

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

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Group		Company	
		30.06.16 RM'000	31.03.16 RM'000	30.06.16 RM'000	31.03.16 RM'000
ASSETS					
Cash and short-term funds		9,750,613	11,988,321	7,843	21,033
Deposits and placements with banks and other financial institutions		960,968	1,333,630	2,381	5,354
Derivative financial assets	A30	1,583,614	1,884,001	-	-
Financial assets held-for-trading	A8	5,938,026	4,920,618	-	-
Financial investments available-for-sale	A9	10,342,748	11,680,520	122,716	121,860
Financial investments held-to-maturity	A10	4,204,228	4,167,494	-	-
Loans, advances and financing	A11	85,807,146	86,513,254	-	-
Receivables: Investments not quoted in active markets		648,227	565,322	-	-
Statutory deposits with Bank Negara Malaysia	A12	2,727,787	2,590,145	-	-
Deferred tax assets		20,772	66,044	-	-
Investment in subsidiaries and other investments		-	-	9,507,225	9,507,225
Investment in associates and joint ventures		675,364	674,463	-	-
Other assets	A13	3,084,982	3,179,108	2,870	3,716
Reinsurance assets and other insurance receivables	A14	433,778	513,555	-	-
Property and equipment		271,889	292,787	344	377
Intangible assets		3,393,510	3,369,998	-	-
Assets held for sale		19,407	24,740	-	-
TOTAL ASSETS		129,863,059	133,764,000	9,643,379	9,659,565
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	A15	2,506,870	1,743,769	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad		3,927,217	3,935,775	-	-
Derivative financial liabilities	A30	1,557,424	2,022,807	-	-
Deposits from customers	A16	86,709,908	90,358,576	-	-
Investment accounts of customers		18,638	18,411	-	-
Term funding		8,282,776	8,607,614	1,206,000	1,206,000
Debt capital		4,094,153	4,094,077	-	-
Redeemable cumulative convertible preference share		207,046	204,760	-	-
Deferred tax liabilities		125,376	83,050	-	-
Other liabilities	A17	3,319,274	3,809,943	38,102	37,259
Insurance contract liabilities and other insurance payables	A18	2,634,665	2,761,460	-	-
Liabilities directly associated with assets held for sale		-	4,370	-	-
Total Liabilities		113,383,347	117,644,612	1,244,102	1,243,259
Share capital		3,014,185	3,014,185	3,014,185	3,014,185
Reserves		12,482,841	12,154,293	5,385,092	5,402,121
Equity attributable to equity holders of the Company		15,497,026	15,168,478	8,399,277	8,416,306
Non-controlling interests		982,686	950,910	-	-
Total Equity		16,479,712	16,119,388	8,399,277	8,416,306
TOTAL LIABILITIES AND EQUITY		129,863,059	133,764,000	9,643,379	9,659,565
COMMITMENTS AND CONTINGENCIES	A29	136,339,917	125,037,110	-	-
NET ASSETS PER SHARE (RM)		5.14	5.03	2.79	2.79

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2016.

AMMB HOLDINGS BERHAD
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UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016

Group	Note	Individual Quarter		Cumulative Quarter	
		30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Operating revenue	A25	2,062,933	2,109,103	2,062,933	2,109,103
Interest income	A19	1,005,971	1,016,205	1,005,971	1,016,205
Interest expense	A20	(613,639)	(592,669)	(613,639)	(592,669)
Net interest income		392,332	423,536	392,332	423,536
Net income from Islamic banking business		197,162	206,921	197,162	206,921
Income from insurance business		353,898	379,523	353,898	379,523
Insurance claims and commissions		(211,711)	(270,112)	(211,711)	(270,112)
Net income from insurance business	A21	142,187	109,411	142,187	109,411
Other operating income	A22	214,909	223,698	214,909	223,698
Share in results of associates and joint ventures		4,629	252	4,629	252
Net income		951,219	963,818	951,219	963,818
Other operating expenses	A23	(534,775)	(484,213)	(534,775)	(484,213)
Acquisition and business efficiency expenses		(772)	(3,102)	(772)	(3,102)
Operating profit		415,672	476,503	415,672	476,503
(Allowances)/Writeback for impairment on loans, advances and financing	A24	36,243	(10,723)	36,243	(10,723)
Net impairment (loss)/writeback on:					
Financial investments		(1,119)	-	(1,119)	-
Doubtful sundry receivables-net		9,517	(18)	9,517	(18)
Foreclosed properties		(142)	(84)	(142)	(84)
Writeback of provision for commitments and contingencies		19,209	18,124	19,209	18,124
Transfer to profit equalisation reserve		-	(1,406)	-	(1,406)
Profit before taxation and zakat		479,380	482,396	479,380	482,396
Taxation and zakat	B5	(119,935)	(113,734)	(119,935)	(113,734)
Profit for the period		359,445	368,662	359,445	368,662
Attributable to:					
Equity holders of the Company		323,000	339,511	323,000	339,511
Non-controlling interests		36,445	29,151	36,445	29,151
Profit for the period		359,445	368,662	359,445	368,662
EARNINGS PER SHARE (SEN)	B11				
Basic		10.74	11.31	10.74	11.31
Fully diluted		10.74	11.30	10.74	11.30

