

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

**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Note	Group	
		30.06.14 RM'000	31.03.14 RM'000
<b>ASSETS</b>			
Cash and short-term funds		6,904,488	10,287,346
Deposits and placements with banks and other financial institutions		902,847	1,063,122
Derivative financial assets	A28	472,751	528,810
Financial assets held-for-trading	A8	4,139,594	3,836,161
Financial investments available-for-sale	A9	12,236,525	11,640,846
Financial investments held-to-maturity	A10	3,769,744	3,897,565
Loans, advances and financing	A11	85,622,696	87,170,577
Statutory deposits with Bank Negara Malaysia	A12	3,159,953	3,122,961
Deferred tax assets		67,835	127,121
Investment in associates and joint ventures		607,027	252,475
Other assets	A13	2,643,471	3,084,376
Reinsurance, retakaful assets and other insurance receivables		411,423	473,012
Investment properties		7,713	7,713
Property and equipment		351,920	351,468
Intangible assets		3,359,454	3,383,662
Assets held for sale		-	3,126,042
<b>TOTAL ASSETS</b>		<b>124,657,441</b>	<b>132,353,257</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits and placements of banks and other financial institutions	A14	2,125,522	4,120,923
Recourse obligation on loans and financing sold to Cagamas Berhad		3,313,031	3,318,263
Derivative financial liabilities	A28	456,659	541,224
Deposits from customers	A15	86,937,330	89,698,878
Term funding		6,135,200	6,644,641
Debt capital		4,748,823	4,766,198
Redeemable cumulative convertible preference share		195,293	193,137
Deferred tax liabilities		115,494	116,870
Other liabilities	A16	3,288,400	3,455,336
Insurance, takaful contract liabilities and other insurance payables		2,514,520	2,568,031
Liabilities directly associated with assets held for sale		-	2,835,367
<b>Total Liabilities</b>		<b>109,830,272</b>	<b>118,258,868</b>
Share capital		3,014,185	3,014,185
Reserves		10,843,897	10,128,756
Equity attributable to equity holders of the Company		13,858,082	13,142,941
Non-controlling interests		969,087	951,448
<b>Total Equity</b>		<b>14,827,169</b>	<b>14,094,389</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>124,657,441</b>	<b>132,353,257</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A27	<b>93,960,586</b>	<b>103,478,931</b>

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**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014 (CONT'D.)**

	<b>Note</b>	<b>Group</b> <b>30.06.14</b> <b>RM'000</b>	<b>31.03.14</b> <b>RM'000</b>
<b>CAPITAL ADEQUACY RATIO</b>	A30		
<b>Before deducting proposed dividends:</b>			
Common Equity Tier 1 ("CET1") Capital ratio		10.369%	10.126%
Tier 1 Capital ratio		11.840%	11.569%
Total Capital ratio		16.230%	15.899%
<b>After deducting proposed dividends:</b>			
CET1 Capital ratio		9.980%	9.745%
Tier 1 Capital ratio		11.451%	11.188%
Total Capital ratio		15.842%	15.517%
<b>NET ASSETS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)</b>		<b>4.60</b>	<b>4.36</b>

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

**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

Group	Note	Individual Quarter		Cumulative Quarter	
		30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Operating revenue	A23	2,582,906	2,382,251	2,582,906	2,382,251
Interest income	A17	1,081,684	1,162,528	1,081,684	1,162,528
Interest expense	A18	(578,703)	(591,323)	(578,703)	(591,323)
Net interest income		502,981	571,205	502,981	571,205
Net income from Islamic banking business		206,941	236,011	206,941	236,011
Income from insurance business		419,661	517,641	419,661	517,641
Insurance claims and commissions		(304,556)	(395,146)	(304,556)	(395,146)
Net income from insurance business	A19	115,105	122,495	115,105	122,495
Other operating income	A20	636,418	258,663	636,418	258,663
Share in results of associates and joint ventures		1,029	4,676	1,029	4,676
Net income		1,462,474	1,193,050	1,462,474	1,193,050
Other operating expenses	A21	(550,703)	(568,537)	(550,703)	(568,537)
Acquisition and business efficiency expenses		(72,842)	-	(72,842)	-
Operating profit		838,929	624,513	838,929	624,513
(Allowances)/Writeback for impairment on loans and financing	A22	(81,069)	20,397	(81,069)	20,397
Net impairment (loss)/writeback on:					
Financial investments		5,000	(182)	5,000	(182)
Doubtful sundry receivables		(32,478)	8,222	(32,478)	8,222
Foreclosed properties		(5,558)	(259)	(5,558)	(259)
Intangible assets		(125)	-	(125)	-
(Provision made)/Writeback of provision for commitments and contingencies		1,924	(8,199)	1,924	(8,199)
Transfer to profit equalisation reserve		(838)	(7,209)	(838)	(7,209)
Profit before taxation and zakat		725,785	637,283	725,785	637,283
Taxation and zakat	B5	(157,935)	(153,675)	(157,935)	(153,675)
<b>Profit for the period</b>		<b>567,850</b>	<b>483,608</b>	<b>567,850</b>	<b>483,608</b>
Attributable to:					
Equity holders of the Company		536,940	461,982	536,940	461,982
Non-controlling interests		30,910	21,626	30,910	21,626
<b>Profit for the period</b>		<b>567,850</b>	<b>483,608</b>	<b>567,850</b>	<b>483,608</b>
<b>EARNINGS PER SHARE (SEN)</b>	B11				
Basic		17.86	15.38	17.86	15.38
Fully diluted		17.85	15.35	17.85	15.35

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

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

Group	Note	Individual Quarter		Cumulative Quarter	
		30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Profit for the period		567,850	483,608	567,850	483,608
Other comprehensive income/(loss):					
<b>Items that will not be reclassified to income statement</b>					
Remeasurement of defined benefit liability		-	-	-	-
<b>Items that may be reclassified to income statement</b>					
Exchange differences on translation of					
- foreign operations		(6,815)	3,857	(6,815)	3,857
- net investment hedge		(1,908)	2,345	(1,908)	2,345
Net movement on cash flow hedge		5,303	4,312	5,303	4,312
Net movement on financial investments available-for-sale		(11,902)	6,658	(11,902)	6,658
		(15,322)	17,172	(15,322)	17,172
Income tax relating to the components of other comprehensive income/(loss)		1,560	(1,577)	1,560	(1,577)
Other comprehensive income/(loss) for the period, net of tax		(13,762)	15,595	(13,762)	15,595
Total comprehensive income for the period		554,088	499,203	554,088	499,203
Total comprehensive income for the period attributable to:					
Equity holders of the Company		532,904	474,865	532,904	474,865
Non-controlling interests		21,184	24,338	21,184	24,338
		554,088	499,203	554,088	499,203

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**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

Group	Attributable to Equity Holders of the Company								Total Equity RM'000
	Non-Distributable				Distributable				
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings Non-participating Funds RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	
<b>At 1 April 2013</b>	3,014,185	2,537,372	1,974,574	(74,938)	110,364	4,506,179	12,067,736	873,594	12,941,330
Profit for the period	-	-	-	-	-	461,982	461,982	21,626	483,608
Other comprehensive income, net	-	-	12,883	-	-	-	12,883	2,712	15,595
Total comprehensive income for the period	-	-	12,883	-	-	461,982	474,865	24,338	499,203
Share-based payment under ESS, net	-	-	(18,170)	-	-	-	(18,170)	-	(18,170)
ESS shares vested to employees of subsidiaries	-	-	(218)	23,807	-	-	23,589	-	23,589
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	863	863	(15)	848
Net utilisation of profit equalisation reserve	-	-	6,087	-	-	(6,087)	-	-	-
Unallocated surplus transfer	-	-	-	-	11,994	(15,992)	(3,998)	-	(3,998)
Transactions with owners and other equity movements	-	-	(12,301)	23,807	11,994	(21,216)	2,284	(15)	2,269
<b>At 30 June 2013</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,975,156</b>	<b>(51,131)</b>	<b>122,358</b>	<b>4,946,945</b>	<b>12,544,885</b>	<b>897,917</b>	<b>13,442,802</b>

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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

Group	Attributable to Equity Holders of the Company								Total Equity RM'000
	Non-Distributable				Distributable				
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings Non-participating Funds RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	
<b>At 1 April 2014</b>	3,014,185	2,537,372	1,989,121	(58,434)	132,993	5,527,704	13,142,941	951,448	14,094,389
Profit for the period	-	-	-	-	-	536,940	536,940	30,910	567,850
Other comprehensive loss, net	-	-	(4,036)	-	-	-	(4,036)	(9,726)	(13,762)
Total comprehensive income/(loss) for the period	-	-	(4,036)	-	-	536,940	532,904	21,184	554,088
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^	-	-	-	(11,908)	-	-	(11,908)	-	(11,908)
Share-based payment under ESS, net	-	-	851	-	-	-	851	-	851
ESS shares vested to employees of subsidiaries	-	-	(37,353)	36,211	-	-	(1,142)	-	(1,142)
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	3,368	3,368	(2)	3,366
Net utilisation of profit equalisation reserve	-	-	277	-	-	(277)	-	-	-
Unallocated surplus transfer	-	-	-	-	2,311	3,338	5,649	-	5,649
Redemption of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	-	(2,543)	(2,543)
Arising from disposal of equity interests in subsidiaries	-	-	-	-	(132,993)	318,412	185,419	-	185,419
Dividend paid	-	-	-	-	-	-	-	(1,000)	(1,000)
Transactions with owners and other equity movements	-	-	(36,225)	24,303	(130,682)	324,841	182,237	(3,545)	178,692
<b>At 30 June 2014</b>	<b>3,014,185</b>	<b>2,537,372</b>	<b>1,948,860</b>	<b>(34,131)</b>	<b>2,311</b>	<b>6,389,485</b>	<b>13,858,082</b>	<b>969,087</b>	<b>14,827,169</b>

^ Represents the purchase of 1,655,100 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM7.19 per share.

