	220,419	2,330,512
Recourse obligation on loans sold to Cagamas Berhad	-	1,264,251	1,264,251
Derivative financial liabilities	94,945	327,730	422,675
Deposits from customers	59,524,390	2,623,386	62,147,776
Term funding	1,182,244	2,892,914	4,075,158
Bills and acceptances payable	1,241,980	-	1,241,980
Debt capital	-	3,226,507	3,226,507
Other liabilities	3,032,564	97,082	3,129,646
TOTAL LIABILITIES	67,186,216	10,652,289	77,838,505

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (contd.).

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Group			
31 March 2012			
ASSETS			
Cash and short-term funds	5,453,638	-	5,453,638
Securities purchased under resale agreements	384,570	-	384,570
Deposits and placements with banks and other financial institutions	1,122,194	-	1,122,194
Derivative financial assets	134,318	245,717	380,035
Financial assets held-for-trading	8,910,943	-	8,910,943
Financial investments available-for-sale	1,692,487	2,748,234	4,440,721
Financial investments held-to-maturity	91,534	24,621	116,155
Loans and advances	10,552,313	45,938,959	56,491,272
Statutory deposit with Bank Negara Malaysia	-	2,011,288	2,011,288
Deferred tax assets	-	159,570	159,570
Investment in associates	-	1,611	1,611
Other assets	921,942	156,818	1,078,760
Property and equipment	-	141,678	141,678
Intangible assets	-	170,213	170,213
TOTAL ASSETS	29,263,939	51,598,709	80,862,648
LIABILITIES			
Deposits and placements of banks and other financial institutions	3,143,166	825,098	3,968,264
Securities sold under repurchase agreements	41,195	-	41,195
Recourse obligation on loans sold to Cagamas Berhad	-	1,176,054	1,176,054
Derivative financial liabilities	146,760	294,944	441,704
Deposits from customers	55,998,807	3,361,042	59,359,849
Term funding	449,365	3,710,448	4,159,813
Bills and acceptances payable	353,526	-	353,526
Debt capital	-	3,241,592	3,241,592
Other liabilities	2,041,413	107,797	2,149,210
TOTAL LIABILITIES	62,174,232	12,716,975	74,891,207

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (contd.).

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Group			
1 April 2011			
ASSETS			
Cash and short-term funds	8,740,986	-	8,740,986
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,792,922	-	3,792,922
Derivative financial assets	115,664	281,009	396,673
Financial assets held-for-trading	4,167,002	-	4,167,002
Financial investments available-for-sale	2,947,674	3,384,295	6,331,969
Financial investments held-to-maturity	17,929	147,402	165,331
Loans and advances	11,612,829	43,902,160	55,514,989
Statutory deposit with Bank Negara Malaysia	-	143,811	143,811
Deferred tax assets	-	416,439	416,439
Investment in associates	-	1,243	1,243
Other assets	539,715	272,479	812,194
Property and equipment	-	155,322	155,322
Intangible assets	-	137,454	137,454
TOTAL ASSETS	32,224,452	48,841,614	81,066,066
LIABILITIES			
Deposits and placements of banks and other financial institutions	3,495,035	972,873	4,467,908
Securities sold under repurchase agreements	30,465	-	30,465
Recourse obligation on loans sold to Cagamas Berhad	18,197	999,846	1,018,043
Derivative financial liabilities	212,743	220,189	432,932
Deposits from customers	56,149,395	3,515,209	59,664,604
Term funding	242,268	3,746,207	3,988,475
Bills and acceptances payable	988,389	-	988,389
Debt capital	-	3,367,860	3,367,860
Other liabilities	1,973,521	109,199	2,082,720
TOTAL LIABILITIES	63,110,013	12,931,383	76,041,396

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (contd.).

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Bank			
31 March 2013			
ASSETS			
Cash and short-term funds	7,255,748	-	7,255,748
Deposits and placements with banks and other financial institutions	1,413,025	500,397	1,913,422
Derivative financial assets	84,310	298,933	383,243
Financial assets held-for-trading	4,100,623	-	4,100,623
Financial investments available-for-sale	1,329,833	2,177,198	3,507,031
Financial investments held-to-maturity	2,096,399	1,936,765	4,033,164
Loans and advances	13,000,176	46,032,508	59,032,684
Statutory deposit with Bank Negara Malaysia	-	2,122,386	2,122,386
Deferred tax assets	-	120,523	120,523
Investment in subsidiaries		65,800	65,800
Investment in associates	-	122	122
Other assets	668,552	500,788	1,169,340
Property and equipment	-	125,859	125,859
Intangible assets	-	234,676	234,676
TOTAL ASSETS	29,948,666	54,115,955	84,064,621
LIABILITIES			
Deposits and placements of banks and other financial institutions	2,117,952	220,418	2,338,370
Recourse obligation on loans sold to Cagamas Berhad	-	1,264,251	1,264,251
Derivative financial liabilities	94,945	327,730	422,675
Deposits from customers	59,496,947	2,623,388	62,120,335
Term funding	1,182,244	2,892,914	4,075,158
Bills and acceptances payable	1,241,980	-	1,241,980
Debt capital	-	3,226,507	3,226,507
Other liabilities	3,030,120	88,664	3,118,784
TOTAL LIABILITIES	67,164,188	10,643,872	77,808,060

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (contd.).

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Bank			
31 March 2012			
ASSETS			
Cash and short-term funds	5,133,039	-	5,133,039
Securities purchased under resale agreements	384,570	-	384,570
Deposits and placements with banks and other financial institutions	1,091,549	-	1,091,549
Derivative financial assets	134,318	245,717	380,035
Financial assets held-for-trading	8,910,943	-	8,910,943
Financial investments available-for-sale	1,691,584	2,940,388	4,631,972
Financial investments held-to-maturity	88,880	24,621	113,501
Loans and advances	10,595,783	45,657,152	56,252,935
Statutory deposit with Bank Negara Malaysia	-	2,011,288	2,011,288
Deferred tax assets	-	158,391	158,391
Investment in subsidiaries	-	65,800	65,800
Investment in associates	-	127	127
Other assets	916,404	156,722	1,073,126
Property and equipment	-	117,888	117,888
Intangible assets	-	170,198	170,198
TOTAL ASSETS	28,947,070	51,548,292	80,495,362
LIABILITIES			
Deposits and placements of banks and other financial institutions	3,703,117	825,098	4,528,215
Securities sold under repurchase agreements	41,195	-	41,195
Recourse obligation on loans sold to Cagamas Berhad	-	1,176,054	1,176,054
Derivative financial liabilities	146,760	294,944	441,704
Deposits from customers	55,135,246	3,361,042	58,496,288
Term funding	449,365	3,710,448	4,159,813
Bills and acceptances payable	353,526	-	353,526
Debt capital	-	3,241,592	3,241,592
Other liabilities	2,032,240	106,448	2,138,688
TOTAL LIABILITIES	61,861,449	12,715,626	74,577,075

47. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (contd.).

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Bank			
1 April 2011			
ASSETS			
Cash and short-term funds	8,375,879	-	8,375,879
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,702,163	-	3,702,163
Derivative financial assets	115,664	281,009	396,673
Financial assets held-for-trading	4,167,002	-	4,167,002
Financial investments available-for-sale	2,947,674	3,610,022	6,557,696
Financial investments held-to-maturity	12,187	147,402	159,589
Loans and advances	11,653,455	43,581,455	55,234,910
Statutory deposit with Bank Negara Malaysia	-	143,811	143,811
Deferred tax assets	-	417,364	417,364
Investment in subsidiaries	-	65,800	65,800
Investment in associates	-	142	142
Other assets	535,988	271,594	807,582
Property and equipment	-	131,078	131,078
Intangible assets	-	137,436	137,436
TOTAL ASSETS	31,799,743	48,787,113	80,586,856
LIABILITIES			
Deposits and placements of banks and other financial institutions	3,819,770	972,874	4,792,644
Securities sold under repurchase agreements	30,465	-	30,465
Recourse obligation on loans sold to Cagamas Berhad	18,197	999,846	1,018,043
Derivative financial liabilities	212,743	220,189	432,932
Deposits from customers	55,520,902	3,515,210	59,036,112
Term funding	242,268	3,746,207	3,988,475
Bills and acceptances payable	988,389	-	988,389
Debt capital	-	3,367,860	3,367,860
Other liabilities	1,963,715	108,356	2,072,071
TOTAL LIABILITIES	62,796,449	12,930,542	75,726,991

48. 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 stimulate the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, for example, 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, commitments 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 Assets and Liabilities 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. For the current financial year ended 31 March 2013 ("FY13"), these ranges are 7.5 per cent to 9.5 per cent for the common equity Tier 1 ratio, 9.5 per cent to 11.5 per cent for the Tier 1 capital ratio and 13.5 per cent to 15.5 per cent for the total capital ratio. The Group has been (knowingly) operating in excess of these ranges as the Group remains conservatively positioned for any repercussions from the Global Financial Crisis.

48. CAPITAL MANAGEMENT (CONTD.)

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.

(a) Capital adequacy ratios

The capital adequacy ratios of the Group and the Bank as at 31 March 2013 are as follows:

	Group 31 March 2013	Bank 31 March 2013
Before deducting proposed dividends		
Common equity tier 1	8.7%	8.6%
Tier 1 capital ratio	10.9%	10.9%
Total capital ratio	14.3%	14.3%
After deducting proposed dividends		
Common equity tier 1	8.1%	8.0%
Tier 1 capital ratio	10.4%	10.3%
Total capital ratio	13.7%	13.7%

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

Common Equity tier 1 ("CET 1")	3.5%
Tier 1 Capital Ratio	4.5%
Total Capital Ratio	8.0%

For 2012, the capital adequacy ratios below are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (RWCAF - Basel II). The comparative capital adequacy ratios are based on the Basel II accord and have not been restated based on Basel III accord as Basel III is implemented on a prospective basis with effect from 1 January 2013. The minimum regulatory capital adequacy requirement is 8% for the risk weighted capital ratio.

	Group 31 March 2012	Bank 31 March 2012
Before deducting proposed dividends		
Core capital ratio	11.0%	11.1%
Risk weighted capital ratio	15.1%	15.2%
After deducting proposed dividends		
Core capital ratio	9.9%	10.0%
Risk weighted capital ratio	14.1%	14.2%

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

48. CAPITAL MANAGEMENT (CONTD.)

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

	AMIL 31 March 2013	AMIL 31 March 2012
Basel III		
Common equity tier 1	51.1%	N/A
Tier 1 capital ratio	51.1%	N/A
Total capital ratio	51.2%	N/A
Basel II		
Core capital ratio	N/A	30.1%
Risk weighted capital ratio	N/A	30.2%

The capital adequacy ratios of AMIL for capital compliance on a standalone basis are computed in accordance with the BNM guidelines of RWCAF based on the Basel III (2012: Basel II) capital accord.

(c) The components of Common Equity Tier 1, Additional Tier 1, Tier 2, Total Capital and RWA of the Group and the Bank as at 31 March 2013 are as follows:

	Group 31 March 2013 RM'000	Bank 31 March 2013 RM'000
Common Equity Tier 1 ("CET1") Capital		
Ordinary shares	820,364	820,364
Share premium	942,844	942,844
Retained earnings	3,543,804	3,501,590
Less: Proposed dividend - final	(400,338)	(400,338)
Unrealised losses on financial investments available-for-sale	(9,174)	(8,402)
Foreign exchange translation reserve	(14,760)	(14,760)
Statutory reserve	980,969	980,969
Merger reserve	48,516	48,516
Cash flow hedging reserve	(12,644)	(12,644)
Less : Regulatory adjustments applied on CET1 capital		
Intangible assets	(234,687)	(234,687)
Deferred tax assets	(120,781)	(120,523)
Cash flow hedging reserve	12,644	12,644
Total CET1 capital	5,556,757	5,515,573
Additional Tier 1 capital		
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	1,561,590	1,561,590
Total Tier 1 capital	7,118,347	7,077,163
Tier 2 capital		
Tier 2 capital instruments (subject to gradual phase-out treatment)	1,557,800	1,557,800
Collective allowance and regulatory reserves	747,153	751,584
Less : Regulatory adjustments applied on Tier 2 capital	(892)	(133)
Total Tier 2 capital	2,304,061	2,309,251
Total capital	9,422,408	9,386,414
Credit RWA	59,772,241	60,126,718
Market RWA	3,722,181	3,722,181
Operational RWA	5,225,079	4,816,169
Large exposure risk RWA for equity holdings	713	713
Total risk weighted assets	68,720,214	68,665,781

48. CAPITAL MANAGEMENT (CONTD.)

(c) The components of Tier 1, Tier 2 capital and RWA of the Group and the Bank as at 31 March 2012 (incorporating restatement arising from adoption of MFRS) are as follows:

	Group 31 March 2012 RM'000	Bank 31 March 2012 RM'000
Tier 1 capital		
Paid-up share capital	820,364	820,364
Innovative Tier 1 capital	1,111,133	1,105,762
Non-innovative Tier 1 capital	500,000	500,000
Share premium	942,844	942,844
Statutory reserve	980,969	980,969
Merger reserve	48,516	48,516
Exchange fluctuation reserve	2,077	2,077
Retained earnings	3,164,886	3,133,023
Non-controlling interests	50	-
	7,570,839	7,533,555
Less: Deferred tax assets	(163,284)	(161,806)
Total Tier 1 capital	7,407,555	7,371,749
Tier 2 capital		
Innovative Tier 1 capital	123,967	129,338
Medium term notes	1,557,800	1,557,800
Collective allowance for impaired loans *	1,074,075	1,074,356
Total Tier 2 capital	2,755,842	2,761,494
Maximum allowable Tier 2 capital	2,755,842	2,761,494
Total capital funds	10,163,397	10,133,243
Less:		
Investment in subsidiaries	(32,769)	(32,780)
Other deduction	(9,446)	(9,446)
Capital base	10,121,182	10,091,017

* Excludes collective allowance on impaired loans restricted from Tier 2 capital of the Group and the Bank as at 31 March 2012 of RM510,615,000 and RM510,516,000 respectively.

	Group 31 March 2012 RM'000	Bank 31 March 2012 RM'000
Credit risk	57,292,202	57,235,055
Market risk	4,494,813	4,494,813
Operational risk	5,401,295	4,570,067
Large exposure risk requirement for equity holdings	3,298	3,298
Total risk weighted assets	67,191,608	66,303,233

49. RISK MANAGEMENT

49.1 GENERAL RISK MANAGEMENT DISCLOSURE

Risk Management Framework

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's strategic goals are for top quartile shareholder returns and target ROE which will be progressively improved over a three year period wherein the growth will come via, further diversification of the loan portfolio into less volatile earnings streams.

The Group targets to maintain credit rating of BBB+ (from international rating agencies), supported by continued improvement in overall asset quality and portfolio diversification, and through prudent management of our capital, funding, liquidity and interest rate risk in the statement of financial position.

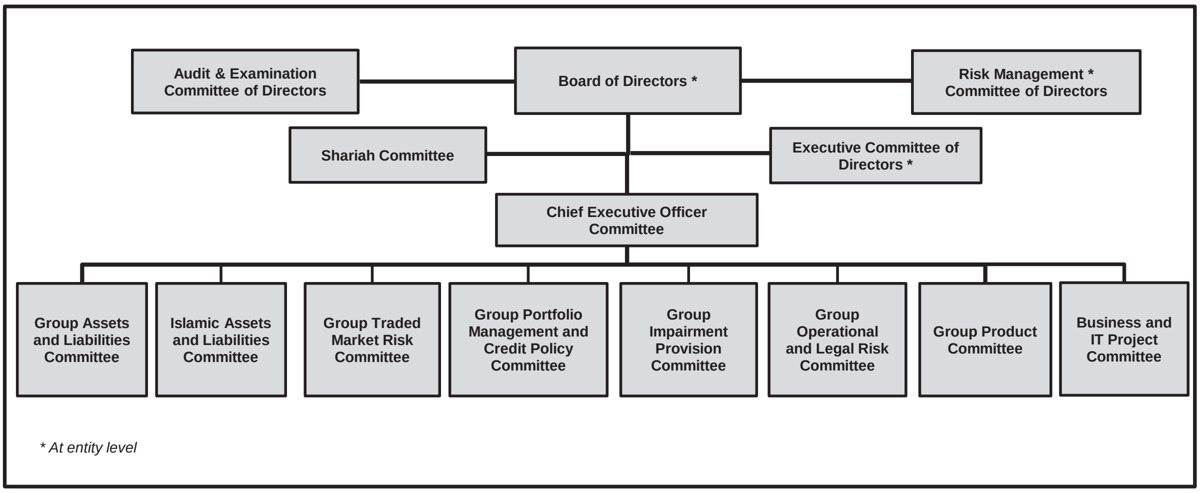
The Group intends to maintain sufficient quantity and quality of capital in excess of Basel III requirement for Common Equity Tier 1, Tier 1 Capital and Total Regulatory Capital. Our capital requirements are robustly tested over a three year period.