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2016.

AMMB HOLDINGS BERHAD
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UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016

Group	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Profit for the period	359,445	368,662	359,445	368,662
Other comprehensive income/(loss):				
Items that may be reclassified to profit or loss				
Translation of foreign operations	17,170	7,915	17,170	7,915
Net movement on cash flow hedge	(2,323)	6,749	(2,323)	6,749
Net movement on financial investments available-for-sale	(4,022)	28,084	(4,022)	28,084
Income tax effect	(6,213)	(4,315)	(6,213)	(4,315)
Other comprehensive income for the period, net of tax	4,612	38,433	4,612	38,433
Total comprehensive income for the period	364,057	407,095	364,057	407,095
Total comprehensive income for the period attributable to:				
Equity holders of the Company	329,027	378,678	329,027	378,678
Non-controlling interests	35,030	28,417	35,030	28,417
	364,057	407,095	364,057	407,095

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2016.

AMMB HOLDINGS BERHAD
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UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016

Company	Note	Individual Quarter		Cumulative Quarter	
		30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Operating revenue		915	1,007	915	1,007
Interest income	A19	42	221	42	221
Interest expense	A20	(13,985)	(13,981)	(13,985)	(13,981)
Net interest expense		(13,943)	(13,760)	(13,943)	(13,760)
Other operating income	A22	873	786	873	786
Operating loss		(13,070)	(12,974)	(13,070)	(12,974)
Other operating expenses	A23	(4,162)	(10,158)	(4,162)	(10,158)
Loss for the period representing total comprehensive loss for the period		(17,232)	(23,132)	(17,232)	(23,132)

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2016.

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016

Group	Attributable to Equity Holders of the Company													Non-controlling interests	Total equity
	Non-Distributable										Distributable				
	Ordinary share capital	Share premium	Statutory reserve	Regulatory reserve	Profit equalisation reserve	AFS reserve/	Cash flow hedging reserve/(deficit)	Foreign currency translation reserve	Executives' share scheme reserve	Shares held in trust for ESS	Retained Earnings				
											Non-participating funds				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 01.04.15	3,014,185	2,537,372	1,938,849	2,800	3,904	21,822	(481)	68,456	69,993	(86,110)	54,175	6,830,180	14,455,145	1,052,279	15,507,424
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	339,511	339,511	29,151	368,662
Other comprehensive income/(loss), net	-	-	-	-	-	26,113	5,129	7,925	-	-	-	-	39,167	(734)	38,433
Total comprehensive income for the period	-	-	-	-	-	26,113	5,129	7,925	-	-	-	339,511	378,678	28,417	407,095
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^	-	-	-	-	-	-	-	-	-	(3,004)	-	-	(3,004)	-	(3,004)
Share-based payment under ESS, net	-	-	-	-	-	-	-	-	4,119	-	-	-	4,119	-	4,119
ESS shares vested to employees of subsidiaries	-	-	-	-	-	-	-	-	(15,320)	16,412	-	-	1,092	-	1,092
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	-	-	-	-	285	285	(18)	267
Net utilisation of profit equalisation reserve	-	-	-	-	(3,904)	-	-	-	-	-	-	3,904	-	-	-
Unallocated surplus transfer	-	-	-	-	-	-	-	-	-	-	(2,531)	2,531	-	-	-
Redemption of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,056)	(1,056)
Arising from disposal of equity interests in subsidiaries	-	-	-	-	-	(457)	-	21,328	-	-	-	(20,566)	305	(305)	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(122,500)	(122,500)
Transactions with owners and other equity movements	-	-	-	-	(3,904)	(457)	-	21,328	(11,201)	13,408	(2,531)	(13,846)	2,797	(123,879)	(121,082)
At 30.06.15	3,014,185	2,537,372	1,938,849	2,800	-	47,478	4,648	97,709	58,792	(72,702)	51,644	7,155,845	14,836,620	956,817	15,793,437