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**AMMB HOLDINGS BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

<b>Group</b>	<b>30.06.14</b> <b>RM'000</b>	<b>30.06.13</b> <b>RM'000</b>
Profit before taxation and zakat	725,785	637,283
Add/(Less) adjustments for:		
Accretion of discount less amortisation of premium	(40,416)	(19,900)
Dividend income from investments	(12,968)	(18,435)
Allowance for losses on loans, advances and financing	81,069	(20,397)
Net gain on redemption of financial investments held-to-maturity	-	(785)
Net gain on sale of financial investments available-for-sale	(31,050)	(17,109)
Net loss/(gain) on sale of financial assets held-for-trading	1,373	(30,786)
Net loss on revaluation of financial assets held-for-trading	(4,699)	50,543
Net gain on revaluation of derivatives	(3,899)	(29,176)
Other non-operating and non-cash items	(451,147)	14,826
Operating profit before working capital changes	<u>264,048</u>	<u>566,064</u>
<i>Decrease/(Increase) in operating assets:</i>		
Securities purchased under resale agreements	-	(64,827)
Deposits and placements with banks and other financial institutions	160,275	1,511,744
Financial assets held-for-trading	(301,613)	(90,888)
Loans, advances and financing	1,466,812	(1,576,249)
Reinsurance, retakaful assets and other insurance receivables	61,589	66,613
Other assets	638,405	207,964
Statutory deposits with Bank Negara Malaysia	(36,992)	(140,042)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits and placements of banks and other financial institutions	(1,995,401)	(171,003)
Obligations on securities sold under repurchase agreements	-	39,770
Recourse obligation on loans and financing sold to Cagamas Berhad	(5,232)	(4,741)
Deposits from customers	(2,761,548)	2,424,066
Term funding	(509,441)	(139,746)
Bills and acceptances payable	-	(1,266,329)
Insurance, takaful contract liabilities and other insurance payables	(53,511)	89,755
Other liabilities	(433,882)	(1,380,085)
Cash (used in)/generated from operations	<u>(3,506,491)</u>	<u>72,066</u>
Taxation and zakat paid	(139,070)	(179,404)
Net cash used in operating activities	<u>(3,645,561)</u>	<u>(107,338)</u>
Purchase of financial investments - net	(401,831)	(55,455)
Dividends received from other investments	16,170	20,523
Proceeds from disposal of property and equipment	68	539
Purchase of property and equipment and intangible assets	(37,757)	(48,569)
Net cash inflow from disposal of equity interests in subsidiaries	661,193	-
Arising from purchase of shares for ESS by the appointed trustee	(11,908)	-
ESS shares vested to eligible employees	36,211	23,807
Transfer of ESS shares recharged difference on purchase price for shares vested	3,368	863
Net cash generated from/(used in) investing activities	<u>265,514</u>	<u>(58,292)</u>
Proceeds from issuance of shares by subsidiaries to non-controlling interests	(2,543)	-
Dividends paid to non-controlling interests by subsidiaries	(1,000)	-
Net cash (used in) financing activities	<u>(3,543)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(3,383,590)	(165,630)
Cash and cash equivalents at beginning of financial year	10,286,587	11,780,148
Effect of exchange rate changes	1,491	(82)
Cash and cash equivalents at end of period	<u>6,904,488</u>	<u>11,614,436</u>

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**EXPLANATORY NOTES :**

**A1. BASIS OF PREPARATION**

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

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

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

The significant accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2014 except for the adoption of the following financial reporting standards, which did not have any significant impact on the accounting policies, financial position or performance of the Group and the Company.

**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
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

The nature of the new standards is described below:

**Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10, Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

**Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

**Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets**

These amendments remove the unintended consequences of MFRS 13, Fair Value Measurement on the disclosures required under MFRS 136, Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the period.

**Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group have not novated their derivatives during the current period. However, these amendments would be considered for future novation.

**IC Interpretation 21: Levies**

IC 21 is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., MFRS 112, Income Taxes) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.



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

### Standards issued but not yet effective

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

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

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

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

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

### Effect of adoption of standards issued but not yet effective

The impact to the financial statements of the Group and the Company upon the initial application of the significant MFRSs that have been issued but not yet effective is as described below. The Group and the Company are assessing the financial effects of their adoption.

### Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions

The amendments to MFRS 119 provide a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

### Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010-2012 Cycle"

The Annual Improvements to MFRSs 2010 – 2012 Cycle consist of the following amendments:

- (i) MFRS 2, Share-based Payment  
The amendment clarifies the definition of "vesting conditions" by separately defining "performance condition" and "service condition" to ensure consistent classification of conditions attached to a share-based payment.
- (ii) MFRS 3, Business Combinations  
The amendment clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132, Financial Instruments: Presentation. In addition, contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the statement of profit or loss.
- (iii) MFRS 8, Operating Segments  
The amendment requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segment and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. In addition, a reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.
- (iv) MFRS 13, Fair Value Measurement  
The amendment relates to the IASB's Basis for Conclusions which clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.
- (v) MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets  
The amendment clarifies the accounting for the accumulated depreciation or amortisation when an asset is revalued.
- (vi) MFRS 124, Related Party Disclosures  
The amendment extends the definition of "related party" to include an entity, or any member of a group of which it is a party, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

### **Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011-2013 Cycle"**

The Annual Improvements to MFRSs 2011 – 2013 Cycle consist of the following amendments:

- (i) **MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards**  
The amendment relates to the IASB's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.
- (ii) **MFRS 3, Business Combinations**  
The amendment clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11, Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangements for their interests in the joint arrangement.
- (iii) **MFRS 13, Fair Value Measurement**  
The amendment clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139, Financial Instruments: Recognition and Measurement or MFRS 9, Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132, Financial Instruments: Presentation.
- (iv) **MFRS 140, Investment Property**  
The amendment clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

### **MFRS 9, Financial Instruments**

MFRS 9, Financial Instruments – MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but will not have an impact on the classification and measurement of the Group's and the Company's financial liabilities. The Group and the Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

## **A2. AUDIT QUALIFICATION**

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

## **A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

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

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

There were no unusual items during the current financial quarter.

## **A5. CHANGES IN ESTIMATES**

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial period ended 30 June 2014.

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

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

Upon maturity on 28 April 2014, AmBank repaid Senior Notes totalling RM775.0 million and on 21 May 2014, AmBank had issued Tranche 5 of the Senior Notes amounting to RM400.0 million for a tenor of 4 years. The notes bear a coupon of 4.40% per annum and is payable semi annually.

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

Subsequent to the reporting date, on 3 July 2014, AmBank issued USD400 million Senior Notes under its USD2 billion Euro Medium Term Note Programme ("the Programme"). The Programme in nominal value (or its equivalent in other currencies) was approved by the Securities Commission under its deemed approved process.

The net proceed from the Programme will be utilised by AmBank for its working capital, general funding requirements and other corporate purposes. The notes with a tenor of 5 years, will mature on 3 July 2019 are rated Baa1 by Moody's Investors Service and BBB+ by Standard & Poor's Ratings Services. The notes bear a coupon of 3.125% per annum and is payable semi annually.

**A7. DIVIDENDS PAID**

No dividend has been paid during the current financial quarter.