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 per cent range with continually improving current account and savings account ("CASA") deposit composition and market share.

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 various Management Committees to assist it in managing the risks and businesses of the Group. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities up to end of March 2013 that is for FYE 2013:



49. RISK MANAGEMENT (CONTD.)

49.1 GENERAL RISK MANAGEMENT DISCLOSURE (CONTD.)

Risk Management Governance (contd.)

Committee	Roles and Responsibilities
Risk Management Committee of Directors ("RMCD")	- Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal, regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. - Report and advise the Board on risk issues.
Audit & Examination Committee of Directors ("AEC")	- Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group. - Provide assistance to the Board in ensuring the Islamic Banking operations of the Group are Shariah compliant.
Shariah Committee	- Responsible and accountable on matters related to Shariah, which 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 operations of the Group.
Executive Committee of Directors ("EXCO") ("EXCO")	- Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. - Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee ("CEO Committee")	- Responsible for overall day to day operations of the Group such as oversee management's activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. - Report and advise the Board on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) ("GALCO")	- Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing is effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	- Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing is effective and fair and capital is managed.
Group Traded Market Risk Committee ("GTMRC")	- Responsible for development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure compliance with the internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee ("GPMCP")	- Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure compliance with the internal and regulatory requirements throughout the Group.
Group Impairment Provision Committee ("GIPC")	- Responsible for the development of key policies relating to impairment provisions, ensure provisions are assessed and made in accordance with the Board's approved policies and MFRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk Committee ("GOLRC")	- Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.

49. RISK MANAGEMENT (CONTD.)

49.1 GENERAL RISK MANAGEMENT DISCLOSURE (CONTD.)

Risk Management Governance (contd.)

Committee	Roles and Responsibilities
Group Product Committee ("GPC")	- Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product and review post implementation activities and product performance.
Business and IT Project Committee ("BITPC")	- Responsible to review and approve (or where required recommend for approval) requests relating to the Group's major Business and Information Technology ("IT") investments. - To ensure all projects are aligned to the Business and IT plans, appropriate prioritisation of Business and IT projects and the allocation of resources. - Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

Effective April 2013, the Board approved the consolidation of the Executive Risk Management Committees (ERMCs) into one single committee namely, Group CEOs Committee. This centralisation will assist the Board with the following:

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 minimizing 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.

49.2 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 and 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.

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.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

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 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 to Value limits for asset backed loans (that is, 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 is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO. Portfolio credit risk is reported to the relevant management and Board committees.

The GPMCP/Group CEOs Committee regularly meet to review the quality and diversification of the Group's loan portfolio, approve new and amended credit risk policy, review watchlist reports and post mortem review of loans/financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

Monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairment, flow rates of loan 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.

Credit Risk Exposure and Concentration

The Group's concentration of risk is managed by industry sector, risk grade asset quality and single customer limit ("SCL"). The Group applies SCL to monitor the large exposures to single counterparty risk.

For financial assets recognised in 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 account of any collateral held or other credit enhancements.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis

31 March 2013 Group	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotel and restaurants RM'000	Transport, storage and communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	760	1,934	10,698	-	642	11,605	14,387	40,026
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	89,976	49,300	84,896	243,868	649,931	-	231,971	1,349,942
Total financial assets held-for-trading	89,976	49,300	84,896	243,868	649,931	-	231,971	1,349,942
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	82,817	258,265	25,295	237,156	483,322	-	64,195	1,151,050
Total financial investments available-for-sale	82,817	258,265	25,295	237,156	483,322	-	64,195	1,151,050
Financial investments held-to-maturity								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	371	-	537,852	-	-	538,223
Total financial investments held-to-maturity	-	-	371	-	537,852	-	-	538,223
Loans and advances								
Hire purchase	12,363	1,247	23,186	3,768	58,277	104,330	15,752	218,923
Mortgage	18,486	3,567	77,599	3,558	107,245	160,283	8,587	379,325
Credit card	-	-	-	-	-	-	-	-
Others	250,710	35,042	394,041	5,692	277,232	428,444	152,215	1,543,376
Corporate loans and advances:								
Term loans and bridging loans	1,609,488	1,155,668	1,782,845	510,261	872,439	1,961,018	1,201,582	9,093,301
Revolving credits	583,746	524,760	994,832	1,507	307,187	257,624	368,327	3,037,983
Overdrafts	77,581	5,967	339,744	1,965	275,349	486,905	48,482	1,235,993
Trade	161,505	6,271	1,818,693	4,461	170,004	1,293,409	181,066	3,635,409
Factoring	-	-	4,041	-	91,334	10,183	122	105,680
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,713,879	1,732,522	5,434,981	531,212	2,159,067	4,702,196	1,976,133	19,249,990
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Commitments	944,764	359,517	5,314,054	602,241	2,457,622	2,226,146	417,868	12,322,212
Contingent liabilities	30,442	217,667	1,107,934	91,147	2,289,873	620,470	307,782	4,665,315
Total commitments and contingent liabilities	975,206	577,184	6,421,988	693,388	4,747,495	2,846,616	725,650	16,987,527

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis

31 March 2013 Group	Subtotal from previous page 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	-	1,786,235	5,538,415	-	-	-	-	-	7,324,650
Deposits and placements with banks and other financial institutions	-	1,913,422	-	-	-	-	-	-	1,913,422
Derivative financial assets	40,026	326,108	-	111	5,116	1	-	11,881	383,243
Financial assets held-for-trading									
Money Market Securities	-	-	767,179	-	-	-	-	-	767,179
Quoted Private Debt Securities	-	23,178	-	-	-	-	-	-	23,178
Unquoted Private Debt Securities	1,349,942	1,156,946	-	166,851	166,107	-	-	239,201	3,079,047
Total financial assets held-for-trading	1,349,942	1,180,124	767,179	166,851	166,107	-	-	239,201	3,869,404
Financial investments available-for-sale									
Money Market Securities	-	1,174,587	15,173	-	-	-	-	-	1,189,760
Unquoted Private Debt Securities	1,151,050	495,053	-	41,387	11,341	-	-	148,695	1,847,526
Total financial investments available-for-sale	1,151,050	1,669,640	15,173	41,387	11,341	-	-	148,695	3,037,286
Financial investments held-to-maturity									
Money Market Securities	-	-	2,092,645	-	-	-	-	-	2,092,645
Unquoted Private Debt Securities	538,223	8,047	1,139,620	-	-	-	-	255,000	1,940,890
Total financial investments held-to-maturity	538,223	8,047	3,232,265	-	-	-	-	255,000	4,033,535
Loans and advances									
Hire purchase	218,923	28	-	-	9,489	183,131	15,267,425	493	15,679,489
Mortgage	379,325	161	-	138,277	66,935	186,864	14,260,441	573	15,032,576
Credit card	-	-	-	-	-	-	1,417,417	-	1,417,417
Others	1,543,376	53,555	-	25,825	100,858	262,481	97,465	5,960	2,089,520
Corporate loans and advances:									
Term loans and bridging loans	9,093,301	1,618,432	-	4,183,949	543,089	340,881	156,398	150,370	16,086,420
Revolving credits	3,037,983	358,535	-	771,113	210,029	29,346	36,389	22,121	4,465,516
Overdrafts	1,235,993	-	-	271,953	337,491	41,340	79,648	23,868	1,990,293
Trade	3,635,409	-	-	49,466	21,627	-	80,840	26,749	3,814,091
Factoring	105,680	-	-	2,580	2,228	181	-	-	110,669
Collective Allowance	-	-	-	-	-	-	-	-	(1,454,239)
Total loans and advances	19,249,990	2,030,711	-	5,443,163	1,291,746	1,044,224	31,396,023	230,134	59,231,752
Statutory deposit with Bank Negara Malaysia	-	-	2,122,386	-	-	-	-	-	2,122,386
Commitments	12,322,212	1,484,349	75,983	2,366,471	542,981	227,607	6,271,350	80,951	23,371,904
Contingent liabilities	4,665,315	502,808	-	461,980	92,690	41,549	10,840	159,037	5,934,219
Total commitments and contingent liabilities	16,987,527	1,987,157	75,983	2,828,451	635,671	269,156	6,282,190	239,988	29,306,123

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2012 **Group**	**Agriculture** **RM'000**	**Mining and quarrying** **RM'000**	**Manufacturing** **RM'000**	**Electricity, gas and water** **RM'000**	**Construction** **RM'000**	**Wholesale and retail trade and hotel and restaurants** **RM'000**	**Transport, storage and communication** **RM'000**	**Subtotal** **RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	1,658	2,647	10,757	1,376	622	23,016	7,437	47,513
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	44,920	-	49,563	323,195	296,172	-	45,788	759,638
Total financial assets held-for-trading	44,920	-	49,563	323,195	296,172	-	45,788	759,638
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	60,776	323,311	49,369	474,319	435,416	-	70,195	1,413,386
Total financial investments available-for-sale	60,776	323,311	49,369	474,319	435,416	-	70,195	1,413,386
Financial investments held-to-maturity								
Unquoted Private Debt Securities	-	-	-	-	5,015	-	9,209	14,224
Total financial investments held-to-maturity	-	-	-	-	5,015	-	9,209	14,224
Loans and advances								
Hire purchase	18,277	2,512	37,308	5,688	87,983	141,742	21,572	315,082
Mortgage	18,211	2,972	87,468	3,428	89,686	165,962	8,567	376,294
Credit card	-	-	-	-	-	-	-	-
Others	222,395	31,938	389,007	7,827	293,809	411,425	131,879	1,488,280
Corporate loans and advances:								
Term loans and bridging loans	1,276,472	807,907	1,607,851	906,182	726,431	1,205,828	1,501,909	8,032,580
Revolving credits	345,624	603,946	1,209,043	455,702	295,248	108,062	126,111	3,143,736
Overdrafts	39,574	3,744	360,016	1,612	240,005	512,442	51,891	1,209,284
Trade	168,087	13,196	1,658,603	3,989	189,135	1,239,389	90,270	3,362,669
Factoring	-	-	1,594	-	61,198	8,128	5,715	76,635
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,088,640	1,466,215	5,350,890	1,384,428	1,983,495	3,792,978	1,937,914	18,004,560
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Commitments	635,783	266,225	4,650,971	255,468	2,790,908	2,241,451	524,623	11,365,429
Contingent liabilities	36,745	143,752	970,296	144,796	2,419,032	533,156	393,069	4,640,846
Total commitments and contingent liabilities	672,528	409,977	5,621,267	400,264	5,209,940	2,774,607	917,692	16,006,275

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2012 Group	Subtotal from previous page 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	-	1,605,028	3,848,610	-	-	-	-	-	5,453,638
Securities purchased under resale agreements	-	384,570	-	-	-	-	-	-	384,570
Deposits and placements with banks and other financial institutions	-	1,122,194	-	-	-	-	-	-	1,122,194
Derivative financial assets	47,513	315,693	-	-	52	-	-	16,777	380,035
Financial assets held-for-trading									
Money Market Securities	-	-	6,257,744	-	-	-	-	-	6,257,744
Unquoted Private Debt Securities	759,638	1,295,616	-	72,616	-	-	-	209,877	2,337,747
Total financial assets held-for-trading	759,638	1,295,616	6,257,744	72,616	-	-	-	209,877	8,595,491
Financial investments available-for-sale									
Money Market Securities	-	2,392,835	66,207	-	-	-	-	-	2,459,042
Quoted Private Debt Securities	-	-	-	27,050	-	-	-	-	27,050
Unquoted Private Debt Securities	1,413,386	214,415	-	46,259	11,084	-	-	108,981	1,794,125
Total financial investments available-for-sale	1,413,386	2,607,250	66,207	73,309	11,084	-	-	108,981	4,280,217
Financial investments held-to-maturity									
Unquoted Private Debt Securities	14,224	54,625	-	44,652	2,654	-	-	-	116,155
Total financial investments held-to-maturity	14,224	54,625	-	44,652	2,654	-	-	-	116,155
Loans and advances									
Hire purchase	315,082	68	-	1	13,677	535,636	15,003,325	687	15,868,476
Mortgage	376,294	176	-	129,261	66,116	179,153	13,668,754	638	14,420,392
Credit card	-	-	-	-	-	-	1,451,791	-	1,451,791
Others	1,488,280	44,288	-	23,455	109,374	304,134	100,401	6,322	2,076,254
Corporate loans and advances:									
Term loans and bridging loans	8,032,580	2,212,155	-	3,286,987	446,159	295,115	214,317	14,301	14,501,614
Revolving credits	3,143,736	158,544	-	729,746	165,024	26,783	-	25,894	4,249,727
Overdrafts	1,209,284	-	-	186,624	348,358	32,614	67,858	28,875	1,873,613
Trade	3,362,669	-	-	56,151	101,494	-	36,314	832	3,557,460
Factoring	76,635	-	-	-	-	-	-	-	76,635
Collective Allowance	-	-	-	-	-	-	-	-	(1,584,690)
Total loans and advances	18,004,560	2,415,231	-	4,412,225	1,250,202	1,373,435	30,542,760	77,549	56,491,272
Statutory deposit with Bank Negara Malaysia	-	-	2,011,288	-	-	-	-	-	2,011,288
Commitments	11,365,429	1,204,385	-	1,455,868	1,020,207	243,599	3,119,772	2,839,225	21,248,485
Contingent liabilities	4,640,846	605,021	-	243,436	76,338	34,393	5,540	4,280	5,609,854
Total commitments and contingent liabilities	16,006,275	1,809,406	-	1,699,304	1,096,545	277,992	3,125,312	2,843,505	26,858,339

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

1 April 2011 Group	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotel and restaurants RM'000	Transport, storage and communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	24	667	2,818	231	31	3,120	6,507	13,398
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	70,035	-	29,994	100,409	207,197	-	31,665	439,300
Total financial assets held-for-trading	70,035	-	29,994	100,409	207,197	-	31,665	439,300
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	155	-	-	155
Unquoted Private Debt Securities	77,502	395,781	116,881	564,797	274,559	-	164,134	1,593,654
Total financial investments available-for-sale	77,502	395,781	116,881	564,797	274,714	-	164,134	1,593,809
Financial investments held-to-maturity								
Unquoted Private Debt Securities	-	-	-	-	9,411	-	26,695	36,106
Total financial investments held-to-maturity	-	-	-	-	9,411	-	26,695	36,106
Loans and advances								
Hire purchase	27,178	4,183	69,726	7,459	123,825	167,202	245,501	645,074
Mortgage	19,746	1,953	84,099	3,483	88,085	138,794	8,619	344,779
Credit card	-	-	-	-	-	-	-	-
Others	179,168	28,016	500,465	9,391	296,214	442,943	173,583	1,629,780
Corporate loans and advances:								
Term loans and bridging loans	1,106,049	821,642	1,371,947	913,437	309,052	788,708	1,119,996	6,430,831
Revolving credits	598,342	632,138	906,134	1,098,349	314,409	175,067	97,582	3,822,021
Overdrafts	44,099	2,569	383,632	904	194,120	448,030	40,482	1,113,836
Trade	152,605	144,720	1,393,123	5,038	118,957	819,015	86,862	2,720,320
Factoring	-	-	8,014	-	32,802	6,365	-	47,181
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,127,187	1,635,221	4,717,140	2,038,061	1,477,464	2,986,124	1,772,625	16,753,822
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Commitments	645,462	316,268	2,360,978	420,300	2,329,780	1,739,581	585,857	8,398,226
Contingent liabilities	5,771	53,443	478,100	199,267	1,510,970	249,286	357,335	2,854,172
Total commitments and contingent liabilities	651,233	369,711	2,839,078	619,567	3,840,750	1,988,867	943,192	11,252,398