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016

Group	Attributable to Equity Holders of the Company												Total	Non-controlling interests	Total equity
	Non-Distributable						Distributable								
	Ordinary share capital	Share premium	Statutory reserve	Regulatory reserve	Profit equalisation reserve	AFS reserve/ (deficit)	Cash flow hedging reserve	Foreign currency translation reserve	Executives' share scheme reserve	Shares held in trust for ESS	Retained Earnings				
											Non-participating funds	RM'000			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 01.04.16	3,014,185	2,537,372	1,938,849	2,800	-	8,635	3,636	84,299	49,738	(55,843)	45,715	7,539,092	15,168,478	950,910	16,119,388
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	323,000	323,000	36,445	359,445
Other comprehensive income/(loss), net	-	-	-	-	-	(9,193)	(1,950)	17,170	-	-	-	-	6,027	(1,415)	4,612
Total comprehensive income/(loss) the period	-	-	-	-	-	(9,193)	(1,950)	17,170	-	-	-	323,000	329,027	35,030	364,057
Share-based payment under ESS, net	-	-	-	-	-	-	-	-	(494)	-	-	-	(494)	-	(494)
ESS shares vested to employees of subsidiaries	-	-	-	-	-	-	-	-	(7,116)	7,683	-	-	567	-	567
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	-	-	-	-	-	-	-	-	(552)	(552)	(12)	(564)
Unallocated surplus transfer	-	-	-	-	-	-	-	-	-	-	(274)	274	-	-	-
Redemption of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,384)	(1,384)
Arising from disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,858)	(1,858)
Transactions with owners and other equity movements	-	-	-	-	-	-	-	-	(7,610)	7,683	(274)	(278)	(479)	(3,254)	(3,733)
At 30.06.16	3,014,185	2,537,372	1,938,849	2,800	-	(558)	1,686	101,469	42,128	(48,160)	45,441	7,861,814	15,497,026	982,686	16,479,712

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UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016

Company	Attributable to Equity Holders of the Company					
	Non-Distributable			Distributable		
	Ordinary share capital RM'000	Share premium RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings RM'000	Total equity RM'000
At 01.04.15	3,014,185	2,536,065	69,993	(86,110)	2,895,435	8,429,568
Loss for the period	-	-	-	-	(23,132)	(23,132)
Total comprehensive loss for the period	-	-	-	-	(23,132)	(23,132)
Purchase of shares pursuant to ESS [^]	-	-	-	(3,004)	-	(3,004)
Share-based payment under ESS, net	-	-	4,119	-	-	4,119
ESS shares vested to employees of subsidiaries	-	-	(15,320)	16,412	817	1,909
Transactions with owners and other equity movements	-	-	(11,201)	13,408	817	3,024
At 30.06.15	3,014,185	2,536,065	58,792	(72,702)	2,873,120	8,409,460

Company	Attributable to Equity Holders of the Company					
	Non-Distributable			Distributable		
	Ordinary share capital RM'000	Share premium RM'000	Executives' share scheme reserve RM'000	Shares held in trust for ESS RM'000	Retained earnings RM'000	Total equity RM'000
At 01.04.16	3,014,185	2,536,065	49,738	(55,843)	2,872,161	8,416,306
Loss for the period	-	-	-	-	(17,232)	(17,232)
Total comprehensive loss for the period	-	-	-	-	(17,232)	(17,232)
Share-based payment under ESS, net	-	-	(494)	-	-	(494)
ESS shares vested to employees of subsidiaries	-	-	(7,116)	7,683	130	697
Transactions with owners and other equity movements	-	-	(7,610)	7,683	130	203
At 30.06.16	3,014,185	2,536,065	42,128	(48,160)	2,855,059	8,399,277

[^] Represents the purchase of 472,400 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM6.36 per share.