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

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
Malaysia Treasury Bills	-	9,980
Malaysia Islamic Treasury Bills	19,456	-
Malaysian Government Securities	463,875	532,163
Government Investment Issues	182,899	132,086
Cagamas bonds	55,000	-
	<u>721,230</u>	<u>674,229</u>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	150,027	172,165
Unit trusts	22,245	35,874
Warrants	-	6,067
Private debt securities	14,605	23,799
	<u>186,877</u>	<u>237,905</u>
<b>Unquoted Securities:</b>		
In Malaysia:		
Private debt securities	3,125,933	2,805,150
Outside Malaysia:		
Private debt securities	105,554	118,877
	<u>3,231,487</u>	<u>2,924,027</u>
<b>Total</b>	<u><b>4,139,594</b></u>	<u><b>3,836,161</b></u>

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

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
Malaysian Treasury Bills	6,624	6,575
Malaysian Government Securities	387,409	390,806
Government Investment Issues	1,646,454	806,663
Bank Negara Monetary Notes	1,931,275	4,140,975
Negotiable instruments of deposits	900,092	519,881
Islamic negotiable instruments of deposit	1,823,011	996,914
	<u>6,694,865</u>	<u>6,861,814</u>
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	17,217	40,893
Unit trusts	1,297,020	581,707
Private debt securities	-	-
Outside Malaysia:		
Shares	33,222	29,149
	<u>1,347,459</u>	<u>651,749</u>
<b>Unquoted Securities:</b>		
In Malaysia:		
Unit trusts	352,446	454,498
Private debt securities	3,425,395	3,252,612
Outside Malaysia:		
Unit trusts	1,818	2,953
Private debt securities	286,481	286,946
	<u>4,066,140</u>	<u>3,997,009</u>
<b>At Cost</b>		
<b>Unquoted Securities:</b>		
In Malaysia:		
Shares	119,643	121,852
Outside Malaysia:		
Shares	8,418	8,422
	<u>128,061</u>	<u>130,274</u>
<b>Total</b>	<u>12,236,525</u>	<u>11,640,846</u>

In the previous financial year, the Group had reclassified securities from financial investments available-for-sale to other assets as the Group has the intention to hold the securities until maturity.

As at 30 June 2014, the fair value gain that would have been recognised in other comprehensive income for the current period if the securities had not been reclassified amounted to RM1,056,000 (31 March 2014: RM2,395,000).

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

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Foreign Treasury Bills	385,282	522,405
<b>Unquoted Securities:</b>		
In Malaysia:		
Private debt securities	3,388,106	3,378,804
	3,773,388	3,901,209
Accumulated impairment losses	(3,644)	(3,644)
<b>Total</b>	<b>3,769,744</b>	<b>3,897,565</b>

**A11. LOANS, ADVANCES AND FINANCING**

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Amortised Cost:</b>		
Loans and financing:		
Term loans	26,370,325	26,925,029
Revolving credit	9,246,775	9,491,102
Housing loans/financing	14,657,172	14,433,902
Staff loans	132,627	134,678
Hire-purchase receivables	26,249,839	27,160,304
Credit card receivables	1,963,164	2,027,373
Overdraft	3,111,900	3,207,162
Claims on customers under acceptance credits	3,784,214	3,783,885
Trust receipts	1,137,889	1,139,161
Bills receivables	783,373	752,279
Others	164,325	233,638
Gross loans, advances and financing	87,601,603	89,288,513
Allowance for impairment on loans, advances and financing:		
Collective allowance	(1,764,452)	(1,950,384)
Individual allowance	(214,455)	(167,552)
	(1,978,907)	(2,117,936)
<b>Net loans, advances and financing</b>	<b>85,622,696</b>	<b>87,170,577</b>

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

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

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic banking institutions	176	84
Domestic non-bank financial institutions	152,975	165,846
Domestic business enterprises:		
Small and medium enterprises	11,616,088	12,358,779
Others	28,014,713	28,386,482
Government and statutory bodies	416,045	407,909
Individuals	46,246,428	46,823,358
Other domestic entities	10,520	8,040
Foreign individuals and entities	1,144,658	1,138,015
	<u>87,601,603</u>	<u>89,288,513</u>

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

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia	86,630,391	88,131,863
Outside Malaysia	971,212	1,156,650
	<u>87,601,603</u>	<u>89,288,513</u>

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

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:		
Housing loans/financing	517,641	521,160
Hire purchase receivables	24,947,962	25,775,955
Other fixed rate loans/financing	12,143,241	12,063,843
	<u>37,608,844</u>	<u>38,360,958</u>
Variable rate:		
Base lending/financing rate plus	26,204,391	26,842,317
Cost plus	22,715,180	23,082,607
Other variable rates	1,073,188	1,002,631
	<u>49,992,759</u>	<u>50,927,555</u>
	<u>87,601,603</u>	<u>89,288,513</u>

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

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

	Group	
	30.06.14 RM'000	31.03.14 RM'000
Agriculture	3,854,534	3,842,717
Mining and quarrying	3,003,178	3,022,389
Manufacturing	8,340,695	8,242,362
Electricity, gas and water	1,347,018	1,345,679
Construction	4,322,806	4,629,200
Wholesale and retail trade and hotels and restaurants	5,840,202	5,836,570
Transport, storage and communication	2,299,858	2,900,357
Finance and insurance	174,277	548,410
Real estate	7,907,246	7,795,364
Business activities	2,156,770	2,077,828
Education and health	1,143,016	1,236,202
Household of which:	46,819,247	47,406,055
Purchase of residential properties	15,146,451	14,667,091
Purchase of transport vehicles	24,038,985	24,958,929
Others	7,633,811	7,780,035
Others	392,756	405,380
	87,601,603	89,288,513

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

	Group	
	30.06.14 RM'000	31.03.14 RM'000
Maturing within one year	17,980,474	19,158,852
Over one year to three years	10,651,138	11,014,209
Over three years to five years	14,785,792	14,760,511
Over five years	44,184,199	44,354,941
	87,601,603	89,288,513

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

	Group	
	30.06.14 RM'000	31.03.14 RM'000
<b>Gross</b>		
Balance at beginning of financial period/year	1,662,141	1,680,471
Impaired during the period/year	688,484	1,722,721
Reclassified as non-impaired	(243,022)	(308,206)
Recoveries	(216,038)	(602,212)
Amount written off	(249,309)	(830,633)
Exchange differences	(84)	-
Balance at end of financial period/year	1,642,172	1,662,141
Gross impaired loans, advances and financing as % of gross loans, advances and financing	1.9%	1.9%
Loan loss coverage excluding collateral values	120.5%	127.4%



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

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

	Group	
	30.06.14	31.03.14
	RM'000	RM'000
In Malaysia	1,630,186	1,650,221
Outside Malaysia	11,986	11,920
	1,642,172	1,662,141

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

	Group	
	30.06.14	31.03.14
	RM'000	RM'000
Agriculture	18,187	7,384
Mining and quarrying	10,235	4,132
Manufacturing	224,339	227,053
Electricity, gas and water	43,159	24,249
Construction	34,099	36,051
Wholesale and retail trade and hotels and restaurants	42,524	44,512
Transport, storage and communication	61,202	62,617
Finance and insurance	1,572	1,769
Real estate	85,550	7,920
Business activities	20,633	24,512
Education and health	12,413	13,816
Household of which:	1,086,486	1,206,447
Purchase of residential properties	475,555	495,630
Purchase of transport vehicles	553,166	596,219
Others	57,765	114,598
Others	1,773	1,679
	1,642,172	1,662,141

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

	Group	
	30.06.14	31.03.14
	RM'000	RM'000
<b>Collective allowance</b>		
Balance at beginning of financial period/year	1,950,384	1,986,361
Allowance made during the financial period/year, net	160,026	602,488
Amount written off and others	(345,652)	(639,880)
Exchange fluctuation adjustments	(306)	1,415
Balance at end of financial period/year	1,764,452	1,950,384
Collective allowance as % of gross loans, advances and financing less individual allowance	2.0%	2.2%
<b>Individual allowance</b>		
Balance at beginning of financial period/year	167,552	186,556
Allowance made during the financial period/year, net	50,133	216,720
Amount written off	(3,230)	(235,724)
Balance at end of financial period/year	214,455	167,552

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

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

#### A13. OTHER ASSETS

	Group	
	30.06.14	31.03.14
	RM'000	RM'000
Trade receivables, net of allowance for impairment	396,511	752,453
Other receivables, deposits and prepayments, net of allowance for impairment	1,564,767	1,623,340
Interest receivables, net of allowance for impairment	198,327	227,268
Fee receivable, net of allowance for impairment	51,503	44,444
Amount due from Originators	356,832	361,635
Amount due from agents, brokers and reinsurers	13,844	8,431
Foreclosed properties, net of allowance for impairment	61,687	66,805
	<u>2,643,471</u>	<u>3,084,376</u>

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

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

	Group	
	30.06.14	31.03.14
	RM'000	RM'000
Deposits from:		
Licensed banks	375,085	2,228,756
Licensed investment banks	99,724	5,281
Bank Negara Malaysia	90,631	98,293
Other financial institutions	1,560,082	1,788,593
	<u>2,125,522</u>	<u>4,120,923</u>

#### A15. DEPOSITS FROM CUSTOMERS

	Group	
	30.06.14	31.03.14
	RM'000	RM'000
Demand deposits	13,459,330	13,450,532
Savings deposits	5,355,153	5,290,440
Term/Investment deposits	68,073,894	70,903,023
Negotiable instruments of deposits	48,953	54,883
	<u>86,937,330</u>	<u>89,698,878</u>