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

1 April 2011 Group	Subtotal from previous page 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	-	2,619,778	6,121,208	-	-	-	-	-	8,740,986
Securities purchased under resale agreements	-	289,731	-	-	-	-	-	-	289,731
Deposits and placements with banks and other financial institutions	-	1,792,922	2,000,000	-	-	-	-	-	3,792,922
Derivative financial assets	13,398	339,803	-	-	-	-	-	43,472	396,673
Financial assets held-for-trading									
Money Market Securities	-	-	2,706,726	-	-	-	-	-	2,706,726
Unquoted Private Debt Securities	439,300	439,989	-	24,960	5,347	-	-	180,627	1,090,223
Total financial assets held-for-trading	439,300	439,989	2,706,726	24,960	5,347	-	-	180,627	3,796,949
Financial investments available-for-sale									
Money Market Securities	-	3,309,000	350,523	-	-	-	-	-	3,659,523
Quoted Private Debt Securities	155	-	-	55,726	-	-	-	-	55,881
Unquoted Private Debt Securities	1,593,654	412,492	-	188,382	16,135	-	-	266,745	2,477,408
Total financial investments available-for-sale	1,593,809	3,721,492	350,523	244,108	16,135	-	-	266,745	6,192,812
Financial investments held-to-maturity									
Unquoted Private Debt Securities	36,106	24,414	-	103,952	859	-	-	-	165,331
Total financial investments held-to-maturity	36,106	24,414	-	103,952	859	-	-	-	165,331
Loans and advances									
Hire purchase	645,074	88	-	-	167,648	105,711	16,428,968	600	17,348,089
Mortgage	344,779	226	-	109,943	60,174	156,024	13,161,996	712	13,833,854
Credit card	-	-	-	-	-	-	1,491,939	-	1,491,939
Others	1,629,780	62,862	-	32,754	194,011	126,735	110,812	11,253	2,168,207
Corporate loans and advances:									
Term loans and bridging loans	6,430,831	2,224,262	-	2,804,239	598,217	115,243	384,020	33,456	12,590,268
Revolving credits	3,822,021	123,685	-	618,421	222,737	70,665	4,783	62,118	4,924,430
Overdrafts	1,113,836	-	-	244,955	251,738	15,363	54,974	7,095	1,687,961
Trade	2,720,320	-	-	2,312	71,159	4,742	-	363,321	3,161,854
Factoring	47,181	-	-	3,438	252	125	-	-	50,996
Collective Allowance	-	-	-	-	-	-	-	-	(1,742,609)
Total loans and advances	16,753,822	2,411,123	-	3,816,062	1,565,936	594,608	31,637,492	478,555	55,514,989
Statutory deposit with Bank Negara Malaysia	-	-	143,811	-	-	-	-	-	143,811
Commitments	8,398,226	875,147	-	594,578	2,706,145	120,347	3,477,405	2,869,264	19,041,112
Contingent liabilities	2,854,172	424,266	-	133,843	1,196,582	23,501	3,000	401,690	5,037,054
Total commitments and contingent liabilities	11,252,398	1,299,413	-	728,421	3,902,727	143,848	3,480,405	3,270,954	24,078,166

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2013 **Bank**	**Agriculture** RM'000	**Mining and quarrying** RM'000	**Manufacturing** RM'000	**Electricity, gas and water** RM'000	**Construction** RM'000	**Wholesale and retail trade and hotel and restaurants** RM'000	**Transport, storage and communication** RM'000	**Subtotal** RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	760	1,934	10,698	-	642	11,605	14,387	40,026
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	89,976	49,300	84,896	243,868	649,931	-	231,971	1,349,942
Total financial assets held-for-trading	89,976	49,300	84,896	243,868	649,931	-	231,971	1,349,942
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	82,817	258,265	25,295	237,156	483,322	-	64,195	1,151,050
Total financial investments available-for-sale	82,817	258,265	25,295	237,156	483,322	-	64,195	1,151,050
Financial investments held-to-maturity								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	-	-	-	-	537,852	-	-	537,852
Total financial investments held-to-maturity	-	-	-	-	537,852	-	-	537,852
Loans and advances								
Hire purchase	12,363	1,247	23,186	3,768	58,277	104,330	15,752	218,923
Mortgage	18,486	3,567	77,599	3,558	107,245	160,283	8,587	379,325
Credit card	-	-	-	-	-	-	-	-
Others	250,710	35,042	394,041	5,692	277,232	428,444	152,215	1,543,376
Corporate loans and advances:								
Term loans and bridging loans	1,609,488	1,155,668	1,782,845	510,261	872,439	1,961,018	1,201,582	9,093,301
Revolving credits	583,746	524,760	994,832	1,507	307,187	257,624	368,327	3,037,983
Overdrafts	77,581	5,967	339,744	1,965	275,349	486,905	48,482	1,235,993
Trade	161,505	6,271	1,818,693	4,461	170,004	1,293,409	181,066	3,635,409
Factoring	-	-	4,041	-	91,334	10,183	122	105,680
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,713,879	1,732,522	5,434,981	531,212	2,159,067	4,702,196	1,976,133	19,249,990
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Commitments	944,764	359,517	5,314,054	602,241	2,457,622	2,226,146	417,868	12,322,212
Contingent liabilities	30,442	217,667	1,107,934	91,147	2,266,582	620,470	307,782	4,642,024
Total commitments and contingent liabilities	975,206	577,184	6,421,988	693,388	4,724,204	2,846,616	725,650	16,964,236

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2013 Bank	**Subtotal from previous page 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	-	1,717,333	5,538,415	-	-	-	-	-	7,255,748
Deposits and placements with banks and other financial institutions	-	1,913,422	-	-	-	-	-	-	1,913,422
Derivative financial assets	40,026	326,108	-	111	5,116	1	-	11,881	383,243
Financial assets held-for-trading									
Money Market Securities	-	-	767,179	-	-	-	-	-	767,179
Quoted Private Debt Securities	-	23,178	-	-	-	-	-	-	23,178
Unquoted Private Debt Securities	1,349,942	1,156,946	-	166,851	166,107	-	-	239,201	3,079,047
Total financial assets held-for-trading	1,349,942	1,180,124	767,179	166,851	166,107	-	-	239,201	3,869,404
Financial investments available-for-sale									
Money Market Securities	-	1,174,587	15,173	-	-	-	-	-	1,189,760
Unquoted Private Debt Securities	1,151,050	654,350	-	41,387	11,341	-	-	148,695	2,006,823
Total financial investments available-for-sale	1,151,050	1,828,937	15,173	41,387	11,341	-	-	148,695	3,196,583
Financial investments held-to-maturity									
Money Market Securities	-	-	2,092,645	-	-	-	-	-	2,092,645
Unquoted Private Debt Securities	537,852	8,047	1,139,620	-	-	-	-	255,000	1,940,519
Total financial investments held-to-maturity	537,852	8,047	3,232,265	-	-	-	-	255,000	4,033,164
Loans and advances									
Hire purchase	218,923	28	-	-	9,489	183,131	15,267,403	493	15,679,467
Mortgage	379,325	161	-	138,277	66,935	186,864	14,085,456	573	14,857,591
Credit card	-	-	-	-	-	-	1,417,417	-	1,417,417
Others	1,543,376	53,555	-	25,825	100,858	262,481	97,465	5,960	2,089,520
Corporate loans and advances:									
Term loans and bridging loans	9,093,301	1,618,432	-	4,183,949	543,089	340,881	156,398	150,370	16,086,420
Revolving credits	3,037,983	334,159	-	771,113	210,029	29,346	36,389	22,121	4,441,140
Overdrafts	1,235,993	-	-	271,953	337,491	41,340	79,648	23,868	1,990,293
Trade	3,635,409	-	-	49,466	21,627	-	80,840	26,749	3,814,091
Factoring	105,680	-	-	2,580	2,228	181	-	-	110,669
Collective Allowance	-	-	-	-	-	-	-	-	(1,453,924)
Total loans and advances	19,249,990	2,006,335	-	5,443,163	1,291,746	1,044,224	31,221,016	230,134	59,032,684
Statutory deposit with Bank Negara Malaysia	-	-	2,122,386	-	-	-	-	-	2,122,386
Commitments	12,322,212	1,518,595	75,983	2,366,471	542,981	227,607	6,271,350	80,951	23,406,150
Contingent liabilities	4,642,024	502,741	-	461,980	92,690	41,549	10,840	159,037	5,910,861
Total commitments and contingent liabilities	16,964,236	2,021,336	75,983	2,828,451	635,671	269,156	6,282,190	239,988	29,317,011

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2012 Bank	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade and hotel and restaurants RM'000	Transport, storage and communication RM'000	Subtotal RM'000
Cash and short-term funds	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	1,658	2,647	10,757	1,376	622	23,016	7,437	47,513
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	44,920	-	49,563	323,195	296,172	-	45,788	759,638
Total financial assets held-for-trading	44,920	-	49,563	323,195	296,172	-	45,788	759,638
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	60,776	323,311	49,369	474,319	435,416	-	70,195	1,413,386
Total financial investments available-for-sale	60,776	323,311	49,369	474,319	435,416	-	70,195	1,413,386
Financial investments held-to-maturity								
Unquoted Private Debt Securities	-	-	-	-	5,015	-	9,209	14,224
Total financial investments held-to-maturity	-	-	-	-	5,015	-	9,209	14,224
Loans and advances								
Hire purchase	18,277	2,512	37,308	5,688	87,983	141,742	21,572	315,082
Mortgage	18,211	2,972	87,468	3,428	89,686	165,962	8,567	376,294
Credit card	-	-	-	-	-	-	-	-
Others	222,395	31,938	389,007	7,827	293,809	411,425	131,879	1,488,280
Corporate loans and advances:								
Term loans and bridging loans	1,276,472	807,907	1,606,203	906,182	726,431	1,205,828	1,501,909	8,030,932
Revolving credits	345,624	603,946	1,209,043	455,702	295,248	108,062	126,111	3,143,736
Overdrafts	39,574	3,744	360,016	1,612	240,005	512,442	51,891	1,209,284
Trade	168,087	13,196	1,658,162	3,989	189,135	1,239,389	90,270	3,362,228
Factoring	-	-	1,594	-	61,198	8,128	5,715	76,635
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,088,640	1,466,215	5,348,801	1,384,428	1,983,495	3,792,978	1,937,914	18,002,471
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Commitments	635,783	266,225	4,650,971	255,468	2,790,908	2,241,451	524,623	11,365,429
Contingent liabilities	36,745	143,752	970,296	121,724	2,419,032	533,156	393,069	4,617,774
Total commitments and contingent liabilities	672,528	409,977	5,621,267	377,192	5,209,940	2,774,607	917,692	15,983,203

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2012 Bank	Subtotal from previous page 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	-	1,284,429	3,848,610	-	-	-	-	-	5,133,039
Securities purchased under resale agreements	-	384,570	-	-	-	-	-	-	384,570
Deposits and placements with banks and other financial institutions	-	1,091,549	-	-	-	-	-	-	1,091,549
Derivative financial assets	47,513	315,693	-	-	52	-	-	16,777	380,035
Financial assets held-for-trading									
Money Market Securities	-	-	6,257,744	-	-	-	-	-	6,257,744
Unquoted Private Debt Securities	759,638	1,295,616	-	72,616	-	-	-	209,877	2,337,747
Total financial assets held-for-trading	759,638	1,295,616	6,257,744	72,616	-	-	-	209,877	8,595,491
Financial investments available-for-sale									
Money Market Securities	-	2,392,835	66,207	-	-	-	-	-	2,459,042
Quoted Private Debt Securities	-	-	-	27,050	-	-	-	-	27,050
Unquoted Private Debt Securities	1,413,386	406,701	-	46,259	11,084	-	-	108,981	1,986,411
Total financial investments available-for-sale	1,413,386	2,799,536	66,207	73,309	11,084	-	-	108,981	4,472,503
Financial investments held-to-maturity									
Unquoted Private Debt Securities	14,224	54,625	-	44,652	-	-	-	-	113,501
Total financial investments held-to-maturity	14,224	54,625	-	44,652	-	-	-	-	113,501
Loans and advances									
Hire purchase	315,082	68	-	1	13,677	535,636	15,003,325	687	15,868,476
Mortgage	376,294	176	-	129,261	66,116	179,153	13,383,375	638	14,135,013
Credit card	-	-	-	-	-	-	1,451,791	-	1,451,791
Others	1,488,280	44,288	-	23,455	109,374	304,134	100,401	6,322	2,076,254
Corporate loans and advances:									
Term loans and bridging loans	8,030,932	2,212,155	-	3,286,987	446,165	295,564	214,317	14,301	14,500,421
Revolving credits	3,143,736	207,799	-	729,746	165,024	26,325	-	25,894	4,298,524
Overdrafts	1,209,284	-	-	186,624	348,358	32,614	67,858	28,875	1,873,613
Trade	3,362,228	-	-	56,151	101,488	9	36,314	832	3,557,022
Factoring	76,635	-	-	-	-	-	-	-	76,635
Collective Allowance	-	-	-	-	-	-	-	-	(1,584,814)
Total loans and advances	18,002,471	2,464,486	-	4,412,225	1,250,202	1,373,435	30,257,381	77,549	56,252,935
Statutory deposit with Bank Negara Malaysia	-	-	2,011,288	-	-	-	-	-	2,011,288
Commitments	11,365,429	1,245,102	-	1,455,868	1,020,207	243,599	3,119,772	2,839,225	21,289,202
Contingent liabilities	4,617,774	603,603	-	243,436	76,388	34,393	5,540	4,280	5,585,414
Total commitments and contingent liabilities	15,983,203	1,848,705	-	1,699,304	1,096,595	277,992	3,125,312	2,843,505	26,874,616

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

1 April 2011	**Agriculture**	**Mining and quarrying**	**Manufacturing**	**Electricity, gas and water**	**Construction**	**Wholesale and retail trade and hotel and restaurants**	**Transport, storage and communication**	**Subtotal**
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	24	667	2,818	231	31	3,120	6,507	13,398
Financial assets held-for-trading								
Money Market Securities	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	70,035	-	29,994	100,409	207,197	-	31,665	439,300
Total financial assets held-for-trading	70,035	-	29,994	100,409	207,197	-	31,665	439,300
Financial investments available-for-sale								
Money Market Securities	-	-	-	-	-	-	-	-
Quoted Private Debt Securities	-	-	-	-	155	-	-	155
Unquoted Private Debt Securities	77,502	395,781	116,881	564,797	274,559	-	164,134	1,593,654
Total financial investments available-for-sale	77,502	395,781	116,881	564,797	274,714	-	164,134	1,593,809
Financial investments held-to-maturity								
Unquoted Private Debt Securities	-	-	-	-	9,411	-	26,695	36,106
Total financial investments held-to-maturity	-	-	-	-	9,411	-	26,695	36,106
Loans and advances								
Hire purchase	27,178	4,183	69,726	7,459	123,825	167,202	245,501	645,074
Mortgage	19,746	1,953	84,099	3,483	88,085	138,794	8,619	344,779
Credit card	-	-	-	-	-	-	-	-
Others	179,168	28,016	500,465	9,391	296,214	442,943	173,583	1,629,780
Corporate loans and advances:								
Term loans and bridging loans	1,106,049	821,642	1,366,840	913,437	309,052	788,708	1,119,996	6,425,724
Revolving credits	598,342	632,138	906,134	1,098,349	314,409	175,067	97,582	3,822,021
Overdrafts	44,099	2,569	383,632	904	194,120	448,030	40,482	1,113,836
Trade	152,605	144,720	1,393,123	5,038	118,957	819,015	86,862	2,720,320
Factoring	-	-	8,014	-	32,802	6,365	-	47,181
Collective Allowance	-	-	-	-	-	-	-	-
Total loans and advances	2,127,187	1,635,221	4,712,033	2,038,061	1,477,464	2,986,124	1,772,625	16,748,715
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Commitments	645,462	316,268	2,360,978	420,300	2,329,780	1,739,581	585,857	8,398,226
Contingent liabilities	5,771	53,443	478,100	153,713	1,510,970	249,286	356,397	2,807,680
Total commitments and contingent liabilities	651,233	369,711	2,839,078	574,013	3,840,750	1,988,867	942,254	11,205,906