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AMMB HOLDINGS BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016

	Group		Company	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Profit before taxation and zakat	479,380	482,396	(17,232)	(23,132)
Add/(Less) adjustments for:				
Accretion of discount less amortisation of premium for securities	(34,549)	(27,638)	-	-
Allowance for losses on loans, advances and financing	124,221	137,162	-	-
Dividend income from investments	(12,633)	(11,434)	(864)	(786)
Net loss/(gain) on revaluation of derivatives	(170,224)	31,030	-	-
Net gain on revaluation of financial assets held-for-trading	(3,262)	(21,367)	-	-
Net gain on sale of financial investments available-for-sale	(6,819)	(20,031)	-	-
Net gain on sale of financial assets held-for-trading	(17,520)	(1,197)	-	-
Other non-operating and non-cash items	103,478	19,749	43	38
Operating profit/(loss) before working capital changes	462,072	588,670	(18,053)	(23,880)
<i>Decrease/(Increase) in operating assets:</i>				
Securities purchased under resale agreements	-	(212,658)	-	-
Deposits and placements with banks and other financial institutions	(260,868)	920,504	-	-
Financial assets held-for-trading	(989,994)	(410,350)	-	-
Loans, advances and financing	581,887	1,970,143	-	-
Statutory deposits with Bank Negara Malaysia	(137,642)	62,413	-	-
Other assets	134,746	843,523	894	7,808
Reinsurance assets and other insurance receivables	79,451	(3,231)	-	-
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits and placements of banks and other financial institutions	763,101	766,428	-	-
Securities sold under repurchase agreements	-	6,552	-	-
Recourse obligation on loans and financing sold to Cagamas Berhad	(8,097)	(808,847)	-	-
Deposits from customers	(3,648,668)	(2,290,020)	-	-
Investment accounts of customers	227	-	-	-
Term funding	(423,961)	325,586	-	-
Other liabilities	(451,839)	(372,865)	1,120	15,958
Insurance contract liabilities and other insurance payables	(126,795)	25,986	-	-
Cash generated from/(used in) operations	(4,026,380)	1,411,834	(16,039)	(114)
Taxation and zakat paid, net	(67,526)	(626,573)	(122)	(215)
Net cash generated from/(used in) operating activities	(4,093,906)	785,261	(16,161)	(329)
<i>Cash flows from investing activities</i>				
Purchase of shares for ESS by the appointed trustee	-	(3,004)	-	(3,004)
Dividends received from investments	18,266	12,813	-	8
Net cash inflow/(outflow) from disposal of subsidiaries	(3,883)	(53,538)	-	-
Proceeds from disposal of property and equipment	434	2,282	-	-
Disposal/(Purchase) of financial investments - net	1,330,164	(128,246)	8	-
Purchase of property and equipment and intangible assets	(44,488)	(65,975)	(10)	(5)
Purchase of receivables: investments not quoted in active markets	(80,000)	3,544	-	-
Net cash generated from/(used in) investing activities	1,220,493	(232,124)	(2)	(3,001)

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016 (CONT'D.)

	Group		Company	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
<i>Cash flows from financing activities</i>				
Dividends paid to non-controlling interests by subsidiaries	-	(122,500)	-	-
Redemption of shares in subsidiary by non-controlling interests	(1,384)	(1,056)	-	-
Net cash used in financing activities	<u>(1,384)</u>	<u>(123,556)</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(2,874,797)	429,581	(16,163)	(3,330)
Cash and cash equivalents at beginning of the financial year	12,625,221	13,629,676	26,387	37,595
Effect of exchange rate changes	189	(28)	-	-
Cash and cash equivalents at end of the financial period	<u>9,750,613</u>	<u>14,059,229</u>	<u>10,224</u>	<u>34,265</u>

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

	Group		Company	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Cash and short-term funds	9,750,613	11,261,418	7,843	4,408
Deposits and placements with banks and other financial institutions	960,968	3,098,476	2,381	29,857
Less: Deposits with original maturity more than 3 months	<u>(960,968)</u>	<u>(300,665)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>9,750,613</u>	<u>14,059,229</u>	<u>10,224</u>	<u>34,265</u>

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2016.

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EXPLANATORY NOTES :

A1. BASIS OF PREPARATION

These condensed 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.

These condensed interim 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 2016 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.