The deposits are sourced from the following types of customers:

Business enterprises	39,699,645	42,554,162
Individuals	34,179,914	34,508,342
Government and statutory bodies	10,208,716	10,116,686
Others	2,849,055	2,519,688
	<u>86,937,330</u>	<u>89,698,878</u>

#### A16. OTHER LIABILITIES

	Group	
	30.06.14	31.03.14
	RM'000	RM'000
Trade payables	330,515	659,944
Other payables and accruals	2,003,445	1,838,615
Interest payable	787,628	736,777
Lease deposits and advance rentals	17,412	19,526
Provision for commitments and contingencies	140,596	174,965
Bank overdrafts	-	759
Profit equalisation reserve	1,908	1,571
Provision for taxation	6,896	23,179
	<u>3,288,400</u>	<u>3,455,336</u>

#### A17. INTEREST INCOME

Group	Individual Quarter		Cumulative Quarter	
	30.06.14	30.06.13	30.06.14	30.06.13
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits with financial institutions	41,830	54,923	41,830	54,923
Financial assets held-for-trading	23,405	42,914	23,405	42,914
Financial investments available-for-sale	72,732	46,258	72,732	46,258
Financial investments held-to-maturity	27,153	55,479	27,153	55,479
Loans and advances	909,641	957,251	909,641	957,251
Impaired loans and advance	1,853	505	1,853	505
Others	5,070	5,198	5,070	5,198
	<u>1,081,684</u>	<u>1,162,528</u>	<u>1,081,684</u>	<u>1,162,528</u>

#### A18. INTEREST EXPENSE

Group	Individual Quarter		Cumulative Quarter	
	30.06.14	30.06.13	30.06.14	30.06.13
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	447,643	457,162	447,643	457,162
Deposit and placements of banks and other financial institutions	7,786	11,363	7,786	11,363
Senior notes	43,584	46,112	43,584	46,112
Credit-Linked Note	4,155	6,322	4,155	6,322
Recourse obligation on loans sold to Cagamas Berhad	10,151	10,166	10,151	10,166
Term loans	7,574	6,974	7,574	6,974
Subordinated term loans and notes	10,498	5,684	10,498	5,684
Medium term notes	20,648	20,648	20,648	20,648
Hybrid and Innovative Tier 1 capital securities	20,501	19,971	20,501	19,971
Others	6,163	6,921	6,163	6,921
	<u>578,703</u>	<u>591,323</u>	<u>578,703</u>	<u>591,323</u>

#### A19. NET INCOME FROM INSURANCE BUSINESS

Group	Individual Quarter		Cumulative Quarter	
	30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Income from Insurance Business:				
Premium income from general insurance business	374,216	382,116	374,216	382,116
Premium income from life and family takaful insurance business	45,445	135,525	45,445	135,525
	<u>419,661</u>	<u>517,641</u>	<u>419,661</u>	<u>517,641</u>
Insurance Claims and Commissions:				
Insurance commission <sup>1</sup>	6,431	47,616	6,431	47,616
General insurance claims	241,939	239,917	241,939	239,917
Life and family takaful insurance claims	56,186	107,613	56,186	107,613
	<u>304,556</u>	<u>395,146</u>	<u>304,556</u>	<u>395,146</u>
Total income from insurance business, net	<u>115,105</u>	<u>122,495</u>	<u>115,105</u>	<u>122,495</u>

<sup>1</sup> Net of bancassurance commission paid/payable to subsidiaries of the Group of RM8,114,000 (30 June 2013: RM9,370,000) eliminated upon consolidation.

#### A20. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Fee and commission income:				
Fees on loans and securities	52,150	67,275	52,150	67,275
Corporate advisory	6,955	4,777	6,955	4,777
Guarantee fees	14,145	12,188	14,145	12,188
Underwriting commission	8,236	-	8,236	-
Portfolio management fees	8,969	8,166	8,969	8,166
Unit trust management fees	26,279	24,739	26,279	24,739
Property trust management fees	1,568	1,583	1,568	1,583
Brokerage fees and commission	17,697	25,169	17,697	25,169
Wealth management fees	8,013	6,632	8,013	6,632
Other fee and commission income	21,179	23,971	21,179	23,971
	<u>165,191</u>	<u>174,500</u>	<u>165,191</u>	<u>174,500</u>
Investment and trading income:				
Net gain/(loss) from sale of financial assets held-for-trading	(1,884)	6,843	(1,884)	6,843
Net gain from sale of financial investments available-for-sale	31,050	16,996	31,050	16,996
Net gain on redemption of financial investments held-to-maturity	-	785	-	785
Net gain/(loss) on revaluation of financial assets held-for-trading	4,841	(30,101)	4,841	(30,101)
Net foreign exchange gain <sup>2</sup>	20,399	28,915	20,399	28,915
Net gain on derivatives	3,899	29,176	3,899	29,176
Gain on disposal of equity interests in subsidiaries	389,975	-	389,975	-
Gross dividend income from:				
Financial assets held-for-trading	575	2,247	575	2,247
Financial investments available-for-sale	12,393	16,188	12,393	16,188
Others	1,081	-	1,081	-
	<u>462,329</u>	<u>71,049</u>	<u>462,329</u>	<u>71,049</u>

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

Group	Individual Quarter		Cumulative Quarter	
	30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Other income:				
Net non-trading foreign exchange loss	(2,524)	(61)	(2,524)	(61)
Net gain on disposal of property and equipment	24	243	24	243
Rental income	1,485	1,964	1,485	1,964
Others	9,913	10,968	9,913	10,968
	<u>8,898</u>	<u>13,114</u>	<u>8,898</u>	<u>13,114</u>
	<u>636,418</u>	<u>258,663</u>	<u>636,418</u>	<u>258,663</u>

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

**A21. OTHER OPERATING EXPENSES**

Group	Individual Quarter		Cumulative Quarter	
	30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Personnel costs:				
Salaries, allowances and bonuses	262,337	263,789	262,337	263,789
Shares/options granted under executives' share scheme	775	5,647	775	5,647
Others	68,519	71,159	68,519	71,159
	<u>331,631</u>	<u>340,595</u>	<u>331,631</u>	<u>340,595</u>
Establishment costs:				
Depreciation of property and equipment	15,361	16,733	15,361	16,733
Amortisation of intangible assets	21,631	27,490	21,631	27,490
Computerisation costs	54,394	46,299	54,394	46,299
Rental of premises	25,075	25,083	25,075	25,083
Cleaning, maintenance and security	6,824	6,927	6,824	6,927
Others	11,486	11,985	11,486	11,985
	<u>134,771</u>	<u>134,517</u>	<u>134,771</u>	<u>134,517</u>
Marketing and communication expenses:				
Sales commission	2,275	3,216	2,275	3,216
Advertising, promotional and other marketing activities	11,121	15,100	11,121	15,100
Telephone charges	4,364	5,054	4,364	5,054
Postage	3,864	4,888	3,864	4,888
Travel and entertainment	5,016	6,989	5,016	6,989
Others	7,520	9,161	7,520	9,161
	<u>34,160</u>	<u>44,408</u>	<u>34,160</u>	<u>44,408</u>
Administration and general expenses:				
Professional services	36,210	28,355	36,210	28,355
Donations	96	5,098	96	5,098
Administration and management expenses	1,347	926	1,347	926
Others	16,951	22,809	16,951	22,809
	<u>54,604</u>	<u>57,188</u>	<u>54,604</u>	<u>57,188</u>
Expenses capitalised	(4,463)	(8,171)	(4,463)	(8,171)
	<u>550,703</u>	<u>568,537</u>	<u>550,703</u>	<u>568,537</u>

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

Group	Individual Quarter		Cumulative Quarter	
	30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Allowance for impaired loans, advances and financing:				
Individual allowance, net	50,133	58,839	50,133	58,839
Collective allowance, net	160,026	182,675	160,026	182,675
Impaired loans, advances and financing:				
Recovered, net	(129,090)	(261,911)	(129,090)	(261,911)
	81,069	(20,397)	81,069	(20,397)