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

1 April 2011 Bank	Subtotal from previous page 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	-	2,254,671	6,121,208	-	-	-	-	-	8,375,879
Securities purchased under resale agreements	-	289,731	-	-	-	-	-	-	289,731
Deposits and placements with banks and other financial institutions	-	1,702,163	2,000,000	-	-	-	-	-	3,702,163
Derivative financial assets	13,398	339,803	-	-	-	-	-	43,472	396,673
Financial assets held-for-trading									
Money Market Securities	-	-	2,706,726	-	-	-	-	-	2,706,726
Unquoted Private Debt Securities	439,300	439,989	-	24,960	5,347	-	-	180,627	1,090,223
Total financial assets held-for-trading	439,300	439,989	2,706,726	24,960	5,347	-	-	180,627	3,796,949
Financial investments available-for-sale									
Money Market Securities	-	3,309,000	350,523	-	-	-	-	-	3,659,523
Quoted Private Debt Securities	155	-	-	55,726	-	-	-	-	55,881
Unquoted Private Debt Securities	1,593,654	639,239	-	188,382	16,135	-	-	266,745	2,704,155
Total financial investments available-for-sale	1,593,809	3,948,239	350,523	244,108	16,135	-	-	266,745	6,419,559
Financial investments held-to-maturity									
Unquoted Private Debt Securities	36,106	18,672	-	103,952	859	-	-	-	159,589
Total financial investments held-to-maturity	36,106	18,672	-	103,952	859	-	-	-	159,589
Loans and advances									
Hire purchase	645,074	88	-	-	167,648	105,711	16,428,855	600	17,347,976
Mortgage	344,779	226	-	109,943	60,174	156,024	12,841,911	712	13,513,769
Credit card	-	-	-	-	-	-	1,491,939	-	1,491,939
Others	1,629,780	62,862	-	32,754	194,011	126,735	110,812	11,253	2,168,207
Corporate loans and advances:									
Term loans and bridging loans	6,425,724	2,224,262	-	2,804,239	598,217	115,243	384,020	33,456	12,585,161
Revolving credits	3,822,021	169,497	-	618,421	222,737	70,665	4,783	62,118	4,970,242
Overdrafts	1,113,836	-	-	244,955	251,738	15,363	54,974	7,095	1,687,961
Trade	2,720,320	-	-	2,312	71,159	4,742	-	363,321	3,161,854
Factoring	47,181	-	-	3,438	252	125	-	-	50,996
Collective Allowance	-	-	-	-	-	-	-	-	(1,743,195)
Total loans and advances	16,748,715	2,456,935	-	3,816,062	1,565,936	594,608	31,317,294	478,555	55,234,910
Statutory deposit with Bank Negara Malaysia	-	-	143,811	-	-	-	-	-	143,811
Commitments	8,398,226	919,393	-	594,578	2,706,145	120,347	3,477,405	2,869,264	19,085,358
Contingent liabilities	2,807,680	424,267	-	133,843	1,196,582	23,501	3,000	401,588	4,990,461
Total commitments and contingent liabilities	11,205,906	1,343,660	-	728,421	3,902,727	143,848	3,480,405	3,270,852	24,075,819

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Maximum Credit Exposure by Geographical Location

31 March 2013 **Group**	**In Malaysia** **RM'000**	**Outside Malaysia** **RM'000**	**Total** **RM'000**
Cash and short-term funds	7,041,313	283,337	7,324,650
Deposits and placements with banks and other financial institutions	1,819,346	94,076	1,913,422
Derivative financial assets	297,252	85,991	383,243
Financial assets held-for-trading			
Money Market Securities	767,179	-	767,179
Quoted Private Debt Securities	23,178	-	23,178
Unquoted Private Debt Securities	2,653,570	425,477	3,079,047
Total financial assets held-for-trading	3,443,927	425,477	3,869,404
Financial investments available-for-sale			
Money Market Securities	1,189,760	-	1,189,760
Unquoted Private Debt Securities	1,623,034	224,492	1,847,526
Total financial investments available-for-sale	2,812,794	224,492	3,037,286
Financial investments held-to-maturity			
Money Market Securities	2,092,645	-	2,092,645
Unquoted Private Debt Securities	1,940,890	-	1,940,890
Total financial investments held-to-maturity	4,033,535	-	4,033,535
Loans and advances			
Hire purchase	15,679,489	-	15,679,489
Mortgage	15,032,576	-	15,032,576
Credit card	1,417,417	-	1,417,417
Others	2,089,520	-	2,089,520
Corporate loans and advances:			
Term loans and bridging loans	15,352,035	734,385	16,086,420
Revolving credits	4,302,378	163,138	4,465,516
Overdrafts	1,990,293	-	1,990,293
Trade	3,814,091	-	3,814,091
Factoring	110,669	-	110,669
Collective Allowance	(1,440,403)	(13,836)	(1,454,239)
Total loans and advances	58,348,065	883,687	59,231,752
Statutory deposit with Bank Negara Malaysia	2,122,386	-	2,122,386
Commitments	23,179,562	192,342	23,371,904
Contingent liabilities	5,763,272	170,947	5,934,219
Total commitments and contingent liabilities	28,942,834	363,289	29,306,123

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Maximum Credit Exposure by Geographical Location (Contd.)

31 March 2012 **Group**	**In Malaysia** **RM'000**	**Outside Malaysia** **RM'000**	**Total** **RM'000**
Cash and short-term funds	4,767,663	685,975	5,453,638
Securities purchased under resale agreements	384,570	-	384,570
Deposits and placements with banks and other financial institutions	723,809	398,385	1,122,194
Derivative financial assets	312,570	67,465	380,035
Financial assets held-for-trading			
Money Market Securities	6,257,744	-	6,257,744
Unquoted Private Debt Securities	1,747,219	590,528	2,337,747
Total financial assets held-for-trading	8,004,963	590,528	8,595,491
Financial investments available-for-sale			
Money Market Securities	2,459,042	-	2,459,042
Quoted Private Debt Securities	27,050	-	27,050
Unquoted Private Debt Securities	1,617,753	176,372	1,794,125
Total financial investments available-for-sale	4,103,845	176,372	4,280,217
Financial investments held-to-maturity			
Unquoted Private Debt Securities	113,502	2,653	116,155
Total financial investments held-to-maturity	113,502	2,653	116,155
Loans and advances			
Hire purchase	15,868,476	-	15,868,476
Mortgage	14,420,392	-	14,420,392
Credit card	1,451,791	-	1,451,791
Others	2,076,254	-	2,076,254
Corporate loans and advances:			
Term loans and bridging loans	13,878,735	622,879	14,501,614
Revolving credits	4,108,265	141,462	4,249,727
Overdrafts	1,873,613	-	1,873,613
Trade	3,557,460	-	3,557,460
Factoring	76,635	-	76,635
Collective Allowance	(1,579,754)	(4,936)	(1,584,690)
Total loans and advances	55,731,867	759,405	56,491,272
Statutory deposit with Bank Negara Malaysia	2,011,288	-	2,011,288
Commitments	21,071,743	176,742	21,248,485
Contingent liabilities	5,550,801	59,053	5,609,854
Total commitments and contingent liabilities	26,622,544	235,795	26,858,339

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Maximum Credit Exposure by Geographical Location (Contd.)

1 April 2011 **Group**	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Cash and short-term funds	7,757,026	983,960	8,740,986
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,429,886	363,036	3,792,922
Derivative financial assets	295,619	101,054	396,673
Financial assets held-for-trading			
Money Market Securities	2,706,726	-	2,706,726
Unquoted Private Debt Securities	1,090,223	-	1,090,223
Total financial assets held-for-trading	3,796,949	-	3,796,949
Financial investments available-for-sale			
Money Market Securities	3,659,523	-	3,659,523
Quoted Private Debt Securities	55,881	-	55,881
Unquoted Private Debt Securities	2,446,239	31,169	2,477,408
Total financial investments available-for-sale	6,161,643	31,169	6,192,812
Financial investments held-to-maturity			
Unquoted Private Debt Securities	159,589	5,742	165,331
Total financial investments held-to-maturity	159,589	5,742	165,331
Loans and advances			
Hire purchase	17,348,089	-	17,348,089
Mortgage	13,833,854	-	13,833,854
Credit card	1,491,939	-	1,491,939
Others	2,168,207	-	2,168,207
Corporate loans and advances:			
Term loans and bridging loans	12,026,864	563,404	12,590,268
Revolving credits	4,805,202	119,228	4,924,430
Overdrafts	1,687,961	-	1,687,961
Trade	3,161,854	-	3,161,854
Factoring	50,996	-	50,996
Collective Allowance	(1,737,061)	(5,548)	(1,742,609)
Total loans and advances	54,837,905	677,084	55,514,989
Statutory deposit with Bank Negara Malaysia	143,811	-	143,811
Commitments	18,853,171	187,941	19,041,112
Contingent liabilities	5,009,304	27,750	5,037,054
Total commitments and contingent liabilities	23,862,475	215,691	24,078,166

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Maximum Credit Exposure by Geographical Location (Contd.)

31 March 2013 **Bank**	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Cash and short-term funds	6,972,789	282,959	7,255,748
Deposits and placements with banks and other financial institutions	1,819,346	94,076	1,913,422
Derivative financial assets	297,252	85,991	383,243
Financial assets held-for-trading			
Money Market Securities	767,179	-	767,179
Quoted Private Debt Securities	23,178	-	23,178
Unquoted Private Debt Securities	2,653,570	425,477	3,079,047
Total financial assets held-for-trading	3,443,927	425,477	3,869,404
Financial investments available-for-sale			
Money Market Securities	1,189,760	-	1,189,760
Unquoted Private Debt Securities	1,782,331	224,492	2,006,823
Total financial investments available-for-sale	2,972,091	224,492	3,196,583
Financial investments held-to-maturity			
Money Market Securities	2,092,645	-	2,092,645
Unquoted Private Debt Securities	1,940,519	-	1,940,519
Total financial investments held-to-maturity	4,033,164	-	4,033,164
Loans and advances			
Hire purchase	15,679,467	-	15,679,467
Mortgage	14,857,591	-	14,857,591
Credit card	1,417,417	-	1,417,417
Others	2,089,520	-	2,089,520
Corporate loans and advances:			
Term loans and bridging loans	15,352,035	734,385	16,086,420
Revolving credits	4,302,378	138,762	4,441,140
Overdrafts	1,990,293	-	1,990,293
Trade	3,814,091	-	3,814,091
Factoring	110,669	-	110,669
Collective Allowance	(1,440,161)	(13,763)	(1,453,924)
Total loans and advances	58,173,300	859,384	59,032,684
Statutory deposit with Bank Negara Malaysia	2,122,386	-	2,122,386
Commitments	23,220,392	185,758	23,406,150
Contingent liabilities	5,739,914	170,947	5,910,861
Total commitments and contingent liabilities	28,960,306	356,705	29,317,011

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Maximum Credit Exposure by Geographical Location (Contd.)

31 March 2012 **Bank**	**In Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Cash and short-term funds	4,762,405	370,634	5,133,039
Securities purchased under resale agreements	384,570	-	384,570
Deposits and placements with banks and other financial institutions	723,809	367,740	1,091,549
Derivative financial assets	312,570	67,465	380,035
Financial assets held-for-trading			
Money Market Securities	6,257,744	-	6,257,744
Unquoted Private Debt Securities	1,747,219	590,528	2,337,747
Total financial assets held-for-trading	8,004,963	590,528	8,595,491
Financial investments available-for-sale			
Money Market Securities	2,459,042	-	2,459,042
Quoted Private Debt Securities	27,050	-	27,050
Unquoted Private Debt Securities	1,810,040	176,371	1,986,411
Total financial investments available-for-sale	4,296,132	176,371	4,472,503
Financial investments held-to-maturity			
Unquoted Private Debt Securities	113,501	-	113,501
Total financial investments held-to-maturity	113,501	-	113,501
Loans and advances			
Hire purchase	15,868,476	-	15,868,476
Mortgage	14,135,013	-	14,135,013
Credit card	1,451,791	-	1,451,791
Others	2,076,254	-	2,076,254
Corporate loans and advances:			
Term loans and bridging loans	13,877,543	622,878	14,500,421
Revolving credits	4,187,729	110,795	4,298,524
Overdrafts	1,873,613	-	1,873,613
Trade	3,557,022	-	3,557,022
Factoring	76,635	-	76,635
Collective Allowance	(1,580,337)	(4,477)	(1,584,814)
Total loans and advances	55,523,739	729,196	56,252,935
Statutory deposit with Bank Negara Malaysia	2,011,288	-	2,011,288
Commitments	21,112,460	176,742	21,289,202
Contingent liabilities	5,526,361	59,053	5,585,414
Total commitments and contingent liabilities	26,638,821	235,795	26,874,616

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Maximum Credit Exposure by Geographical Location (Contd.)

1 April 2011 **Bank**	**In Malaysia** **RM'000**	**Outside Malaysia** **RM'000**	**Total** **RM'000**
Cash and short-term funds	7,567,073	808,806	8,375,879
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,369,380	332,783	3,702,163
Derivative financial assets	295,619	101,054	396,673
Financial assets held-for-trading			
Money Market Securities	2,706,726	-	2,706,726
Unquoted Private Debt Securities	1,090,223	-	1,090,223
Total financial assets held-for-trading	3,796,949	-	3,796,949
Financial investments available-for-sale			
Money Market Securities	3,659,523	-	3,659,523
Quoted Private Debt Securities	55,881	-	55,881
Unquoted Private Debt Securities	2,672,986	31,169	2,704,155
Total financial investments available-for-sale	6,388,390	31,169	6,419,559
Financial investments held-to-maturity			
Unquoted Private Debt Securities	159,589	-	159,589
Total financial investments held-to-maturity	159,589	-	159,589
Loans and advances			
Hire purchase	17,347,976	-	17,347,976
Mortgage	13,513,769	-	13,513,769
Credit card	1,491,939	-	1,491,939
Others	2,168,207	-	2,168,207
Corporate loans and advances:			
Term loans and bridging loans	12,021,757	563,404	12,585,161
Revolving credits	4,881,278	88,964	4,970,242
Overdrafts	1,687,961	-	1,687,961
Trade	3,161,854	-	3,161,854
Factoring	50,996	-	50,996
Collective Allowance	(1,738,097)	(5,098)	(1,743,195)
Total loans and advances	54,587,640	647,270	55,234,910
Statutory deposit with Bank Negara Malaysia	143,811	-	143,811
Commitments	18,897,417	187,941	19,085,358
Contingent liabilities	4,962,711	27,750	4,990,461
Total commitments and contingent liabilities	23,860,128	215,691	24,075,819

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

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; and
- plant and machineries.

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, that 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 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 is extended, amortisation schedules and loan covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan 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.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

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	Description
Very Strong	Counterparty's profile reflects 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; 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) ratings that broadly corresponds to the broad internal credit quality categories.

Credit Quality Classification	Moody's	S & P	Fitch	RAM	MARC
Very strong	AAA to Baa3	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")
- Rating Agency Malaysia ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Impairment

Definition of past due and impaired loans

All loans 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) due under the contractual terms are received late or missed.

A loan is classified as impaired under the following circumstances:

(a) where the principal or interest or both[1] is past due 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 exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.

(c) for loans 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 shall be classified as impaired when the principal or interest or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/R") facilities, these loans are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

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[1] *For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.*

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system.

	Neither past due nor impaired										
31 March 2013	**Very strong credit profile RM'000**	**Strong credit profile RM'000**	**Satisfactory risk RM'000**	**Sub-standard RM'000**	**Unrated RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**	**Gross amount individually impaired RM'000**	**Individual allowance RM'000**	**Fair value of collateral RM'000**
Group											
Derivative financial assets	279,687	83,761	12,871	661	6,263	-	-	383,243	-	-	-
Financial assets held-for-trading											
Money Market Securities	767,179	-	-	-	-	-	-	767,179	-	-	-
Quoted Private Debt Securities	23,178	-	-	-	-	-	-	23,178	-	-	-
Unquoted Private Debt Securities	2,792,918	286,129	-	-	-	-	-	3,079,047	-	-	-
Total financial assets held-for-trading	3,583,275	286,129	-	-	-	-	-	3,869,404	-	-	-
Financial investments available-for-sale											
Money Market Securities	855,533	334,227	-	-	-	-	-	1,189,760	-	-	-
Unquoted Private Debt Securities	1,463,844	228,472	154,775	-	-	-	435	1,847,526	3,146	(2,711)	-
Total financial investments available-for-sale	2,319,377	562,699	154,775	-	-	-	435	3,037,286	3,146	(2,711)	-
Financial investments held-to-maturity *											
Money Market Securities	2,092,645	-	-	-	-	-	-	2,092,645	-	-	-
Unquoted Private Debt Securities	1,932,472	-	-	-	980	-	201,446	2,134,898	201,446	(194,008)	-
Total financial investments held-to-maturity	4,025,117	-	-	-	980	-	201,446	4,227,543	201,446	(194,008)	-
Gross loans and advances *											
Hire purchase	974,099	4,841,239	2,900,732	195,362	-	6,463,095	304,962	15,679,489	-	-	20,853,418
Mortgage	1,939,058	8,453,561	1,551,858	158,503	-	2,369,838	559,758	15,032,576	-	-	29,994,116
Credit card	-	970,296	166,990	33,748	-	210,925	35,458	1,417,417	-	-	15,120
Others	117,184	624,085	797,279	150,934	-	311,084	89,344	2,089,910	793	(390)	2,090,341
Corporate loans and advances:											
Term loans and bridging loans	3,183,263	6,792,322	4,859,615	880,108	-	212,297	220,128	16,147,733	216,734	(61,313)	15,351,842
Revolving credits	1,498,070	1,661,518	1,153,270	100,946	-	4,025	88,806	4,506,635	86,606	(41,119)	3,742,875
Overdrafts	179,811	621,879	1,007,158	121,580	-	44,829	21,734	1,996,991	15,158	(6,698)	2,624,303
Trade	1,043,813	1,671,966	890,491	182,630	-	8,323	76,188	3,873,411	76,302	(59,320)	3,038,287
Factoring	1	47,221	63,015	-	-	432	-	110,669	-	-	5,096
Total gross loans and advances	8,935,299	25,684,087	13,390,408	1,823,811	-	9,624,848	1,396,378	60,854,831	395,593	(168,840)	77,715,398
Statutory deposit with Bank Negara Malaysia	2,122,386	-	-	-	-	-	-	2,122,386	-	-	-

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets (Contd.)