The condensed 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 interim financial statements are consistent with those of the most recent audited annual financial statements for the financial year ended 31 March 2016 except for the adoption of the following new standards and amendments to published standards which became effective for the first time for the Group and the Company on 1 April 2016:

- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
- Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127 Equity Method in Separate Financial Statements
- Amendments to MFRS 101 Disclosure Initiative
- Annual Improvements to MFRSs 2012-2014 Cycle

The adoption of these new standards and amendments to published standards did not have any material impact on the financial statements of the Group and the Company. The Group and the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new standards and amendments to published standards.

The nature of the new standards and amendments to published standards relevant to the Group and the Company are described below:

Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in MFRS 116 and MFRS 138 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The existing method of depreciation and amortisation applied by the Group and the Company comply with these requirements.

Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. These amendments do not result in any impact as the Group and the Company did not acquire any interest in joint operation during the financial quarter ended 30 June 2016.

A1. BASIS OF PREPARATION (CONT'D.)

Amendments to MFRS 127 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Pursuant to Paragraph 9.4 of Bank Negara Malaysia's Policy Document on Financial Reporting, however, the Company is prohibited from measuring its investments in joint ventures and associates using the equity method in its separate financial statements. In addition, the Company has also elected not to change the basis of measurement for its investments in subsidiaries. Accordingly, the Company continue to measure its investments in subsidiaries, joint ventures and associates in its separate financial statements at cost.

Amendments to MFRS 101 Disclosure Initiative

The amendments introduce five narrow-focus improvements to the disclosure requirements and ensure that entities are able to apply professional judgement in determining the extent of information to be disclosed in the financial statements. The amendments also clarify the requirements for presenting an entity's share of items of other comprehensive income of associates and joint ventures, whereby they are required to be grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Since the amendments only affect disclosures, the adoption of these amendments did not have any financial impact on the Group and the Company.

Annual Improvements to MFRSs 2012-2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below.

(i) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that a reclassification of an asset directly from being held for sale to being held for distribution to owners (or vice versa) is not a change to the disposal plan and shall be treated as a continuation of the original plan, and the change in disposal method does not change the date of classification as held for sale or held for distribution to owners. This amendment does not result in any impact as is no reclassification of asset between held for sale and held for distribution during the financial quarter ended 30 June 2016.

(ii) MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract may constitute continuing involvement in a derecognised financial asset, and an entity shall assess the nature of the arrangement and the fees to determine whether disclosures are required. The amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in condensed interim financial statements.

(iii) MFRS 119 Employee Benefits

The amendment clarifies that the depth of the market for high quality corporate bonds for the purpose of determining the rate used to discount post-employment benefit obligations shall be assessed based on the currency in which the obligation is denominated instead of the country where the obligation is located. The discount rate applied by the Group to discount post-employment benefit obligations complies with this requirement.

(iv) MFRS 134 Interim Financial Reporting

The amendment clarifies that the selected information other than significant events and transactions shall be disclosed either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statements that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. These amendment does not result in any impact as such information of the Group and the Company are disclosed in the interim financial statements.

A1. BASIS OF PREPARATION (CONT'D.)

Standards issued but not yet effective

Description	Effective for financial year ending
- Amendments to MFRS 107 Disclosure Initiative	31 March 2018
- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	31 March 2018
- MFRS 15 Revenue from Contracts with Customers	31 March 2019
- MFRS 9 Financial Instruments	31 March 2019
- MFRS 16 Leases	31 March 2020
- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by MASB

The nature of the standards that are issued and relevant to the Group but not yet effective are described below. The Group and the Company are assessing the financial effects of their adoption.

(a) Standards effective for financial year ending 31 March 2018

Amendments to MFRS 107 Disclosure Initiative

The amendments to MFRS 107 introduce an additional disclosure on changes in liabilities arising from financing activities. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted.

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The amendments shall be applied retrospectively.

(b) Standards effective for financial year ending 31 March 2019

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, but no impact on the classification and measurement of the Group's and the Company's financial liabilities.

Due to the complexity of the requirements of MFRS 9, the extent of the financial effects of its adoption are still being assessed by the Group.

A1. BASIS OF PREPARATION (CONT'D.)

(c) Standards effective for financial year ending 31 March 2020

MFRS 16 Leases

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied.

(d) Standard effective on a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

A2. AUDIT QUALIFICATION

There was no audit qualification in the annual financial statements for the financial year ended 31 March 2016.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The operations of the Group and the Company 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 2016.

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

During the financial quarter, AmBank (M) Berhad repaid Senior Notes of RM325.0 million issued under its Senior Notes programme of up to RM7.0 billion on maturity date of 28 April 2016.