**A23. BUSINESS SEGMENT ANALYSIS**

<b>Group 30.06.14</b>	<b>Wholesale banking RM'000</b>	<b>Retail banking RM'000</b>	<b>Insurance RM'000</b>	<b>Operating Segments RM'000</b>	<b>Total RM'000</b>
Operating revenue	800,077	718,831	490,588	573,410	2,582,906
Income	413,043	446,673	176,890	424,839	1,461,445
Share in results of associates	-	1,565	(3,374)	2,838	1,029
Other operating expenses	(130,484)	(220,244)	(77,921)	(194,896)	(623,545)
<i>of which:</i>					
<i>Depreciation of Property and Equipment</i>	(1,971)	(6,154)	(2,986)	(5,162)	(16,273)
<i>Amortisation of Intangible Assets</i>	(2,942)	(4,145)	(1,887)	(12,744)	(21,718)
Profit/(Loss) before provisions	282,559	227,994	95,595	232,781	838,929
(Provisions)/Writeback of provisions	24,138	(51,534)	1,995	(87,743)	(113,144)
Profit before taxation and zakat	306,697	176,460	97,590	145,038	725,785
Taxation and zakat	(74,094)	(43,807)	(23,286)	(16,748)	(157,935)
Profit for the period	232,603	132,653	74,304	128,290	567,850
<b>Other information</b>					
Total segment assets	48,052,991	48,279,874	5,171,398	23,153,178	124,657,441
Total segment liabilities	57,917,330	40,823,883	3,217,546	7,871,513	109,830,272
Cost to income ratio	31.6%	49.3%	44.1%	45.9%	42.7%
Gross loans/financing	39,582,091	48,191,950	13,850	(186,288)	87,601,603
Net loans/financing	39,071,376	47,271,478	13,850	(734,008)	85,622,696
Impaired loans, advances and financing	430,126	1,212,046	-	-	1,642,172
Total deposits	49,543,824	40,040,119	-	(521,091)	89,062,852

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

<b>Group</b> <b>30.06.13</b>	<b>Wholesale banking RM'000</b>	<b>Retail banking RM'000</b>	<b>Insurance RM'000</b>	<b>Operating Segments RM'000</b>	<b>Total RM'000</b>
Operating revenue	839,361	748,373	594,662	199,855	2,382,251
Income	458,263	492,152	188,647	49,312	1,188,374
Share in results of associates	-	1,179	-	3,497	4,676
Other operating expenses	(134,817)	(224,942)	(107,781)	(100,997)	(568,537)
<i>of which:</i>					
<i>Depreciation of Property and Equipment</i>	(2,056)	(6,762)	(4,360)	(3,621)	(16,799)
<i>Amortisation of Intangible Assets</i>	(2,794)	(4,025)	(13,337)	(7,380)	(27,536)
Profit/(Loss) before provisions	323,446	268,389	80,866	(48,188)	624,513
(Provisions)/Writeback of provisions	91,476	(30,008)	(2,559)	(46,139)	12,770
Profit before taxation and zakat	414,922	238,381	78,307	(94,327)	637,283
Taxation and zakat	(98,524)	(58,912)	(20,112)	23,873	(153,675)
Profit for the period	316,398	179,469	58,195	(70,454)	483,608

**Other information**

Total segment assets	49,268,170	48,413,427	8,334,807	21,819,081	127,835,485
Total segment liabilities	60,046,191	38,920,195	6,047,148	9,379,146	114,392,680
Cost to income ratio	29.4%	45.7%	57.1%	204.8%	47.8%
Gross loans/financing	38,171,585	48,422,619	134,268	(404,830)	86,323,642
Net loans/financing	37,715,274	47,372,242	133,115	(1,037,652)	84,182,979
Impaired loans, advances and financing	352,220	1,266,846	-	-	1,619,066
Total deposits	52,113,492	37,819,801	-	302,703	90,235,996

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

During the financial year, the Group had restructured non-retail business divisions to Wholesale Banking to improve client centricity, efficiency and productivity. Wholesale Banking Division for the current financial period is a consolidation of five (5) divisions. As a result of this internal organisation, there is a change in business segment reporting for the comparative period.



**A24. VALUATION OF PROPERTY AND EQUIPMENT**

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

**A25. EVENTS SUBSEQUENT TO REPORTING DATE**

There were no other significant events subsequent to reporting date.

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

There were no material changes in the composition of the Group and the Company for the current financial quarter other than as disclosed in Note B6, item 2.

## A27. COMMITMENTS AND CONTINGENCIES

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

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

<b>Group</b>	<b>30.06.14</b>	<b>31.03.14</b>
	<b>Principal/ Notional Amount RM'000</b>	<b>Principal/ Notional Amount RM'000</b>
<b>Commitments</b>		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
up to one year	17,268,208	17,895,665
over one year	5,810,995	6,169,893
Unutilised credit card lines	4,248,169	4,235,678
Forward asset purchases	156,439	275,872
	<u>27,483,811</u>	<u>28,577,108</u>
<b>Contingent Liabilities</b>		
Direct credit substitutes	1,370,112	1,336,108
Transaction related contingent items	5,258,530	5,370,402
Obligations under underwriting agreements	802,923	296,375
Short term self liquidating trade related contingencies	676,847	677,065
	<u>8,108,412</u>	<u>7,679,950</u>
<b>Derivative Financial Instruments</b>		
Interest/Profit rate related contracts:	38,807,605	39,220,552
One year or less	5,567,603	4,377,756
Over one year to five years	27,343,125	28,591,959
Over five years	5,896,877	6,250,837
Foreign exchange related contracts:	18,359,251	26,637,299
One year or less	14,654,337	22,723,112
Over one year to five years	2,888,737	3,018,618
Over five years	816,177	895,569
Credit related contracts:	607,270	612,486
One year or less	-	-
Over one year to five years	303,906	306,519
Over five years	303,364	305,967
Equity and commodity related contracts:	594,237	751,536
One year or less	268,553	420,433
Over one year to five years	325,684	331,103
Over five years	-	-
	<u>58,368,363</u>	<u>67,221,873</u>
	<u>93,960,586</u>	<u>103,478,931</u>

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

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

- (a) The Company has given unsecured guarantees amounting to RM150,000,000 (31 March 2014: RM150,000,000) on behalf of a subsidiary for the payment and discharge of all monies due on trading accounts maintained by customers with the said subsidiary.
- (b) The Company has given a continuing undertaking totalling SGD40,000,000 (31 March 2014: SGD40,000,000) to the Monetary Authority of Singapore on behalf of AmFraser Securities Pte Ltd to meet its liabilities and financial obligations and requirements.
- (c) AmBank (M) Berhad has given a continuing guarantee to Labuan Financial Services Authority ("LFSA") on behalf of AmInternational (L) Ltd ("AMIL"), AmBank's offshore banking subsidiary, to meet all its liabilities and financial obligations and requirements.
- (d) The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its joint venture (formerly, a subsidiary), AmLife Insurance Berhad ("AmLife"), for the performance and discharge by AmLife of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AmLife's investment-linked product called AmAsia Link-Capital Guaranteed Fund.
- (e) AmTrustee Berhad ("AmTrustee") was served with a Writ and Statement of Claim dated 12 December 2005 by solicitors acting for Meridian Asset Management Sdn Bhd ("Meridian") for alleged loss and damage amounting to RM27,606,169.65 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian ("Meridian Suit").

AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for Malaysian Assurance Alliance Berhad ("MAA") for alleged loss and damages amounting to RM19,602,119.23 together with interest and costs ("MAA Suit"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of the insurance funds were deposited by Meridian with AmTrustee. The claim by MAA in the MAA Suit is part of the portion of the claim as mentioned in the above Meridian Suit. Just before the trial proceeded, MAA added Meridian as a Co-Defendant in the MAA Suit.

### Proceedings at High Court

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

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

Parties filed several interim applications in the Meridian Suit amongst which was an application by Meridian to:-

- add another subsidiary of the Banking Group, namely AmInvestment Bank Berhad as Co-Defendant; and
- to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84.

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

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

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

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

### (e) High Court Decision

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

In the MAA Suit:

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

In the Meridian Suit:

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

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

### Proceedings at Court of Appeal

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

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

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

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

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

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

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

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

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

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

### Court of Appeal Decision

On 19 May 2014, the Court of Appeal heard the appeals by all parties on 19 May 2014. On 20 May 2014, the Court of Appeal gave its decision as follows ("Court of Appeal Decision"):

- MAA Suit:
- MAA's appeal against the High Court Decision was allowed;
  - Meridian's appeal against the High Court Decision was dismissed;
  - AmTrustee's cross-appeal against MAA's appeal was dismissed;
  - AmTrustee's cross-appeal against Meridian's appeal was dismissed.
- Meridian's Suit:
- Meridian's appeal against the High Court Decision was dismissed;
  - AmTrustee's appeal against Meridian's appeal was dismissed.

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

(e) **Court of Appeal Decision (Cont'd.)**

On 28 May 2014, MAA and AmTrustee had agreed to the stay of execution of the Court of Appeal Decision pending the disposal of AmTrustee's application for leave to appeal to Federal Court ('Leave Application').

**Proceedings at Federal Court**

On 17 June 2014, AmTrustee filed its notice of motion for the Leave Application at Federal Court. As of now, the Federal Court has yet to fix a date to hear AmTrustee's Leave Application.