	Neither past due nor impaired										
	Very strong credit profile	Strong credit profile	Satisfactory risk	Sub-standard	Unrated	Past due but not impaired	Impaired	Total	Gross amount individually impaired	Individual allowance	Fair value of collateral
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group											
Securities purchased under											
resale agreements	384,570	-	-	-	-	-	-	384,570	-	-	-
Derivative financial assets	369,370	5,912	4,382	82	289	-	-	380,035	-	-	-
Financial assets held-for-trading											
Money Market Securities	6,257,544	-	-	-	-	-	-	6,257,544	-	-	-
Unquoted Private Debt Securities	2,188,279	149,462	-	-	-	6	-	2,337,747	-	-	-
Total financial assets held-for-trading	8,445,823	149,462	-	-	-	6	-	8,595,291	-	-	-
Financial investments available-for-sale											
Money Market Securities	2,119,612	339,430	-	-	-	-	-	2,459,042	-	-	-
Quoted Private Debt Securities	-	-	-	-	25,249	-	1,801	27,050	2,245	(444)	-
Unquoted Private Debt Securities	1,206,438	404,393	150,654	-	2,587	-	30,053	1,794,125	63,597	(33,544)	-
Total financial investments available-for-sale	3,326,050	743,823	150,654	-	27,836	-	31,854	4,280,217	65,842	(33,988)	-
Financial investments held-to-maturity *											
Unquoted Private Debt Securities	-	-	-	-	51,065	11,848	255,297	318,210	255,297	(202,055)	-
Total financial investments held-to-maturity	-	-	-	-	51,065	11,848	255,297	318,210	255,297	(202,055)	-
Gross loans and advances *											
Hire purchase	732,748	5,556,325	2,168,923	168,951	-	6,944,552	296,978	15,868,477	-	-	20,093,557
Mortgage	1,584,486	7,932,022	1,572,451	203,060	-	2,544,396	583,979	14,420,394	-	-	28,544,317
Credit card	-	1,139,632	59,487	9,994	-	206,234	36,444	1,451,791	-	-	24,916
Others	35,007	279,003	1,296,698	110,578	-	342,949	84,842	2,149,077	12,053	(8,670)	4,394,691
Corporate loans and advances:											
Term loans and bridging loans	339,288	6,633,381	5,860,609	963,383	-	271,288	528,182	14,596,131	480,101	(91,505)	16,370,551
Revolving credits	395,569	2,410,610	1,296,187	54,112	-	-	93,407	4,249,885	89,989	(3,169)	2,947,814
Overdrafts	1	388,620	1,344,537	89,577	-	38,046	13,822	1,874,603	7,673	(991)	2,477,101
Trade	1,863	1,395,675	1,939,460	126,763	-	13,439	26,243	3,503,443	16,771	(10,139)	3,050,319
Factoring	-	13,676	57,149	2,974	-	2,836	-	76,635	-	-	6,323
Total gross loans and advances	3,088,962	25,748,944	15,595,501	1,729,392	-	10,363,740	1,663,897	58,190,436	606,587	(114,474)	77,909,589
Statutory deposit with Bank Negara Malaysia	2,011,288	-	-	-	-	-	-	2,011,288	-	-	-

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets (Contd.)

	Neither past due nor impaired										
1 April 2011	**Very strong credit profile RM'000**	**Strong credit profile RM'000**	**Satisfactory risk RM'000**	**Sub-standard RM'000**	**Unrated RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**	**Gross amount individually impaired RM'000**	**Individual allowance RM'000**	**Fair value of collateral RM'000**
Group											
Securities purchased under resale agreements	289,731	-	-	-	-	-	-	289,731	-	-	-
Derivative financial assets	92,193	300,579	1,578	23	2,300	-	-	396,673	-	-	-
Financial assets held-for-trading											
Money Market Securities	2,706,726	-	-	-	-	-	-	2,706,726	-	-	-
Unquoted Private Debt Securities	1,060,229	-	29,994	-	-	-	-	1,090,223	-	-	-
Total financial assets held-for-trading	3,766,955	-	29,994	-	-	-	-	3,796,949	-	-	-
Financial investments available-for-sale											
Money Market Securities	3,336,138	323,385	-	-	-	-	-	3,659,523	-	-	-
Quoted Private Debt Securities	-	-	-	-	47,431	-	8,450	55,881	9,583	(1,133)	-
Unquoted Private Debt Securities	1,515,671	665,251	210,531	-	37,608	-	48,346	2,477,407	129,901	(81,555)	-
Total financial investments available-for-sale	4,851,809	988,636	210,531	-	85,039	-	56,796	6,192,811	139,484	(82,688)	-
Financial investments held-to-maturity *											
Unquoted Private Debt Securities	-	-	-	-	94,267	-	278,839	373,106	278,839	(207,775)	-
Total financial investments held-to-maturity	-	-	-	-	94,267	-	278,839	373,106	278,839	(207,775)	-
Gross loans and advances *											
Hire purchase	604,721	6,977,162	1,844,617	167,336	113	7,447,291	306,849	17,348,089	-	-	26,431,085
Mortgage	5,495,521	3,521,240	916,598	514,230	380	2,704,772	681,113	13,833,854	-	-	26,757,340
Credit card	-	1,227,281	10,577	1,719	-	201,442	50,920	1,491,939	-	-	18,734
Others	35,710	306,167	1,264,381	127,811	-	348,479	96,391	2,178,939	13,448	(10,733)	4,495,928
Corporate loans and advances:											
Term loans and bridging loans	441,380	4,936,216	5,505,213	1,038,100	-	166,777	807,464	12,895,150	668,256	(304,881)	15,420,031
Revolving credits	689,832	2,078,666	1,833,354	182,653	-	26,437	127,957	4,938,899	83,980	(14,468)	3,646,937
Overdrafts	-	350,833	1,104,569	204,453	-	11,660	25,476	1,696,991	12,352	(9,031)	2,414,291
Trade	-	1,309,641	1,758,748	57,705	-	10,641	27,077	3,163,812	1,976	(1,958)	4,188,360
Factoring	-	3,501	45,613	113	-	1,769	-	50,996	-	-	4,452
Total gross loans and advances	7,267,164	20,710,707	14,283,670	2,294,120	493	10,919,268	2,123,247	57,598,669	780,012	(341,071)	83,377,158
Statutory deposit with Bank Negara Malaysia	143,811	-	-	-	-	-	-	143,811	-	-	-

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets (Contd.)

	Neither past due nor impaired										
31 March 2013	**Very strong credit profile**	**Strong credit profile**	**Satisfactory risk**	**Sub-standard**	**Unrated**	**Past due but not impaired**	**Impaired**	**Total**	**Gross amount individually impaired**	**Individual allowance**	**Fair value of collateral**
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Derivative financial assets	279,687	83,761	12,871	661	6,263	-	-	383,243	-	-	-
Financial assets held-for-trading											
Money Market Securities	767,179	-	-	-	-	-	-	767,179	-	-	-
Quoted Private Debt Securities	23,178	-	-	-	-	-	-	23,178	-	-	-
Unquoted Private Debt Securities	2,792,918	286,129	-	-	-	-	-	3,079,047	-	-	-
Total financial assets held-for-trading	3,583,275	286,129	-	-	-	-	-	3,869,404	-	-	-
Financial investments available-for-sale											
Money Market Securities	855,533	334,227	-	-	-	-	-	1,189,760	-	-	-
Unquoted Private Debt Securities	1,623,141	228,472	154,775	-	-	-	435	2,006,823	3,146	(2,711)	-
Total financial investments available-for-sale	2,478,674	562,699	154,775	-	-	-	435	3,196,583	3,146	(2,711)	-
Financial investments held-to-maturity *											
Money Market Securities	2,092,645	-	-	-	-	-	-	2,092,645	-	-	-
Unquoted Private Debt Securities	1,932,472	-	-	-	980	-	199,884	2,133,336	199,884	(192,817)	-
Total financial investments held-to-maturity	4,025,117	-	-	-	980	-	199,884	4,225,981	199,984	(192,817)	-
Gross loans and advances *											
Hire purchase	974,099	4,841,239	2,900,732	195,340	-	6,463,095	304,962	15,679,467	-	-	20,853,418
Mortgage	1,939,058	8,280,668	1,551,858	158,438	-	2,368,788	558,781	14,857,591	-	-	29,456,626
Credit card	-	970,296	166,990	33,748	-	210,925	35,458	1,417,417	-	-	15,120
Others	117,184	624,085	797,279	150,934	-	311,084	89,344	2,089,910	793	(390)	2,090,341
Corporate loans and advances:											
Term loans and bridging loans	3,183,263	6,792,322	4,859,615	880,108	-	212,297	220,128	16,147,733	216,734	(61,313)	15,351,842
Revolving credits	1,498,070	1,637,142	1,153,270	100,946	-	4,025	88,806	4,482,259	86,606	(41,119)	3,742,875
Overdrafts	179,811	621,879	1,007,158	121,580	-	44,829	21,734	1,996,991	15,158	(6,698)	2,624,303
Trade	1,043,813	1,671,966	890,491	182,630	-	8,323	76,188	3,873,411	76,302	(59,320)	3,038,287
Factoring	1	47,221	63,015	-	-	432	-	110,669	-	-	5,096
Total gross loans and advances	8,935,299	25,486,818	13,390,408	1,823,724	-	9,623,798	1,395,401	60,655,448	395,593	(168,840)	77,177,908
Statutory deposit with Bank Negara Malaysia	2,122,386	-	-	-	-	-	-	2,122,386	-	-	-

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets (Contd.)

	Neither past due nor impaired										
31 March 2012 **Bank**	**Very strong credit profile** **RM'000**	**Strong credit profile** **RM'000**	**Satisfactory risk** **RM'000**	**Sub-standard** **RM'000**	**Unrated** **RM'000**	**Past due but not impaired** **RM'000**	**Impaired** **RM'000**	**Total** **RM'000**	**Gross amount individually impaired** **RM'000**	**Individual allowance** **RM'000**	**Fair value of collateral** **RM'000**
Securities purchased under resale agreements	384,570	-	-	-	-	-	-	384,570	-	-	-
Derivative financial assets	369,370	5,912	4,382	82	289	-	-	380,035	-	-	-
Financial assets held-for-trading											
Money Market Securities	6,257,744	-	-	-	-	-	-	6,257,744	-	-	-
Unquoted Private Debt Securities	2,188,279	149,462	-	-	-	6	-	2,337,747	-	-	-
Total financial assets held-for-trading	8,446,023	149,462	-	-	-	6	-	8,595,491	-	-	-
Financial investments available-for-sale											
Money Market Securities	2,119,612	339,430	-	-	-	-	-	2,459,042	-	-	-
Quoted Private Debt Securities	-	-	-	-	25,249	-	1,801	27,050	2,245	(444)	-
Unquoted Private Debt Securities	1,398,724	404,393	150,654	-	2,587	-	30,053	1,986,411	61,918	(31,865)	-
Total financial investments available-for-sale	3,518,336	743,823	150,654	-	27,836	-	31,854	4,472,503	64,163	(32,309)	-
Financial investments held-to-maturity *											
Unquoted Private Debt Securities	-	-	-	-	51,065	11,848	250,855	313,768	250,855	(200,267)	
Total financial investments held-to-maturity	-	-	-	-	51,065	11,848	250,855	313,768	250,854	(200,267)	-
Gross loans and advances *											
Hire purchase	732,748	5,556,325	2,168,923	168,951	-	6,944,552	296,978	15,868,477	-	-	20,093,557
Mortgage	1,584,486	7,912,426	1,400,314	112,028	-	2,542,478	583,284	14,135,016	-	-	27,951,254
Credit card	-	1,139,632	59,487	9,994	-	206,234	36,444	1,451,791	-	-	24,916
Others	35,007	279,004	1,296,698	110,578	-	342,949	84,842	2,149,078	12,053	(8,670)	4,464,599
Corporate loans and advances:											
Term loans and bridging loans	338,372	6,630,091	5,860,609	963,383	-	271,288	528,182	14,591,925	480,101	(91,505)	16,370,551
Revolving credits	395,569	2,462,866	1,296,187	53,664	-	-	93,407	4,301,693	89,989	(3,169)	2,947,814
Overdrafts	1	388,620	1,344,537	89,577	-	38,046	13,822	1,874,603	7,673	(991)	2,477,101
Trade	1,863	1,395,236	1,939,460	126,764	-	13,439	26,243	3,503,005	16,771	(10,139)	2,980,411
Factoring	-	13,676	57,149	2,974	-	2,836	-	76,635	-	-	6,323
Total gross loans and advances	3,088,046	25,777,876	15,423,364	1,637,913	-	10,361,822	1,663,202	57,952,223	606,587	(114,474)	77,316,526
Statutory deposit with Bank Negara Malaysia	2,011,288	-	-	-	-	-	-	2,011,288	-	-	-

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets (Contd.)

	Neither past due nor impaired										
1 April 2011	**Very strong credit profile RM'000**	**Strong credit profile RM'000**	**Satisfactory risk RM'000**	**Sub-standard RM'000**	**Unrated RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**	**Gross amount individually impaired RM'000**	**Individual allowance RM'000**	**Fair value of collateral RM'000**
Bank											
Securities purchased under resale agreements	289,731	-	-	-	-	-	-	289,731	-	-	-
Derivative financial assets	92,193	300,579	1,578	23	2,300	-	-	396,673	-	-	-
Financial assets held-for-trading											
Money Market Securities	2,706,726	-	-	-	-	-	-	2,706,726	-	-	-
Unquoted Private Debt Securities	1,060,229	29,994	-	-	-	-	-	1,090,223	-	-	-
Total financial assets held-for-trading	3,766,955	29,994	-	-	-	-	-	3,796,949	-	-	-
Financial investments available-for-sale											
Money Market Securities	3,336,138	323,385	-	-	-	-	-	3,659,523	-	-	-
Quoted Private Debt Securities	-	-	-	-	47,431	-	8,450	55,881	9,583	(1,133)	-
Unquoted Private Debt Securities	1,742,419	665,251	210,531	-	37,608	-	48,346	2,704,155	129,901	(81,555)	-
Total financial investments available-for-sale	5,078,557	988,636	210,531	-	85,039	-	56,796	6,419,559	139,484	(82,688)	-
Financial investments held-to-maturity *											
Unquoted Private Debt Securities	-	-	-	-	94,267	-	270,341	364,608	270,341	(205,019)	-
Total financial investments held-to-maturity	-	-	-	-	94,267	-	270,341	364,608	270,341	(205,019)	-
Gross loans and advances *											
Hire purchase	604,721	6,977,162	1,844,617	167,336	-	7,447,291	306,849	17,347,976	-	-	26,430,935
Mortgage	5,495,521	3,203,407	916,598	514,230	-	2,703,171	680,842	13,513,769	-	-	26,123,607
Credit card	-	1,227,281	10,577	1,719	-	201,442	50,920	1,491,939	-	-	18,734
Others	35,710	306,167	1,264,381	127,801	-	348,479	96,391	2,178,929	13,448	(10,733)	4,495,928
Corporate loans and advances:											
Term loans and bridging loans	441,380	4,931,109	5,505,213	1,038,100	-	166,777	807,464	12,890,043	668,256	(304,881)	15,966,331
Revolving credits	689,832	2,078,666	1,803,090	258,729	-	26,437	127,957	4,984,711	83,980	(14,468)	3,782,496
Overdrafts	-	350,833	1,104,569	204,453	-	11,660	25,476	1,696,991	12,352	(9,031)	2,414,291
Trade	-	1,309,641	1,758,748	57,705	-	10,641	27,077	3,163,812	1,976	(1,958)	4,188,360
Factoring	-	3,501	45,613	113	-	1,769	-	50,996	-	-	4,452
Total gross loans and advances	7,267,164	20,387,767	14,253,406	2,370,186	-	10,917,667	2,122,976	57,319,166	780,012	(341,071)	83,425,134
Statutory deposit with Bank Negara Malaysia	143,811	-	-	-	-	-	-	143,811	-	-	-

* The amounts presented above are gross of impairment allowances.