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

Other than as disclosed above, there were no share buy-backs, share cancellations, shares held as treasury shares nor resale of treasury shares by the Group and the Company during the financial quarter.

A7. DIVIDENDS PAID

No dividend has been paid during the current financial quarter.

A8. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
At Fair Value		
Money Market Instruments:		
Malaysian Government Securities	618,741	287,528
Government Investment Issues	728,332	382,004
Foreign government Investment Certificates	20,203	-
Cagamas bonds	-	113,352
	<u>1,367,276</u>	<u>782,884</u>
Quoted Securities:		
In Malaysia:		
Shares	63,107	67,560
Unit trusts	80,492	131,961
Warrants	-	80
Private debt securities	38,926	38,962
Outside Malaysia:		
Shares	108,215	102,101
	<u>290,740</u>	<u>340,664</u>
Unquoted Securities:		
In Malaysia:		
Private debt securities	4,279,758	3,760,660
Outside Malaysia:		
Private debt securities	252	36,410
	<u>4,280,010</u>	<u>3,797,070</u>
Total	<u>5,938,026</u>	<u>4,920,618</u>

A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Company	
	30.06.16 RM'000	31.03.16 RM'000	30.06.16 RM'000	31.03.16 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Government Securities	265,137	384,777	-	-
Government Investment Issues	884,465	1,048,494	-	-
Negotiable instruments of deposits	1,629,463	2,049,644	-	-
Islamic negotiable instruments of deposit	1,343,695	1,984,615	-	-
Islamic Treasury Bills	-	28,723	-	-
	<u>4,122,760</u>	<u>5,496,253</u>	<u>-</u>	<u>-</u>
Quoted Securities:				
In Malaysia:				
Shares	50,228	50,776	-	-
Unit trusts	1,035,977	1,041,844	122,716	121,860
Outside Malaysia:				
Shares	4,272	5,148	-	-
	<u>1,090,477</u>	<u>1,097,768</u>	<u>122,716</u>	<u>121,860</u>
Unquoted Securities:				
In Malaysia:				
Unit trusts	1,431	33,725	-	-
Private debt securities	4,725,629	4,620,364	-	-
Outside Malaysia:				
Private debt securities	282,660	312,739	-	-
	<u>5,009,720</u>	<u>4,966,828</u>	<u>-</u>	<u>-</u>
At Cost				
Unquoted Securities:				
In Malaysia:				
Shares	119,609	119,489	-	-
Outside Malaysia:				
Shares	182	182	-	-
	<u>119,791</u>	<u>119,671</u>	<u>-</u>	<u>-</u>
Total	<u>10,342,748</u>	<u>11,680,520</u>	<u>122,716</u>	<u>121,860</u>

Previously, the Group had reclassified securities amounting to RM69,781,000 out of the available-for-sale category to the loans and receivables category as the Group has the intention to hold the securities until maturity.

As at 30 June 2016, 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 RM1,188,000 (31 March 2016: RM4,607,000).

A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
At Amortised Cost		
Money Market Instruments:		
Foreign Treasury Bills	806,161	780,153
Unquoted Securities:		
In Malaysia:		
Private debt securities	3,401,075	3,390,349
	4,207,236	4,170,502
Less: Accumulated impairment losses	(3,008)	(3,008)
Total	<u>4,204,228</u>	<u>4,167,494</u>

A11. LOANS, ADVANCES AND FINANCING

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
At Amortised Cost:		
Loans, advances and financing:		
Term loans	22,509,515	23,516,466
Revolving credit	12,573,408	12,705,796
Housing loans/financing	18,777,154	17,834,206
Staff loans	115,544	117,824
Hire-purchase receivables	21,742,311	22,289,047
Credit card receivables	1,584,419	1,565,150
Overdraft	3,427,052	3,362,823
Claims on customers under acceptance credits	4,038,442	4,068,149
Trust receipts	1,126,297	1,266,807
Bills receivables	920,538	948,127
Others	188,764	217,878
Gross loans, advances and financing	<u>87,003,444</u>	<u>87,892,273</u>
Allowance for impairment on loans, advances and financing:		
Individual allowance	(153,959)	(317,269)
Collective allowance	(1,042,339)	(1,061,750)
	<u>(1,196,298)</u>	<u>(1,379,019)</u>
Net loans, advances and financing	<u>85,807,146</u>	<u>86,513,254</u>