**A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES**

Group	30.06.14			31.03.14		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>						
Interest rate related contracts:	35,397,606	188,866	191,897	35,920,551	198,168	202,109
- One year or less	4,327,604	3,383	5,138	3,517,756	3,947	3,863
- Over one year to three years	9,932,460	24,430	29,438	10,339,174	28,549	34,991
- Over three years	21,137,542	161,053	157,321	22,063,621	165,672	163,255
Foreign exchange related contracts:	18,359,251	251,650	232,773	26,637,298	292,908	284,524
- One year or less	14,654,337	75,279	63,251	22,723,111	84,513	86,592
- Over one year to three years	2,778,705	94,662	99,734	3,014,221	118,543	119,854
- Over three years	926,209	81,709	69,788	899,966	89,852	78,078
Credit related derivative contracts:	607,270	19,678	2,277	612,486	23,804	4,322
- One year or less	-	-	-	-	-	-
- Over one year to three years	303,906	3,863	-	306,519	4,651	-
- Over three years	303,364	15,815	2,277	305,967	19,153	4,322
Equity and commodity related contracts:	594,236	1,004	27,426	751,538	5,408	45,129
- One year or less	268,552	1,003	27,425	420,433	4,927	44,649
- Over one year to three years	325,684	1	1	331,105	481	480
- Over three years	-	-	-	-	-	-
	<b>54,958,363</b>	<b>461,198</b>	<b>454,373</b>	<b>63,921,873</b>	<b>520,288</b>	<b>536,084</b>
<b>Hedging derivatives</b>						
Interest rate related contracts,						
Interest rate swaps:						
Cash flow hedge	3,410,000	11,553	2,286	3,300,000	8,522	5,140
- One year or less	1,240,000	15	1,432	860,000	-	2,785
- Over one year to three years	250,000	1,430	-	720,000	1,167	1,742
- Over three years	1,920,000	10,108	854	1,720,000	7,355	613
	<b>3,410,000</b>	<b>11,553</b>	<b>2,286</b>	<b>3,300,000</b>	<b>8,522</b>	<b>5,140</b>
Total	<b>58,368,363</b>	<b>472,751</b>	<b>456,659</b>	<b>67,221,873</b>	<b>528,810</b>	<b>541,224</b>

**Purpose of engaging in financial derivatives**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **General disclosure for derivatives and counterparty credit risk**

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

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

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

### **Liquidity risk of derivatives**

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

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

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

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

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



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

### Derivative Financial Instruments and Hedge Accounting

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

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

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

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

#### (i) Fair value hedge

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

#### (ii) Cash flow hedge

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

## A29. FAIR VALUES OF FINANCIAL INSTRUMENTS

### Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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

### Group

30.06.14	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivative financial assets	10	472,741	-	472,751
Financial assets held-for-trading				
- Money market securities	-	721,230	-	721,230
- Equities	172,272	-	-	172,272
- Quoted private debt securities	14,605	-	-	14,605
- Unquoted private debt securities	-	3,231,487	-	3,231,487
Financial investments available-for-sale				
- Money market securities	-	6,694,865	-	6,694,865
- Equities	1,347,459	354,264	-	1,701,723
- Unquoted private debt securities	-	3,711,876	-	3,711,876
	<u>1,534,346</u>	<u>15,186,463</u>	<u>-</u>	<u>16,720,809</u>
Derivative financial liabilities	17,663	438,996	-	456,659

**A29. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)**

**Group**

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

There were no transfers between Level 1 and Level 2 during the current financial period and previous financial year for the Group.

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

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

<b>Group</b>	<b>Financial investments available -for-sale  30.06.14 RM'000</b>	<b>Financial investments available -for-sale  30.06.13 RM'000</b>
Balance at beginning of financial year	417	435
Total gains/(losses) recognised in:		
- income statement:		
- other operating income	364	1,856
- impairment writeback/(loss)	-	(18)
Settlements	(781)	(1,856)
Balance at end of financial period/year	<u>-</u>	<u>417</u>

Total gains or losses included in the income statement for financial instruments held at the end of the financial period/year:

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

There were no transfers between Level 2 and Level 3 during the current financial period and previous financial year for the Group.

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

### A30. CAPITAL ADEQUACY RATIO

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

	30.06.14			Group *
	AmBank	AmIslamic Bank	AmInvestment Bank	
Before deducting proposed dividends:				
CET1 Capital ratio	9.888%	9.541%	18.168%	10.369%
Tier 1 Capital ratio	11.936%	9.541%	18.168%	11.840%
Total Capital ratio	15.535%	15.374%	18.168%	16.230%
After deducting proposed dividends:				
CET1 Capital ratio	9.568%	8.933%	18.168%	9.980%
Tier 1 Capital ratio	11.617%	8.933%	18.168%	11.451%
Total Capital ratio	15.215%	14.766%	18.168%	15.842%
	31.03.14			Group *
	AmBank	AmIslamic Bank	AmInvestment Bank	
Before deducting proposed dividends:				
CET1 Capital ratio	9.453%	9.830%	21.207%	10.126%
Tier 1 Capital ratio	11.418%	9.830%	21.207%	11.569%
Total Capital ratio	14.916%	15.807%	21.207%	15.899%
After deducting proposed dividends:				
CET1 Capital ratio	9.146%	9.203%	21.207%	9.745%
Tier 1 Capital ratio	11.112%	9.203%	21.207%	11.188%
Total Capital ratio	14.609%	15.180%	21.207%	15.517%

Notes:

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

	Transitional arrangements		
	Calendar Year		
	2013	2014	2015 onwards
CET1 Capital ratio	3.5%	4.0%	4.5%
Tier 1 Capital ratio	4.5%	5.5%	6.0%
Total Capital ratio	8.0%	8.0%	8.0%

- Group\* figures presented in this Report represent an **aggregation** of the consolidated capital positions and risk weighted assets ("RWA") of our regulated banking institutions. The consolidated positions of each entity are published at [www.ambankgroup.com](http://www.ambankgroup.com).
- The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank (M) Bhd and its wholly-owned offshore banking subsidiary, AmInternational (L) Ltd ("AMIL")

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

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

	30.06.14			Group *
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	
<b><u>CET1 Capital</u></b>				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	4,192,090	548,138	57,377	4,977,099
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	(64,567)	(17,095)	1,507	(79,125)
Foreign exchange translation reserve	(7,180)	-	-	26,724
Statutory reserve	980,969	483,345	200,000	1,664,314
Profit equalisation reserve	-	1,537	-	1,537
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	111,805
Cash flow hedging reserve	7,099	-	-	7,099
Less: Regulatory adjustments applied on CET1 capital				
Goodwill	-	-	-	(11,243)
Intangible assets	(325,031)	(24)	(1,511)	(331,564)
Deferred tax assets	(36,096)	-	(6,710)	(71,504)
Profit equalisation reserve	-	(1,537)	-	(1,537)
Cash flow hedging reserve	(7,099)	-	-	(7,099)
55% of cumulative gains of AFS financial instruments	-	-	(829)	(858)
Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities	(67,722)	-	(20,408)	(434)
Deduction in excess of Tier 2 capital**	-	-	(102,723)	(21,740)
<b>CET1 Capital</b>	<b>6,484,187</b>	<b>2,201,471</b>	<b>326,703</b>	<b>9,416,604</b>
<b><u>Additional Tier 1 Capital</u></b>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	1,388,080	-	-	1,388,080
<b>Tier 1 Capital</b>	<b>7,872,267</b>	<b>2,201,471</b>	<b>326,703</b>	<b>10,804,684</b>
<b><u>Tier 2 Capital</u></b>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	350,000	-	750,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,557,800	800,000	-	2,357,800
Collective allowance and regulatory reserves	751,586	287,493	4,087	1,039,833
Less: Regulatory adjustments applied on Tier 2 Capital	(270,888)	-	(4,087)	(5,169)
<b>Tier 2 Capital</b>	<b>2,438,498</b>	<b>1,437,493</b>	<b>-</b>	<b>4,142,464</b>
<b>Total Capital</b>	<b>10,310,765</b>	<b>3,638,964</b>	<b>326,703</b>	<b>14,947,148</b>
Credit RWA	60,126,849	22,999,442	997,182	84,008,119
Less: Credit RWA absorbed by Restricted Profit Sharing Investment Account	-	-	-	-
Total Credit RWA	60,126,849	22,999,442	997,182	84,008,119
Market RWA	2,645,387	120,369	445,227	3,210,985
Operational RWA	4,899,780	1,525,070	355,801	7,038,274
Large exposure risk RWA for equity holdings	94,715	-	-	94,715
<b>Total Risk Weighted Assets</b>	<b>67,766,731</b>	<b>24,644,881</b>	<b>1,798,210</b>	<b>94,352,093</b>

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

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

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

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

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

**A31. ISLAMIC BANKING BUSINESS**

The state of affairs as at 30 June 2014 and the results for the period ended 30 June 2014 of the Islamic banking business of the Group and included in the financial statements after elimination of intercompany transactions and balances are summarised as follows:

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	1,616,028	2,941,329
Deposit and placements with banks and other financial institutions	568,383	1,118,383
Derivative financial assets	9,343	7,699
Financial assets held-for-trading	182,979	64,694
Financial investments available-for-sale	3,873,413	3,854,715
Financial Investments held-to-maturity	1,338,392	1,335,055
Financing and advances	24,205,564	24,445,039
Statutory deposit with Bank Negara Malaysia	868,000	891,000
Deferred tax assets	181	292
Other assets	780,331	574,891
Property and equipment	394	409
Intangible assets	26	28
<b>TOTAL ASSETS</b>	<b>33,443,034</b>	<b>35,233,534</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits and placements of banks and other financial institutions	1,588,809	3,122,588
Recourse obligation on financing sold to Cagamas Berhad	2,066,785	2,068,337
Derivative financial liabilities	9,322	7,675
Deposits from customers	25,155,647	25,423,364
Term funding	550,000	550,000
Subordinated Sukuk	1,149,283	1,149,302
Deferred tax liabilities	11,401	7,255
Other liabilities	350,555	387,526
<b>TOTAL LIABILITIES</b>	<b>30,881,802</b>	<b>32,716,047</b>
Share capital/Capital funds	495,761	495,761
Reserves	2,065,471	2,021,726
<b>TOTAL ISLAMIC BANKING FUNDS</b>	<b>2,561,232</b>	<b>2,517,487</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>33,443,034</b>	<b>35,233,534</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>7,874,241</b>	<b>8,467,022</b>

**A31. ISLAMIC BANKING BUSINESS (CONT'D.)**

**UNAUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

Group	Individual Quarter		Cumulative Quarter	
	30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Income derived from investment of depositors' funds and others	419,245	399,875	419,245	399,875
Allowance for impairment on financing and advances (Provision made)/Writeback of provision for commitments and contingencies	(56,499)	(16,807)	(56,499)	(16,807)
Impairment writeback for sundry debtors	7,720	(282)	7,720	(282)
Transfer to profit equalisation reserve	-	-	-	-
	(838)	(7,209)	(838)	(7,209)
<b>Total attributable income</b>	<b>369,628</b>	<b>375,577</b>	<b>369,628</b>	<b>375,577</b>
Income attributable to the depositors	(224,033)	(197,354)	(224,033)	(197,354)
<b>Profit attributable to the Group</b>	<b>145,595</b>	<b>178,223</b>	<b>145,595</b>	<b>178,223</b>
Income derived from Islamic Banking Funds	25,520	39,858	25,520	39,858
<b>Total net income</b>	<b>171,115</b>	<b>218,081</b>	<b>171,115</b>	<b>218,081</b>
Operating expenditure	(89,146)	(90,747)	(89,146)	(90,747)
Finance cost	(19,115)	(16,866)	(19,115)	(16,866)
<b>Profit before taxation and zakat</b>	<b>62,854</b>	<b>110,468</b>	<b>62,854</b>	<b>110,468</b>
Taxation and zakat	(14,316)	(25,709)	(14,316)	(25,709)
<b>Profit for the period</b>	<b>48,538</b>	<b>84,759</b>	<b>48,538</b>	<b>84,759</b>

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

Group	Individual Quarter		Cumulative Quarter	
	30.06.14 RM'000	30.06.13 RM'000	30.06.14 RM'000	30.06.13 RM'000
Profit for the period	48,538	84,759	48,538	84,759
Other comprehensive income/(loss):				
<b>Items that may be reclassified to income statement</b>				
Net change in revaluation of financial investments available-for-sale	2,096	1,472	2,096	1,472
Exchange differences on translation of foreign operations	(6,046)	124	(6,046)	124
Income tax relating to the components of other comprehensive income/(loss)	(749)	(368)	(749)	(368)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(4,699)</b>	<b>1,228</b>	<b>(4,699)</b>	<b>1,228</b>
<b>Total comprehensive income for the period</b>	<b>43,839</b>	<b>85,987</b>	<b>43,839</b>	<b>85,987</b>



**A31. ISLAMIC BANKING BUSINESS (CONT'D.)**

**(a) Financing and Advances**

Financing and advances by types and Shariah contracts as follows:

Group 30.06.14	Bai Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	AI-Ijarah Thummah AI-Bai (AITAB) RM'000	Bai AI-Inah RM'000	Others RM'000	Total RM'000
Cash lines	-	-	-	-	802,216	-	802,216
Term financing	2,867,161	97,015	8,937	-	3,999,322	40,436	7,012,871
Revolving credit	524,754	251,627	-	-	2,292,770	-	3,069,151
Housing financing	1,136,467	-	26,260	-	-	-	1,162,727
Hire purchase receivables	4	-	-	11,100,787	-	-	11,100,791
Bills receivables	-	-	-	-	-	687	687
Credit card receivables	-	-	-	-	-	302,755	302,755
Trust receipts	-	98,408	-	-	-	-	98,408
Claims on customers under acceptance credits	-	-	-	-	-	1,210,496	1,210,496
Gross financing and advances	4,528,386	447,050	35,197	11,100,787	7,094,308	1,554,374	24,760,102
Allowance for impairment on financing and advances							
- Collective allowance							(528,379)
- Individual allowance							(26,159)
Net financing and advances							24,205,564

**A31. ISLAMIC BANKING BUSINESS (CONT'D.)**

**(a) Financing and Advances (Contd.)**

Financing and advances by types and Shariah contracts as follows (Contd.):

Group 31.03.14	Bai Bithaman	Murabahah RM'000	Musharakah	AI-Ijarah Thummah	Bai Al-Inah RM'000	Others RM'000	Total RM'000
	Ajil RM'000		Mutanaqisah RM'000	AI-Bai (AITAB) RM'000			
Cash lines	-	-	-	-	838,903	-	838,903
Term financing	3,024,016	88,943	8,355	-	3,888,925	40,398	7,050,637
Revolving credit	524,301	252,197	-	-	2,608,265	-	3,384,763
Housing financing	1,075,469	-	22,274	-	-	-	1,097,743
Hire purchase receivables	388	-	-	11,089,161	-	-	11,089,549
Bills receivables	-	-	-	-	-	757	757
Credit card receivables	-	-	-	-	-	311,702	311,702
Trust receipts	-	99,371	-	-	-	-	99,371
Claims on customers under acceptance credits	-	-	-	-	-	1,125,549	1,125,549
Gross financing and advances	4,624,174	440,511	30,629	11,089,161	7,336,093	1,478,406	24,998,974
Allowance for impairment on financing and advances							
- Collective allowance							(534,465)
- Individual allowance							(19,470)
Net financing and advances							24,445,039

**A31. ISLAMIC BANKING BUSINESS (CONT'D.)**

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

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

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of period/year	348,515	268,443
Impaired during the period/year	179,329	460,256
Reclassification to non-impaired financing	(54,665)	(44,233)
Recoveries	(49,482)	(100,149)
Amount written off	(80,025)	(235,802)
Balance at end of period/year	<u>343,672</u>	<u>348,515</u>
Impaired financing and advances as % of total financing and advances	<u>1.4%</u>	<u>1.4%</u>

**A31. ISLAMIC BANKING BUSINESS (CONT'D.)**

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

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

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective allowance</b>		
Balance at beginning of period/year	534,465	490,410
Allowance made during the period/year	94,585	240,823
Amount written off and others	(100,671)	(196,768)
Balance at end of period/year	<u>528,379</u>	<u>534,465</u>
Collective allowance as % of gross financing and advances less individual allowance	<u>2.1%</u>	<u>2.1%</u>
<b>Individual allowance</b>		
Balance at beginning of period/year	19,470	14,452
Allowance made during the period/year	6,760	53,568
Amount written off	(71)	(48,550)
Balance at end of period/year	<u>26,159</u>	<u>19,470</u>

**(b) Deposits From Customers**

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
Savings deposits		
<i>Wadiah</i>	1,879,841	1,841,983
<i>Mudarabah</i>	6,321	6,002
Demand deposits		
<i>Wadiah</i>	4,185,003	3,742,024
<i>Mudarabah</i>	37,458	34,991
Term deposits		
<i>Wakalah</i>	1,727,832	2,375,226
Negotiable instruments of deposits	21,182	21,017
<i>Bai' Bithaman Ajil</i>		
General investment deposits	17,244,075	17,347,972
<i>Mudarabah</i>		
Structured deposits	53,935	54,149
<i>Mudarabah</i>		
	<u>25,155,647</u>	<u>25,423,364</u>

**(c) Other Liabilities**

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	293,036	324,147
Taxation and zakat payable	28,094	27,027
Provision for commitments and contingencies	17,719	25,439
Amount owing to head office	4,242	3,341
Advance rentals	5,556	6,001
Profit equalisation reserve	1,908	1,571
	<u>350,555</u>	<u>387,526</u>

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

Year-on-year (yoy), the Group's earnings grew 16.2% to RM537 million underpinned by a divestment gain.

Divisional performance for Q1FY2015 compared to Q1FY2014:

Retail Banking: Targeted growth

PAT at RM132.7 million. Income impacted by margin compression and loans growth remained under pressured in the short term reflecting tightening of credit policies. Loans growth was targeted in profitable segments with mortgage delivering good growth. Customer deposits growth was supported by on-going marketing campaigns and leveraging distribution channels.