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Aging Analysis of Past Due But Not Impaired Financial Assets

Group	Up to 1 month RM'000	>1 month to 3 months RM'000	Total RM'000
31 March 2013			
Gross loans and advances			
Hire purchase	3,472,334	2,990,761	6,463,095
Mortgage	1,390,284	979,554	2,369,838
Credit card	132,718	78,207	210,925
Others	205,073	106,011	311,084
Corporate loans and advances:			
Term loans and bridging loans	188,173	24,124	212,297
Revolving credits	4,025	-	4,025
Overdrafts	8,312	36,517	44,829
Trade	3,706	4,617	8,323
Factoring	432	-	432
Total gross loans and advances	5,405,057	4,219,791	9,624,848
31 March 2012			
Financial investments held-for-trading			
Unquoted Private Debt Securities	-	6	6
Total financial investments held-for-trading	-	6	6
Financial investments held-to-maturity			
Unquoted Private Debt Securities	-	11,848	11,848
Total financial investments held-to-maturity	-	11,848	11,848
Gross loans and advances			
Hire purchase	3,808,950	3,135,602	6,944,552
Mortgage	1,426,186	1,118,210	2,544,396
Credit card	129,788	76,446	206,234
Others	242,866	100,083	342,949
Corporate loans and advances:			
Term loans and bridging loans	249,734	21,554	271,288
Overdrafts	33,494	4,552	38,046
Trade	2,504	10,935	13,439
Factoring	76	2,760	2,836
Total gross loans and advances	5,893,598	4,470,142	10,363,740
1 April 2011			
Gross loans and advances			
Hire purchase	4,164,883	3,282,408	7,447,291
Mortgage	1,444,957	1,259,815	2,704,772
Credit card	126,128	75,314	201,442
Others	243,768	104,711	348,479
Corporate loans and advances:			
Term loans and bridging loans	100,498	66,279	166,777
Revolving credits	24,083	2,354	26,437
Overdrafts	11,660	-	11,660
Trade	6,190	4,451	10,641
Factoring	108	1,661	1,769
Total gross loans and advances	6,122,275	4,796,993	10,919,268

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Aging Analysis of Past Due But Not Impaired Financial Assets (Contd.)

Bank	**Up to 1 month RM'000**	**>1 month to 3 months RM'000**	**Total RM'000**
31 March 2013			
Gross loans and advances			
Hire purchase	3,472,334	2,990,761	6,463,095
Mortgage	1,389,881	978,907	2,368,788
Credit card	132,718	78,207	210,925
Others	205,073	106,011	311,084
Corporate loans and advances:			
Term loans and bridging loans	188,173	24,124	212,297
Revolving credits	4,025	-	4,025
Overdrafts	8,312	36,517	44,829
Trade	3,706	4,617	8,323
Factoring	432	-	432
Total gross loans and advances	5,404,654	4,219,144	9,623,798
31 March 2012			
Financial investments held-for-trading			
Unquoted Private Debt Securities	-	6	6
Total financial investments held-for-trading	-	6	6
Financial investments held-to-maturity			
Unquoted Private Debt Securities	-	11,848	11,848
Total financial investments held-to-maturity	-	11,848	11,848
Gross loans and advances			
Hire purchase	3,808,950	3,135,602	6,944,552
Mortgage	1,425,410	1,117,068	2,542,478
Credit card	129,788	76,446	206,234
Others	242,866	100,083	342,949
Corporate loans and advances:			
Term loans and bridging loans	249,734	21,554	271,288
Overdrafts	33,494	4,552	38,046
Trade	2,504	10,935	13,439
Factoring	76	2,760	2,836
Total gross loans and advances	5,892,822	4,469,000	10,361,822
1 April 2011			
Gross loans and advances			
Hire purchase	4,164,883	3,282,408	7,447,291
Mortgage	1,443,867	1,259,304	2,703,171
Credit card	126,128	75,314	201,442
Others	243,768	104,711	348,479
Corporate loans and advances:			
Term loans and bridging loans	100,498	66,279	166,777
Revolving credits	24,083	2,354	26,437
Overdrafts	11,660	-	11,660
Trade	6,190	4,451	10,641
Factoring	108	1,661	1,769
Total gross loans and advances	6,121,185	4,796,482	10,917,667

49. RISK MANAGEMENT (CONTD.)

49.2 CREDIT RISK MANAGEMENT (CONTD.)

Collateral Repossessed

As at the end of the financial year, assets held as collateral for loans and advances obtained are as follows:

	Group and Bank	
	31 March 2013 RM'000	**31 March 2012 RM'000**
Properties:		
Residential	343	1,370
Non-residential	72,339	81,237
	72,682	82,607

The above assets are accounted for as foreclosed properties under other assets (Note 17). There were no new assets obtained for the financial year ended 2013 and 2012.

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 that is, 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.

49. RISK MANAGEMENT (CONTD.)

49.3 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 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 GALCO/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 division 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 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 of three years and above.

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 putting in place the measurement mechanism and strategizing for ensuring 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.

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Liquidity Metrics

The Group monitors key liquidity metrics on a regular basis. Liquidity is managed on an entity basis and in aggregate across the Group. The key metrics are:

a) Adjusted Customer Loans to Deposits Ratio ("LDR")

This is defined as the ratio of total outstanding loans and advances to customers, net of allowance for impairment on loans and advances, relative to total customer deposits (inclusive of recourse obligation on loans sold to Cagamas Berhad and term funding with original term of maturity of 3 years and above). This ratio reflects the percentage of customer loans and advances that are funded by customer deposits. A ratio below 100% indicates that our loans portfolio is completely funded by customer deposits. A low LDR demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

		Group	
	31 March 2013	**31 March 2012**	**1 April 2011**
Year-end	88.6%	88.1%	86.5%
Maximum	88.6%	89.6%	92.7%
Minimum	84.4%	85.7%	86.5%
Average	86.9%	87.5%	89.9%

		Bank	
	31 March 2013	**31 March 2012**	**1 April 2011**
Year-end	88.3%	88.9%	86.9%
Maximum	89.1%	89.8%	93.0%
Minimum	84.2%	85.9%	86.9%
Average	86.9%	87.8%	89.6%

b) Medium Term Funding Ratio

This is defined as the extent of medium term assets with remaining term to maturity in excess of one year funded by medium term liabilities with similar term to maturity. The Group balances the additional funding cost with the more stable nature of medium term liabilities to achieve its optimal funding structure.

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

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.

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.

31 March 2013	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Financial Assets								
Cash and short-term funds	7,336,482	-	-	-	-	-	-	7,336,482
Deposits and placements with banks and other financial institutions	-	709,431	414,675	305,943	531,382	-	-	1,961,431
Financial assets held-for-trading	183,056	329,924	72,757	149,672	2,067,298	2,040,800	231,219	5,074,726
Financial investments available-for-sale	834,439	94,200	123,743	61,956	1,182,248	1,924,406	305,900	4,526,892
Financial investments held-to-maturity	879,758	1,225,434	20,636	26,162	701,444	2,488,367	-	5,341,801
Loan and advances	2,687,240	4,498,049	6,874,300	6,965,645	34,017,870	29,485,629	-	84,528,733
Amount due from originators	-	-	-	-	256,047	-	-	256,047
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,122,386	-	2,122,386
Total Undiscounted Financial Assets	11,920,975	6,857,038	7,506,111	7,509,378	38,756,289	38,061,588	537,119	111,148,498
Financial Liabilities								
Deposits and placements of banks and other financial institutions	967,893	769,253	364,530	45,421	224,385	-	-	2,371,482
Recourse obligation on loans sold to Cagamas Berhad	21,250	-	-	21,132	1,425,936	-	-	1,468,318
Deposits from customers	30,157,095	9,463,593	9,270,538	11,657,740	2,671,488	-	-	63,220,454
Term funding	387,802	797,296	140,930	156,498	2,819,047	173,951	-	4,475,524
Bills and acceptances payable	438,246	620,249	175,675	-	-	-	-	1,234,170
Debt capital	34,453	2,804	67,812	104,278	2,291,248	1,710,415	-	4,211,010
Total Undiscounted Financial Liabilities	32,006,739	11,653,195	10,019,485	11,985,069	9,432,104	1,884,366	-	76,980,958
Net Undiscounted Financial Assets/(Liabilities)	(20,085,764)	(4,796,157)	(2,513,374)	(4,475,691)	29,324,185	36,177,222	537,119	34,167,540

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Group's commitments and contingent liabilities.

31 March 2013	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Commitments								
Irrevocable commitments to extend credit	3,831,083	1,569,779	3,115,889	4,760,504	2,290,858	4,965,854	-	20,533,967
Unutilised credit card lines	2,729,671	-	-	-	-	-	-	2,729,671
Forward asset purchase	108,266	-	-	-	-	-	-	108,266
Contingent Liabilities								
Direct credit substitutes	100,269	186,068	133,120	335,705	441,164	57,400	-	1,253,726
Certain transaction-related contingent items	129,724	170,274	566,667	772,755	1,748,937	424,230	-	3,812,587
Short-term self liquidating trade-related							-	
contingencies	271,160	165,116	32,512	115,193	33,825	-	-	617,806
Obligations under underwriting agreements	-	-	-	-	250,000	-	-	250,000
Others	-	-	-	-	-	100	-	100
Total commitments and contingent liabilities	7,170,173	2,091,237	3,848,188	5,984,157	4,764,784	5,447,584	-	29,306,123

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)

The table below summarises the maturity profile of the Group's financial assets and liabilities.

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.

31 March 2012	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Financial Assets								
Cash and short-term funds	5,468,072	-	-	-	-	-	-	5,468,072
Securities purchased under resale agreements	384,962	-	-	-	-	-	-	384,962
Deposits and placements with banks and other financial institutions	-	767,584	366,853	-	-	-	-	1,134,437
Financial assets held-for-trading	145,616	1,226,826	3,552,253	948,299	1,747,254	1,898,499	315,452	9,834,199
Financial investments available-for-sale	645,017	995,160	37,593	79,680	1,748,231	2,051,673	160,504	5,717,858
Financial investments held-to-maturity	5,167	196	83,453	5,428	195,324	31,043	-	320,611
Loan and advances	2,601,640	4,650,581	5,043,683	6,643,041	33,800,543	27,833,863	-	80,573,351
Amount due from originators	-	-	-	-	166,664	-	-	166,664
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,011,288	-	2,011,288
Total Undiscounted Financial Assets	9,250,474	7,640,347	9,083,835	7,676,448	37,658,016	33,826,366	475,956	105,611,442
Financial Liabilities								
Deposits and placements of banks and other financial institutions	2,660,095	399,011	132,077	21,956	841,679	-	-	4,054,818
Securities sold under repurchase agreements	40,000	-	-	-	-	-	-	40,000
Recourse obligation on loans sold to Cagamas Berhad	21,250	-	-	21,486	336,428	1,042,502	-	1,421,666
Deposits from customers	28,723,535	11,004,927	8,305,648	8,953,268	3,427,616	-	-	60,414,994
Term funding	307,546	776,660	44,268	128,760	3,056,128	410,824	-	4,724,186
Bills and acceptances payable	25,001	207,967	109,934	-	-	-	-	342,902
Debt capital	18,801	2,819	86,047	809,098	1,413,057	1,928,894	-	4,258,716
Total Undiscounted Financial Liabilities	31,796,228	12,391,384	8,677,974	9,934,568	9,074,908	3,382,220	-	75,257,282
Net Undiscounted Financial Assets/(Liabilities)	(22,545,754)	(4,751,037)	405,861	(2,258,120)	28,583,108	30,444,146	475,956	30,354,160

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Group's commitments and contingent liabilities.

31 March 2012	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Commitments								
Irrevocable commitments to extend credit	1,436,844	1,055,512	2,119,258	4,960,136	1,327,159	7,035,112	-	17,934,021
Unutilised credit card lines	2,953,565	-	-	-	-	-	-	2,953,565
Forward asset purchase	360,899	-	-	-	-	-	-	360,899
Contingent Liabilities								
Direct credit substitutes	143,151	70,413	252,693	540,431	544,666	57,400	-	1,608,754
Certain transaction-related contingent items	380,426	199,134	504,707	529,979	1,242,103	264,408	-	3,120,757
Short-term self liquidating trade-related							-	
contingencies	187,246	275,137	17,923	128,163	6,517	257	-	615,243
Obligations under underwriting agreements	15,000	-	-	-	250,000	-	-	265,000
Others	-	-	-	-	-	100	-	100
Total commitments and contingent liabilities	5,477,131	1,600,196	2,894,581	6,158,709	3,370,445	7,357,277	-	26,858,339

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)

The table below summarises the maturity profile of the Group's financial assets and liabilities.

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.

1 April 2011	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Financial Assets								
Cash and short-term funds	8,759,154	-	-	-	-	-	-	8,759,154
Securities purchased under resale agreements	290,235	-	-	-	-	-	-	290,235
Deposits and placements with banks and other financial institutions	-	3,519,642	294,572	-	-	-	-	3,814,214
Financial assets held-for-trading	99,117	1,387,959	786,731	461,199	834,521	493,085	370,053	4,432,665
Financial investments available-for-sale	1,502,880	1,298,824	89,190	203,662	2,572,629	2,053,121	139,158	7,859,464
Financial investments held-to-maturity	1,232	472	640	24,598	365,295	58,687	-	450,924
Loan and advances	2,528,208	4,728,914	5,443,027	6,751,966	32,487,345	26,682,747	-	78,622,207
Amount due from originators	-	-	18,720	-	1,426	-	-	20,146
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	143,811	-	143,811
Total Undiscounted Financial Assets	13,180,826	10,935,811	6,632,880	7,441,425	36,261,216	29,431,451	509,211	104,392,820
Financial Liabilities								
Deposits and placements of banks and other financial institutions	2,489,518	317,496	75,294	681,883	958,935	34,902	-	4,558,028
Securities sold under repurchase agreements	30,000	-	-	-	-	-	-	30,000
Recourse obligation on loans sold to Cagamas Berhad	21,250	-	-	21,250	170,000	1,104,583	-	1,317,083
Deposits from customers	30,482,604	10,004,919	10,016,065	6,581,719	3,582,617	-	-	60,667,924
Term funding	122,290	2,600	81,326	275,520	3,518,236	576,045	-	4,576,017
Bills and acceptances payable	237,361	587,353	160,765	18	-	-	-	985,497
Debt capital	18,699	11,804	85,661	262,738	2,294,783	1,954,311	-	4,627,996
Total Undiscounted Financial Liabilities	33,401,722	10,924,172	10,419,111	7,823,128	10,524,571	3,669,841	-	76,762,545
Net Undiscounted Financial Assets/(Liabilities)	(20,220,896)	11,639	(3,786,231)	(381,703)	25,736,645	25,761,610	509,211	27,630,275

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Group's commitments and contingent liabilities.

1 April 2011	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Commitments								
Irrevocable commitments to extend credit	3,105,107	1,544,813	1,702,161	4,561,354	787,135	3,593,930	-	15,294,500
Unutilised credit card lines	3,322,322	-	-	-	-	-	-	3,322,322
Forward asset purchase	424,290	-	-	-	-	-	-	424,290
Contingent Liabilities								
Direct credit substitutes	292,357	473,177	389,392	452,170	542,849	109,805	-	2,259,750
Certain transaction-related contingent items	115,701	132,320	192,413	358,499	940,018	130,848	-	1,869,799
Short-term self liquidating trade-related							-	
contingencies	238,275	307,400	39,145	18,831	12,348	-	-	615,999
Obligations under underwriting agreements	-	-	-	-	260,000	-	-	260,000
Others	22,558	8,000	375	323	-	250	-	31,506
Total commitments and contingent liabilities	7,520,610	2,465,710	2,323,486	5,391,177	2,542,350	3,834,833	-	24,078,166

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)

The table below summarises the maturity profile of the Bank's financial assets and liabilities.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

31 March 2013	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Financial Assets								
Cash and short-term funds	7,267,555	-	-	-	-	-	-	7,267,555
Deposits and placements with banks and other financial institutions	-	709,431	414,675	305,943	531,382	-	-	1,961,431
Financial assets held-for-trading	183,056	329,924	72,757	149,672	2,067,298	2,040,800	231,219	5,074,726
Financial investments available-for-sale	834,439	94,200	123,743	61,956	1,182,248	2,083,703	304,993	4,685,282
Financial investments held-to-maturity	878,197	1,225,434	20,636	26,162	701,444	2,488,367	-	5,340,240
Loan and advances	2,764,657	4,491,953	6,840,542	6,948,226	33,905,662	29,301,282	-	84,252,322
Amount due from originators	-	-	-	-	256,047	-	-	256,047
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,122,386	-	2,122,386
Total Undiscounted Financial Assets	11,927,904	6,850,942	7,472,353	7,491,959	38,644,081	38,036,538	536,212	110,959,989
Financial Liabilities								
Deposits and placements of banks and other financial institutions	975,751	769,253	364,530	45,421	224,385	-	-	2,379,340
Recourse obligation on loans sold to Cagamas Berhad	21,250	-	-	21,132	1,425,936	-	-	1,468,318
Deposits from customers	30,143,530	9,449,934	9,269,983	11,657,840	2,671,488	-	-	63,192,775
Term funding	387,802	797,296	140,930	156,498	2,819,047	173,951	-	4,475,524
Bills and acceptances payable	438,246	620,249	175,675	-	-	-	-	1,234,170
Debt capital	34,453	2,804	67,812	104,278	2,291,248	1,710,415	-	4,211,010
Total Undiscounted Financial Liabilities	32,001,032	11,639,536	10,018,930	11,985,169	9,432,104	1,884,366	-	76,961,137
Net Undiscounted Financial Assets/(Liabilities)	(20,073,128)	(4,788,594)	(2,546,577)	(4,493,210)	29,211,977	36,152,172	536,212	33,998,852

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities.

31 March 2013	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Commitments								
Irrevocable commitments to extend credit	3,825,469	1,569,779	3,115,889	4,800,364	2,290,858	4,965,854	-	20,568,213
Unutilised credit card lines	2,729,671	-	-	-	-	-	-	2,729,671
Forward asset purchase	108,266	-	-	-	-	-	-	108,266
Contingent Liabilities								
Direct credit substitutes	100,269	186,068	133,120	335,705	441,164	57,400	-	1,253,726
Certain transaction-related contingent items	129,724	170,274	566,667	749,464	1,748,937	424,230	-	3,789,296
Short-term self liquidating trade-related contingencies	271,043	165,116	32,512	115,193	33,825	-	-	617,689
Obligations under underwriting agreements	-	-	-	-	250,000	-	-	250,000
Others	-	-	-	-	-	150	-	150
Total commitments and contingent liabilities	7,164,442	2,091,237	3,848,188	6,000,726	4,764,784	5,447,634	-	29,317,011

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)

The table below summarises the maturity profile of the Bank's financial assets and liabilities.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

31 March 2012	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Financial Assets								
Cash and short-term funds	5,147,064	-	-	-	-	-	-	5,147,064
Securities purchased under resale agreements	384,962	-	-	-	-	-	-	384,962
Deposits and placements with banks and other financial institutions	-	736,929	366,853	-	-	-	-	1,103,782
Financial assets held-for-trading	145,616	1,226,826	3,552,253	948,299	1,747,254	1,898,499	315,452	9,834,199
Financial investments available-for-sale	645,017	995,160	37,593	79,680	1,748,231	2,245,156	159,469	5,910,306
Financial investments held-to-maturity	5,167	196	83,453	985	195,324	31,044	-	316,169
Loan and advances	2,597,574	4,643,867	5,001,309	6,623,749	33,754,886	27,623,574	-	80,244,959
Amount due from originators	-	-	-	-	166,664	-	-	166,664
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,011,288	-	2,011,288
Total Undiscounted Financial Assets	8,925,400	7,602,978	9,041,461	7,652,713	37,612,359	33,809,561	474,921	105,119,393
Financial Liabilities								
Deposits and placements of banks and other financial institutions	3,219,951	399,011	132,077	21,956	841,680	-	-	4,614,675
Securities sold under repurchase agreements	40,000	-	-	-	-	-	-	40,000
Recourse obligation on loans sold to Cagamas Berhad	21,250	-	-	21,486	336,428	1,042,502	-	1,421,666
Deposits from customers	28,477,688	10,387,170	8,305,096	8,953,268	3,427,617	-	-	59,550,839
Term funding	307,546	776,660	44,268	128,760	3,056,128	410,824	-	4,724,186
Bills and acceptances payable	25,000	207,967	109,934	-	-	-	-	342,901
Debt capital	18,801	2,819	86,047	809,098	1,413,057	1,928,894	-	4,258,716
Total Undiscounted Financial Liabilities	32,110,236	11,773,627	8,677,422	9,934,568	9,074,910	3,382,220	-	74,952,983
Net Undiscounted Financial Assets/(Liabilities)	(23,184,836)	(4,170,649)	364,039	(2,281,855)	28,537,449	30,427,341	474,921	30,166,410

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities.

31 March 2012	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Commitments								
Irrevocable commitments to extend credit	1,436,914	1,055,512	2,119,258	5,000,586	1,327,159	7,035,309	-	17,974,738
Unutilised credit card lines	2,953,565	-	-	-	-	-	-	2,953,565
Forward asset purchase	360,899	-	-	-	-	-	-	360,899
Contingent Liabilities								
Direct credit substitutes	143,151	70,413	252,693	540,431	544,666	57,400	-	1,608,754
Certain transaction-related contingent items	380,426	199,134	504,707	529,979	1,219,031	264,408	-	3,097,685
Short-term self liquidating trade-related contingencies	185,828	275,137	17,923	128,163	6,517	257	-	613,825
Obligations under underwriting agreements	15,000	-	-	-	250,000	-	-	265,000
Others	-	-	-	-	-	150	-	150
Total commitments and contingent liabilities	5,475,783	1,600,196	2,894,581	6,199,159	3,347,373	7,357,524	-	26,874,616

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)

The table below summarises the maturity profile of the Bank's financial assets and liabilities.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

1 April 2011	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Financial Assets								
Cash and short-term funds	8,393,756	-	-	-	-	-	-	8,393,756
Securities purchased under resale agreements	290,235	-	-	-	-	-	-	290,235
Deposits and placements with banks and other financial institutions	-	3,428,557	294,572	-	-	-	-	3,723,129
Financial assets held-for-trading	99,117	1,387,959	786,731	461,199	834,521	493,085	370,053	4,432,665
Financial investments available-for-sale	1,502,880	1,298,824	89,190	203,662	2,808,688	2,053,121	138,137	8,094,502
Financial investments held-to-maturity	173	472	640	19,915	365,295	58,687	-	445,182
Loan and advances	2,524,483	4,691,205	5,430,406	6,730,606	32,420,802	26,444,692	-	78,242,194
Amount due from originators	-	-	18,720	-	1,426	-	-	20,146
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	143,811	-	143,811
Total Undiscounted Financial Assets	12,810,644	10,807,017	6,620,259	7,415,382	36,430,732	29,193,396	508,190	103,785,620
Financial Liabilities								
Deposits and placements of banks and other financial institutions	2,813,981	317,496	75,294	681,883	958,935	34,902	-	4,882,491
Securities sold under repurchase agreements	30,000	-	-	-	-	-	-	30,000
Recourse obligation on loans sold to Cagamas Berhad	21,250	-	-	21,250	170,000	1,104,583	-	1,317,083
Deposits from customers	30,369,429	9,808,522	9,695,420	6,581,719	3,582,618	-	-	60,037,708
Term funding	122,290	2,600	81,326	275,520	3,518,236	576,045	-	4,576,017
Bills and acceptances payable	237,360	587,353	160,765	18	-	-	-	985,496
Debt capital	18,699	11,804	85,661	262,738	2,294,783	1,954,311	-	4,627,996
Total Undiscounted Financial Liabilities	33,613,009	10,727,775	10,098,466	7,823,128	10,524,572	3,669,841	-	76,456,791
Net Undiscounted Financial Assets/(Liabilities)	(20,802,365)	79,242	(3,478,207)	(407,746)	25,906,160	25,523,555	508,190	27,328,829

49. RISK MANAGEMENT (CONTD.)

49.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities.

1 April 2011	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Commitments								
Irrevocable commitments to extend credit	3,105,107	1,544,813	1,702,161	4,561,354	787,135	3,638,176	-	15,338,746
Unutilised credit card lines	3,322,322	-	-	-	-	-	-	3,322,322
Forward asset purchase	424,290	-	-	-	-	-	-	424,290
Contingent Liabilities								
Direct credit substitutes	292,357	473,177	389,392	452,170	520,072	86,089	-	2,213,257
Certain transaction-related contingent items	115,701	132,320	192,413	358,499	940,018	130,848	-	1,869,799
Short-term self liquidating trade-related contingencies	238,275	307,400	39,145	18,831	12,348	-	-	615,999
Obligations under underwriting agreements	-	-	-	-	260,000	-	-	260,000
Others	22,558	8,000	375	323	-	150	-	31,406
Total commitments and contingent liabilities	7,520,610	2,465,710	2,323,486	5,391,177	2,519,573	3,855,263	-	24,075,819

49. RISK MANAGEMENT (CONTD.)

49.4 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 types of market risk: Traded Market Risk and Interest Rate Risk/Rate of Return Risk in Banking Book. Assessment, control and monitoring of these risks are the responsibility of the Group Market Risk ("GMR").

Traded Market Risk

The Traded Market Risk ("TMR") management process is depicted in the table below.

Identification	• Identify market risks within existing and new products. • Review market-related information such as market trends and economic data.
Assessment/ Measurement	• Value-at-Risk ("VaR") • Profit-at-Risk ("PaR") • Capital-at-Risk ("CaR") • Other Detailed Management Controls
Control/ Mitigation	• VaR Limits • PaR Limits • CaR Limits • Loss Limits (Annual/Monthly/Daily) • Concentration Limits • Greeks Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Present Value of One Basis Point Limits ("PV01") • Stealth Limits • Position Size Limits • Maximum Tenure Limits • Maximum Holding Period Limit • Permitted Instruments/Currencies/Countries
Monitoring/ Review	• Monitoring of 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. This is done via robust traded market risk measurement, limit setting, limit monitoring and collaboration and agreement with Business Units.

VaR, PaR, CaR 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. PaR comprises VaR and a loss limit threshold (that is Annual Loss Limit). Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

To complement VaR, CaR is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, CaR is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, PaR and CaR, additional sensitivity controls (for example 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 GTMRC/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.

49. RISK MANAGEMENT (CONTD.)

49.4 MARKET RISK MANAGEMENT (CONTD.)

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 Banking Book

The Interest Rate Risk/Rate of Return Risk in Banking Book ("IRR/RORBB") risk management process is depicted in the table below:

Identification	• Identify IRR/RORBB within existing and new products • Review market-related information such as market trend and economic data
Assessment/ Measurement	• VaR • Earnings-at-Risk ("EaR")
Control/ Mitigation	• VaR limits • EaR 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 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 market value of the Group's capital.

The Board's oversight of IRR/RORBB is supported by the GALCO/Group CEOs Committee. GALCO/Group CEOs Committee is responsible for the alignment of the Group-wide risk appetite and funding needs, taking into consideration the Group's business strategies. GALCO/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 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 market 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 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.

49. RISK MANAGEMENT (CONTD.)

49.4 MARKET RISK MANAGEMENT (CONTD.)

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 incorporates 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 the 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 GALCO.

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 rates with all other variables remaining constant.

Traded Market Risk:

	31 March 2013		31 March 2012	
	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)
Group and Bank				
Impact on profit before taxation	(149,862)	166,293	(165,534)	190,999
Impact on equity	-	-	-	-

Non-Traded Market Risk:

	31 March 2013		31 March 2012	
	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)	Interest rate + 100 bps (RM'000)	Interest rate - 100 bps (RM'000)
Group				
Impact on profit before taxation	368,124	(368,124)	384,016	(384,016)
Impact on equity	(97,389)	106,818	(114,927)	125,209
Bank				
Impact on profit before taxation	368,641	(368,641)	384,384	(384,384)
Impact on equity	(106,632)	117,074	(125,919)	137,402

49. RISK MANAGEMENT (CONTD.)

49.4 MARKET RISK MANAGEMENT (CONTD.)

(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 foreign exchange rates with all other variables remaining constant.

Impact on profit before taxation

	31 March 2013		31 March 2012	
Currency	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)
Group				
USD	10,323	(10,323)	10,663	(10,663)
SGD	(3,916)	3,916	(2,069)	2,069
EUR	126	(126)	(580)	580
JPY	(681)	681	(296)	296
Others	(33)	33	(1,418)	1,418
Bank				
USD	10,323	(10,323)	10,663	(10,663)
SGD	(3,916)	3,916	(2,069)	2,069
EUR	126	(126)	(580)	580
JPY	(681)	681	(296)	296
Others	(33)	33	(1,418)	1,418

Impact on Equity:

	31 March 2013		31 March 2012	
Currency	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)	Foreign exchange rate + 10 % (RM'000)	Foreign exchange rate - 10 % (RM'000)
Group				
USD	23,590	(23,590)	3,971	(3,971)
EUR	15	(15)	9	(9)
Bank				
USD	20,313	(20,313)	3,088	(3,088)
EUR	15	(15)	11	(11)

49. RISK MANAGEMENT (CONTD.)

49.4 MARKET RISK MANAGEMENT (CONTD.)

(iii) Price Risk

Price risk arises from the adverse movements in the prices of equity and other quoted instruments. Price risk is controlled via position size, loss limit and VaR limits.

The following table demonstrates the sensitivity of the Group and the Bank's profit before taxation and equity to a reasonable possible change in prices with all other variables remaining constant.

	31 March 2013		31 March 2012	
	Prices + 10 % (RM'000)	**Prices - 10 % (RM'000)**	**Prices + 10 % (RM'000)**	**Prices - 10 % (RM'000)**
Group				
Impact on profit before taxation	12,316	(12,315)	22,687	(22,677)
Impact on equity	22,300	(22,300)	7,223	(7,223)
Bank				
Impact on profit before taxation	12,316	(12,315)	22,687	(22,677)
Impact on equity	22,296	(22,296)	7,206	(7,206)

49.5 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 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’s Internal Audit team.

(i) Business Continuity Management (“BCM”)

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 the 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.

49. RISK MANAGEMENT (CONTD.)

49.6 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 the GOLRC/Group CEOs Committee, upon advice by internal legal counsel and, where necessary, in consultation with external legal counsel to ensure that such risk is minimised.

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, securities and anti-money laundering law 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.

50. 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 deferred 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.

The estimated fair values of the Group's and the Bank's financial instruments are as follows:

a) Financial instruments not measured at fair value

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
31 March 2013				
Financial Assets				
Cash and short-term funds	7,324,650	7,324,650	7,255,748	7,255,748
Deposits and placements with banks and other financial institutions	1,913,422	1,930,718	1,913,422	1,930,718
Financial investments available-for-sale	88,355	88,355	87,486	87,486
Financial investments held-to-maturity	4,033,535	4,023,914	4,033,164	4,023,543
Loans and advances	59,231,752	59,789,037	59,032,684	59,631,472
Statutory deposit with Bank Negara Malaysia	2,122,386	2,122,386	2,122,386	2,122,386
	74,714,100	75,279,060	74,444,890	75,051,353
Financial Liabilities				
Deposits and placements of banks and other financial institutions	2,330,512	2,336,072	2,338,370	2,343,930
Recourse obligation of loans sold to Cagamas Berhad	1,264,251	1,228,125	1,264,251	1,228,125
Deposits from customers	62,147,776	62,089,184	62,120,335	62,061,743
Term funding	4,075,158	4,188,293	4,075,158	4,188,293
Bills and acceptances payable	1,241,980	1,241,980	1,241,980	1,241,980
Debt capital	3,226,507	4,068,736	3,226,507	4,068,736
	74,286,184	75,152,390	74,266,601	75,132,807

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

a) Financial instruments not measured at fair value (contd.)

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
31 March 2012				
Financial Assets				
Cash and short-term funds	5,453,638	5,453,638	5,133,039	5,133,039
Securities purchased under resale agreements	384,570	384,570	384,570	384,570
Deposits and placements with banks and other financial institutions	1,122,194	1,122,194	1,091,549	1,091,549
Financial investments available-for-sale	88,271	88,271	87,410	87,410
Financial investments held-to-maturity	116,155	116,155	113,501	113,501
Loans and advances	56,491,272	56,568,411	56,252,935	56,323,768
Statutory deposit with Bank Negara Malaysia	2,011,288	2,011,288	2,011,288	2,011,288
	65,667,388	65,744,527	65,074,292	65,145,125
Financial Liabilities				
Deposits and placements of banks and other financial institutions	3,968,264	3,928,043	4,528,215	4,487,993
Securities sold under repurchase agreements	41,195	41,195	41,195	41,195
Recourse obligation of loans sold to Cagamas Berhad	1,176,054	1,060,697	1,176,054	1,060,697
Deposits from customers	59,359,849	59,297,586	58,496,288	58,434,026
Term funding	4,159,813	4,227,164	4,159,813	4,227,164
Bills and acceptances payable	353,526	353,526	353,526	353,526
Debt capital	3,241,592	4,028,031	3,241,592	4,028,031
	72,300,293	72,936,242	71,996,683	72,632,632

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

a) Financial instruments not measured at fair value (contd.)