Wholesale banking: Diversified contribution across businesses

PAT at RM232.6 million underpinned by strong Corporate Finance performance (advisory and underwriting fees) and cost management initiatives across Wholesale Banking, partially offset by margin compression, lower broking volumes and lower foreign exchange and derivative performance. Moderate loans growth reflects large repayments. Good growth in low cost deposits and asset under management. New wholesale banking operating model commenced operations since 1 April 2014.

Insurance: General Insurance delivered stronger investment income, Life Assurance and Family Takaful equity accounting post 30 April 2014

General Insurance's PAT rose 47.6% to RM62.6 million from stronger investment income and lower expenses. Continue to focus on both motor and niche general insurance segments.

Life Assurance and Family Takaful completed strategic partnership with MetLife International Holdings Inc on 30 April 2014, equity accounting post 30 April 2014.

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

The Group reported a higher pre-tax profit of RM725.8 million for the first quarter ended 30 June 2014 as compared to RM595.4 million for the fourth quarter ended 31 March 2014. This was mainly due to higher other operating income, higher net income from insurance business and higher impairment writeback on financial investments by RM400.4 million, RM44.0 million and RM2.7 million respectively. In addition, lower transfer to profit equalisation reserve by RM0.9 million was reported for current reporting quarter.

This was offset by higher other operating expenses, higher acquisition and business efficiency expenses, higher allowance for impairment on loans and financing, higher impairment loss on foreclosed properties and sundry receivables by RM86.2 million, RM55.9 million, RM17.2 million, RM5.4 million and RM5.3 million respectively. Besides, lower net interest income, lower net income from Islamic banking business, lower net writeback on provision for commitments and contingencies and lower share in results of associates and joint ventures by RM73.0 million, RM43.8 million, RM24.5 million and RM6.2 million were reported for current reporting quarter as compared to previous reporting quarter ended 31 March 2014.

## B3. PROSPECTS FOR FINANCIAL YEAR 31 MARCH 2015

The Malaysian economy registered a strong growth of 6.2% year-on-year in first quarter 2014 (5.1% year-on-year growth in fourth quarter 2013), driven by stronger exports and stable domestic demand.

Moving into 2H2014, domestic economic growth is anticipated to moderate on lower contribution from domestic demand, whilst exports will remain healthy from improving demand from our major trading partners, stable prices, pick up in volume growth for selected export products and weak RM/US\$. Inflation is expected to remain above the historical long-term average given the cost-push pressures.

In the banking sector, loans growth is anticipated to moderate in line with economic outlook and measures to address household debt concerns. Asset quality may come under pressure more from rising inflation and interest rates than potential capital flow risk.

For FY2015 – 2017, AmBank Group's strategic agenda is designed to (1) Deliver on focused organic growth; (2) Leverage strategic partnerships and deliver on acquisitions; (3) Continue to optimise efficiency; and (4) Build sustainability.

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

This is not applicable to the Group.

## B5. TAXATION AND ZAKAT

Group	Individual Quarter		Cumulative Quarter	
	30.06.14	30.06.13	30.06.14	30.06.13
	RM'000	RM'000	RM'000	RM'000
Estimated current tax payable	93,439	79,417	93,439	79,417
Deferred tax	63,566	73,655	63,566	73,655
	<u>157,005</u>	<u>153,072</u>	<u>157,005</u>	<u>153,072</u>
Over provision of current taxation in respect of prior years	449	122	449	122
Taxation	<u>157,454</u>	<u>153,194</u>	<u>157,454</u>	<u>153,194</u>
Zakat	481	481	481	481
Taxation and zakat	<u>157,935</u>	<u>153,675</u>	<u>157,935</u>	<u>153,675</u>

The total tax charge of the Group for the financial period ended 30 June 2014 and 30 June 2013 reflect an effective tax rate which is lower than the statutory tax rate mainly due to income not subject to tax.

## B6. CORPORATE PROPOSALS

- 1 As at 30 June 2014, the trustee of the ESS held 4,036,050 ordinary shares (net of ESS shares vested to employees) representing 0.13% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM34,132,073.
- 2 On 28 April 2014, AMAB Holdings Sdn Bhd ("AMAB"), a wholly owned subsidiary of the Company, entered into conditional share sale agreements with MetLife International Holdings, Inc. ("MetLife"), for the sale of equity interests held by AMAB in AmLife Insurance Berhad ("AmLife") and AmFamily Takaful Berhad ("AmTakaful") at an aggregate cash consideration of RM812 million (subject to adjustment on completion) ("Share Sale").

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

- a) '50% plus one share' in AmLife, comprising an acquisition of 100,000,000 ordinary shares of RM1.00 each in AmLife for a cash consideration of RM740 million and the allotment of one (1) new ordinary share of RM1.00 by AmLife to MetLife at a subscription price of RM1.00; and
- b) '50% less one share' in AmTakaful, comprising the acquisition of 50,000,000 ordinary shares of RM1.00 each in AmTakaful for a cash consideration of RM72 million, and the allotment of one (1) new ordinary share of RM1.00 by AmTakaful to AMAB at a subscription price of RM1.00.

On 30 April 2014, the Company announced that the Share Sale was completed on 30 April 2014 after fulfilment of the conditions precedent. The final sale consideration will be determined on conclusion of the review of the closing net assets of AmLife and AmTakaful as at 30 April 2014. The provisional gain on disposal is reported under Note A20 "Other operating income".

**B7. BORROWINGS**

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Deposits from customers		
Six months or less	71,499,818	70,438,698
Over six months to one year	10,499,197	15,068,341
Over one year to three years	3,841,857	3,072,324
Over three years to five years	1,096,458	1,119,515
	<u>86,937,330</u>	<u>89,698,878</u>
(ii) Deposits and placements of banks and other financial institutions		
Six months or less	1,188,008	3,555,112
Over six months to one year	686,053	137,721
Over one year to three years	175,615	306,876
Over three years to five years	75,846	121,214
	<u>2,125,522</u>	<u>4,120,923</u>
(iii) Term funding (unsecured)		
(a) Senior notes		
Due within one year	1,842,750	1,569,439
More than one year	2,498,569	3,146,606
(b) Credit-Linked Notes		
Due within one year	-	-
More than one year	279,121	278,182
(c) Term loans and revolving credits		
Due within one year	559,417	679,573
More than one year	955,343	970,841
	<u>6,135,200</u>	<u>6,644,641</u>
(iv) Debt capital		
(a) Unsecured notes/sukuk		
More than one year	1,548,578	1,548,562
(b) Medium Term Notes		
More than one year	1,557,800	1,557,800
(c) Hybrid capital		
More than one year	657,445	674,836
The above hybrid capital includes amounts denominated in USD. Principal amount - USD200.0 million		
(d) Non-Innovative Tier 1 Capital Securities		
More than one year	500,000	500,000
(e) Innovative Tier 1 Capital Securities		
More than one year	485,000	485,000
	<u>4,748,823</u>	<u>4,766,198</u>



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

In accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad dated 25 March 2010, the breakdown of the retained earnings of the Group as at the end of the reporting period, into realised and unrealised profits is as follows:

	<b>Group</b>	
	<b>30.06.14</b>	<b>31.03.14</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings		
- Realised	9,007,868	8,043,026
- Unrealised	515,262	664,134
Total share of retained earnings from associates and joint ventures:		
- Realised	30,227	9,141
- Unrealised	5,406	4,326
Less: Consolidation adjustments	(3,169,278)	(3,192,923)
Total retained earnings as per consolidated financial statements	<u>6,389,485</u>	<u>5,527,704</u>

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

#### B9. MATERIAL LITIGATION

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

#### B10. DIVIDENDS

There has been no dividend proposed for the current financial quarter.

**B11. EARNINGS PER SHARE (SEN)**

a. Basic earnings per share

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

	Individual Quarter		Cumulative Quarter	
	30.06.14	30.06.13	30.06.14	30.06.13
	RM'000'000	RM'000'000	RM'000'000	RM'000'000
Net profit attributable to equity holders of the Company	536,940	461,982	536,940	461,982
Weighted average number of ordinary shares in issue	3,007,184	3,004,077	3,007,184	3,004,077
Basic earnings per share (Sen)	17.86	15.38	17.86	15.38

b. Diluted earnings per share

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

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

	Individual Quarter		Cumulative Quarter	
	30.06.14	30.06.13	30.06.14	30.06.13
	RM'000'000	RM'000'000	RM'000'000	RM'000'000
Net profit attributable to equity holders of the Company	536,940	461,982	536,940	461,982
Weighted average number of ordinary shares in issue (as in (a) above)	3,007,184	3,004,077	3,007,184	3,004,077
Effect of executives' share scheme	1,478	4,745	1,478	4,745
Adjusted weighted average number of ordinary shares in issue/issuable	3,008,662	3,008,822	3,008,662	3,008,822
Fully diluted earnings per share (Sen)	17.85	15.35	17.85	15.35