	Group Carrying value RM'000	Group Fair value RM'000	Bank Carrying value RM'000	Bank Fair value RM'000
1 April 2011				
Financial Assets				
Cash and short-term funds	8,740,986	8,740,986	8,375,879	8,375,879
Securities purchased under resale agreements	289,731	289,731	289,731	289,731
Deposits and placements with banks and other financial institutions	3,792,922	3,792,922	3,702,163	3,702,163
Financial investments available-for-sale	87,739	87,739	86,888	86,888
Financial investments held-to-maturity	165,331	163,837	159,589	159,589
Loans and advances	55,514,989	56,121,006	55,234,910	55,891,150
Statutory deposit with Bank Negara Malaysia	143,811	143,811	143,811	143,811
	68,735,509	69,340,032	67,992,971	68,649,211
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,467,908	4,299,940	4,792,644	4,624,925
Securities sold under repurchase agreements	30,465	30,465	30,465	30,465
Recourse obligation of loans sold to Cagamas Berhad	19,583	19,592	19,583	19,592
Deposits from customers	59,664,604	59,545,871	59,036,112	58,917,378
Term funding	3,988,475	4,068,265	3,988,475	4,068,265
Bills and acceptances payable	988,389	988,389	988,389	988,389
Debt capital	2,692,800	3,326,446	2,692,800	3,326,446
	71,852,224	72,278,968	71,548,468	71,975,460

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(b) Financial instruments measured at fair value

	Group				Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2013								
Financial Assets								
Derivative financial assets	163	383,080	-	383,243	163	383,080	-	383,243
Financial assets held-for-trading								
- Money market securities	-	767,179	-	767,179	-	767,179	-	767,179
- Equities	231,219	-	-	231,219	231,219	-	-	231,219
- Quoted private debt securities	23,178			23,178	23,178			23,178
- Unquoted private debt securities	-	3,079,047	-	3,079,047	-	3,079,047	-	3,079,047
Financial investments available-for-sale								
- Money market securities	-	1,189,760	-	1,189,760	-	1,189,760	-	1,189,760
- Equities	217,545	-	-	217,545	217,507	-	-	217,507
- Quoted private debt securities	-	5,455	-	5,455	-	5,455	-	5,455
- Unquoted private debt securities	-	1,847,091	435	1,847,526	-	1,847,091	159,732	2,006,823
	472,105	7,271,612	435	7,744,152	472,067	7,271,612	159,732	7,903,411
Financial Liabilities								
Derivative financial liabilities	9,992	412,683	-	422,675	9,992	412,683	-	422,675
	9,992	412,683	-	422,675	9,992	412,683	-	422,675

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(b) Financial instruments measured at fair value (contd.)

	<---- Group			---->	<---- Bank			---->
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2012								
Financial Assets								
Derivative financial assets	268	379,767	-	380,035	268	379,767	-	380,035
Financial assets held-for-trading								
- Money market securities	-	6,257,744	-	6,257,744	-	6,257,744	-	6,257,744
- Equities	315,452	-	-	315,452	315,452	-	-	315,452
- Unquoted private debt securities	-	2,337,747	-	2,337,747	-	2,337,747	-	2,337,747
Financial investments available-for-sale								
- Money market securities	-	2,459,042	-	2,459,042	-	2,459,042	-	2,459,042
- Equities	72,233	-	-	72,233	72,059	-	-	72,059
- Quoted private debt securities	-	8,202	18,848	27,050	-	8,202	18,848	27,050
- Unquoted private debt securities	-	1,789,133	4,992	1,794,125	-	1,789,133	197,278	1,986,411
	387,953	13,231,635	23,840	13,643,428	387,779	13,231,635	216,126	13,835,540
Financial Liabilities								
Derivative financial liabilities	27,774	413,930	-	441,704	27,774	413,930	-	441,704
	27,774	413,930	-	441,704	27,774	413,930	-	441,704

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(b) Financial instruments measured at fair value (contd.)

	Group				Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1 April 2011								
Financial Assets								
Derivative financial assets	12,426	384,247	-	396,673	12,426	384,247	-	396,673
Financial assets held-for-trading								
- Money market securities	-	2,706,726	-	2,706,726	-	2,706,726	-	2,706,726
- Equities	370,053	-	-	370,053	370,053	-	-	370,053
- Unquoted private debt securities	-	1,090,223	-	1,090,223	-	1,090,223	-	1,090,223
Financial investments available-for-sale								
- Money market securities	-	3,659,523	-	3,659,523	-	3,659,523	-	3,659,523
- Equities	51,419	-	-	51,419	51,249	-	-	51,249
- Quoted private debt securities	155	22,115	33,611	55,881	155	22,115	33,611	55,881
- Unquoted private debt securities	-	2,418,845	58,562	2,477,407	-	2,418,845	285,310	2,704,155
	434,053	10,281,679	92,173	10,807,905	433,883	10,281,679	318,921	11,034,483
Financial Liabilities								
Recourse obligation on loans sold to Cagamas Berhad	-	998,460	-	998,460	-	998,460	-	998,460
Derivative financial liabilities	101,256	331,676	-	432,932	101,256	331,676	-	432,932
Debt capital	-	675,060	-	675,060	-	675,060	-	675,060
	101,256	2,005,196	-	2,106,452	101,256	2,005,196	-	2,106,452

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

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) 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 the Bank 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) 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.

(f) 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.

Determination of fair value hierarchy

The Group and the Bank 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.

50. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

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 Bank. Therefore, unobservable inputs reflect the Group's and the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Bank's own data.

About 2.0% (2012: 1.6%) 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.

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:

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Financial investment available-for-sale:				
Balance at beginning of financial year	23,840	92,173	216,126	318,921
Total gains/(losses) recognised in:				
- profit or loss:				
- other operating income	10,710	34,575	10,710	34,575
- impairment loss	83	(418)	83	(418)
- other comprehensive income	-	-	2,227	8,115
Settlements	(34,198)	(102,490)	(69,414)	(145,067)
Balance at end of financial year	435	23,840	159,732	216,126

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

	Group		Bank	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Financial investment available-for-sale:				
Total gains/(losses) included in:				
- impairment loss on financial investments	14	(519)	14	(519)
- other comprehensive income	-	-	2,227	7,120

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

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

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

51. 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, 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) 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.

(d) Markets

The markets operations focus on activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments.

(e) Group Functions and Others

Group functions and others comprise activities which complement and support the operations of the main business unit, and non-core operations of the Group.

Measurement 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 revenue from one single customer amounted to greater than 10% of the Group's revenue for the current and previous financial year.

51. BUSINESS SEGMENT ANALYSIS

Group 31 March 2013	Retail banking RM'000	Business banking RM'000	Corporate and institutional banking RM'000	Markets RM'000	Group functions and others RM'000	Total RM'000
Operating revenue	2,125,215	606,585	1,229,345	293,291	672,479	4,926,915
Income	1,310,032	468,614	397,828	271,628	193,776	2,641,878
Other operating expenses	(568,129)	(74,552)	(60,795)	(66,376)	(277,716)	(1,047,568)
Profit before provision	741,903	394,062	337,033	205,252	(83,940)	1,594,310
Provision	(106,170)	(91,193)	52,339	8,993	168,137	32,106
Profit before taxation	635,733	302,869	389,372	214,245	84,197	1,626,416
Taxation	(158,933)	(74,197)	(88,868)	(53,337)	154	(375,181)
Profit for the year	476,800	228,672	300,504	160,908	84,351	1,251,235

Other information

Cost to income ratio	43.4%	15.9%	15.3%	24.4%	143.3%	39.7%
Gross loans and advances	34,336,552	12,547,937	13,722,866	-	247,476	60,854,831
Net loans and advances	33,574,920	12,318,977	13,626,510	-	(288,655)	59,231,752
Impaired loans and advances	989,522	178,622	-	-	228,234	1,396,378
Deposits	30,582,110	6,139,159	25,576,454	71,506	2,109,059	64,478,288

51. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group 31 March 2012	Retail banking RM'000	Business banking RM'000	Corporate and institutional banking RM'000	Markets RM'000	Group functions and others RM'000	Total RM'000
Operating revenue	2,145,522	568,188	1,119,034	440,033	735,699	5,008,476
Income	1,334,463	442,193	311,604	408,721	258,909	2,755,890
Other operating expenses	(552,096)	(78,549)	(52,816)	(71,414)	(247,767)	(1,002,642)
Profit before provision	782,367	363,644	258,788	337,307	11,142	1,753,248
Provision	(207,504)	(104,526)	(19,008)	5,982	20,104	(304,952)
Profit before taxation	574,863	259,118	239,780	343,289	31,246	1,448,296
Taxation	(143,770)	(63,450)	(49,104)	(85,560)	(18,559)	(360,443)
Profit for the year	**431,093**	**195,668**	**190,676**	**257,729**	**12,687**	**1,087,853**

Other information

Cost to income ratio	41.4%	17.8%	16.9%	17.5%	95.7%	36.4%
Gross loans and advances	33,917,800	11,632,744	12,145,374	-	494,518	58,190,436
Net loans and advances	33,148,723	11,354,752	12,013,033	-	(25,236)	56,491,272
Impaired loans and advances	1,002,243	259,116	-	-	402,538	1,663,897
Deposits	28,815,729	5,108,636	26,011,346	(533,601)	3,926,003	63,328,113

Note:

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

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

52. SIGNIFICANT EVENT

Internal transfer of the 100% equity interest held by AMFB Holdings Berhad in AmBank (M) Berhad to AMMB Holdings Berhad

Upon approval of the Minister of Finance and BNM, AMMB Holdings Berhad ("AMMB") has, on 14 September 2012, entered into an agreement with its wholly-owned subsidiary, AMFB Holdings Berhad ("AMFB") to transfer 100% equity interest held by AMFB in the Bank to AMMB (the "Internal Transfer").

The internal transfer is a shareholding reorganisation exercise to make the Bank a direct 100% held subsidiary of AMMB in line with AMMB's current direct 100% shareholding in AmIslamic Bank Berhad and AmInvestment Bank Berhad.

The Internal Transfer was completed in 4 October 2012.

53. SUBSEQUENT EVENTS

On 26 April 2013, the holding company received approval from Bank Negara Malaysia on the proposed reorganisation of the Group's card business comprising:

a. the consolidation of card business of MBF Cards (M) Sdn Bhd, a wholly-owned subsidiary of AMMB to the Bank.

b. acquisition of 100% equity interest in Arab-Malaysian Credit Berhad, a wholly-owned subsidiary of AMFB by the Bank.

54. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES

a. Transition to MFRSs

These financial statements, for the year ended 31 March 2013, are the first the Bank has prepared in accordance with MFRS. For periods up to and including the year ended 31 March 2012, the Bank prepared its financial statements in accordance with FRS.

Accordingly, the Bank has prepared financial statements which comply with MFRS applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the transition to MFRS Framework note. In preparing these financial statements, the Bank's opening statement of financial position was prepared as at 1 April 2011, the Bank's date of transition to MFRS.

The Bank's reconciliations of statement of financial position as at 1 April 2011 and 31 March 2012, reconciliations of income statement and statement of comprehensive income for the year ended 31 March 2012 and reconciliation of statements of cash flows for the year ended 31 March 2012 are provided below to show the principal adjustments made by the Bank in restating its FRS financial statements.

b. Other restatements

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

(i) interest receivable and payable for certain derivative product for the same counterparty for the financial year ended 31 March 2012 and 1 April 2011. The interest receivable and payable which were presented on a gross basis is now set off and presented on a net basis in either other assets (net interest receivable) or other liabilities (net interest payable).

(ii) work in progress ("WIP") for intangible assets for the financial year ended 31 March 2012 and 1 April 2011. The WIP balance which was previously included under WIP Property and Equipment is now presented under Intangible Assets.

(iii) deposit and placements of banks and other financial institutions and deposit from customers for the financial year ended 31 March 2012 and 1 April 2011. The deposits and placements of banks and other financial institutions previously included certain monies which the other financial institution holds in trust ("trust monies") on behalf of its remisiers and clients. With the appllication of FRSIC Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad, the other financial institution has derecognised the deposits and placements from its books. The Bank has correspondingly reclassified the trust monies from deposits and placements of banks and other financial institution to deposits from customers.

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

54. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

c. Reconciliations of statements of financial position

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
Group				
As at 1 April 2011				
Loans and advances	55,610,208	(95,219)	-	55,514,989
Other assets	1,034,503	-	(222,309)	812,194
Property and equipment	201,112	-	(45,790)	155,322
Intangible assets	91,664	-	45,790	137,454
Deposits and placements of banks and other financial institutions	4,625,853	-	(157,945)	4,467,908
Deposits from customers	59,506,659	-	157,945	59,664,604
Other liabilities	2,308,014	(2,985)	(222,309)	2,082,720
Reserves	4,446,494	(92,234)	-	4,354,260
As at 31 March 2012				
Loans and advances	56,537,197	(45,925)	-	56,491,272
Deferred tax asset	157,077	2,493	-	159,570
Other assets	1,333,754	-	(254,994)	1,078,760
Property and equipment	205,062	-	(63,384)	141,678
Intangible assets	106,829	-	63,384	170,213
Deposits and placements of banks and other financial institutions	4,133,216	-	(164,952)	3,968,264
Deposits from customers	59,194,897	-	164,952	59,359,849
Other liabilities	2,347,827	56,377	(254,994)	2,149,210
Reserves	5,250,840	(99,809)	-	5,151,031
Bank				
As at 1 April 2011				
Loans and advances	55,336,273	(101,363)	-	55,234,910
Other assets	1,029,891	-	(222,309)	807,582
Property and equipment	176,868	-	(45,790)	131,078
Intangible assets	91,646	-	45,790	137,436
Deposits and placements of banks and other financial institutions	4,950,589	-	(157,945)	4,792,644
Deposits from customers	58,878,167	-	157,945	59,036,112
Other liabilities	2,298,767	(4,387)	(222,309)	2,072,071
Reserves	4,286,477	(96,976)	-	4,189,501
As at 31 March 2012				
Loans and advances	56,303,147	(50,212)	-	56,252,935
Deferred tax asset	156,339	2,052	-	158,391
Other assets	1,328,120	-	(254,994)	1,073,126
Property and equipment	181,272	-	(63,384)	117,888
Intangible assets	106,814	-	63,384	170,198
Deposits and placements of banks and other financial institutions	4,693,167	-	(164,952)	4,528,215
Deposits from customers	58,331,336	-	164,952	58,496,288
Other liabilities	2,338,711	54,971	(254,994)	2,138,688
Reserves	5,201,054	(103,131)	-	5,097,923

54. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

d. Reconciliation of income statement and statement of comprehensive income

	As previously reported RM'000	Effect of transition to MFRSs RM'000	As restated RM'000
Group			
Consolidated Income Statement for the financial year ended 31 March 2012			
Allowance for impairment on loans and advances	(272,774)	49,282	(223,492)
Provision for commitments and contingencies	516	(59,360)	(58,844)
Taxation	(362,936)	2,493	(360,443)
Bank			
Income Statement for the financial year ended 31 March 2012			
Allowance for impairment on loans and advances	(280,265)	51,151	(229,114)
Provision for commitments and contingencies	516	(59,358)	(58,842)
Taxation	(365,200)	2,052	(363,148)

e. Reconciliation of statements of cash flows

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
31 March 2012				
Group				
Profit before taxation	1,458,374	(10,078)	-	1,448,296
Adjustments for:				
Loan and advances allowances, net of writeback	732,049	(49,282)	-	682,767
Provision for commitments and contingencies	(516)	59,360	-	58,844
Decrease/(Increase) in operating assets:				
Other assets	(351,650)	-	32,685	(318,965)
(Decrease)/Increase in operating liabilities:				
Deposits and placements of banks and other financial institutions	(492,637)	-	(7,007)	(499,644)
Deposits from customers	(311,762)	-	7,007	(304,755)
Other liabilities	225,990	-	(32,685)	193,305
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	(16,452)	-	(55,513)	(71,965)
Purchase of property and equipment	(85,155)	-	55,513	(29,642)

54. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

e. Reconciliation of statements of cash flows (contd.)

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
31 March 2012				
Bank				
Profit before taxation	1,567,237	(8,207)	-	1,559,030
Adjustments for:				
Loan and advances allowances, net of writeback	733,448	(51,151)	-	682,297
Provision for commitments and contingencies	(516)	59,358	-	58,842
Decrease/(Increase) in operating assets:				
Other assets	(350,678)	-	32,685	(317,993)
(Decrease)/Increase in operating liabilities:				
Deposits and placements of banks and other financial institutions	(257,422)	-	(7,007)	(264,429)
Deposits from customers	(546,831)	-	7,007	(539,824)
Other liabilities	224,312	-	(32,685)	191,627
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	(16,451)	-	(55,513)	(71,964)
Purchase of property and equipment	(85,102)	-	55,513	(29,589)

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