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

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Domestic banking institutions	159,143	160,533
Domestic non-bank financial institutions	1,922,223	2,136,480
Domestic business enterprises:		
Small and medium enterprises	12,394,639	12,433,469
Others	24,258,086	25,353,208
Government and statutory bodies	920,998	937,533
Individuals	45,897,155	45,384,258
Other domestic entities	139,124	152,388
Foreign individuals and entities	1,312,076	1,334,404
	<u>87,003,444</u>	<u>87,892,273</u>

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
In Malaysia	86,416,500	87,257,253
Outside Malaysia	586,944	635,020
	<u>87,003,444</u>	<u>87,892,273</u>

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Fixed rate:		
Housing loans/financing	563,523	581,597
Hire purchase receivables	20,052,160	20,842,691
Other loans/financing	8,969,354	9,312,703
	<u>29,585,037</u>	<u>30,736,991</u>
Variable rate:		
Base rate and lending/financing rate plus	30,881,352	29,915,438
Cost plus	23,691,181	24,467,953
Other variable rates	2,845,874	2,771,891
	<u>57,418,407</u>	<u>57,155,282</u>
	<u>87,003,444</u>	<u>87,892,273</u>

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

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Agriculture	4,195,949	4,127,749
Mining and quarrying	2,910,594	2,994,710
Manufacturing	8,370,072	9,002,061
Electricity, gas and water	442,605	496,654
Construction	3,996,200	4,148,298
Wholesale and retail trade and hotels and restaurants	4,465,760	4,348,936
Transport, storage and communication	1,772,578	1,791,661
Finance and insurance	2,121,845	2,336,283
Real estate	8,457,606	8,761,700
Business activities	1,225,244	1,285,646
Education and health	2,029,234	2,102,987
Household of which:	46,597,665	46,062,330
Purchase of residential properties	18,551,094	17,636,684
Purchase of transport vehicles	20,750,773	21,231,382
Others	7,295,798	7,194,264
Others	418,092	433,258
	<u>87,003,444</u>	<u>87,892,273</u>

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Maturing within one year	23,414,213	24,074,634
Over one year to three years	9,501,109	10,009,904
Over three years to five years	13,189,189	13,085,051
Over five years	40,898,933	40,722,684
	<u>87,003,444</u>	<u>87,892,273</u>

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Gross		
Balance at beginning of financial year	1,700,855	1,572,730
Impaired during the period	330,283	1,417,669
Reclassified as non-impaired	(99,092)	(75,246)
Recoveries	(122,654)	(549,849)
Amount written off	(338,954)	(664,449)
Foreign exchange differences	3,369	-
Balance at end of financial period/year	<u>1,473,807</u>	<u>1,700,855</u>
Gross impaired loans, advances and financing as % of gross loans, advances and financing	<u>1.7%</u>	<u>1.9%</u>
Loan loss coverage	<u>81.2%</u>	<u>81.1%</u>

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

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
In Malaysia	1,370,294	1,599,569
Outside Malaysia	103,513	101,286
	<u>1,473,807</u>	<u>1,700,855</u>

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Agriculture	1,373	2,422
Mining and quarrying	88,959	88,437
Manufacturing	52,115	185,051
Electricity, gas and water	10,504	16,498
Construction	59,198	50,433
Wholesale and retail trade and hotels and restaurants	30,138	33,682
Transport, storage and communication	11,356	25,270
Finance and insurance	394	477
Real estate	513,323	571,936
Business activities	12,935	10,751
Education and health	6,983	7,043
Household of which:	679,631	701,960
Purchase of residential properties	324,996	326,824
Purchase of transport vehicles	248,397	268,258
Others	106,238	106,878
Others	6,898	6,895
	<u>1,473,807</u>	<u>1,700,855</u>

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Individual allowance		
Balance at beginning of the financial year	317,269	235,823
Allowance made during the financial period, net	15,307	138,929
Amount written off and others	(176,630)	(57,483)
Foreign exchange differences	(1,987)	-
Balance at end of the financial period/year	<u>153,959</u>	<u>317,269</u>
Collective allowance		
Balance at beginning of the financial year	1,061,750	1,413,424
Allowance made during the financial period, net	108,914	264,121
Amount written off and others	(119,956)	(617,070)
Foreign exchange differences	(8,369)	1,275
Balance at end of the financial period/year	<u>1,042,339</u>	<u>1,061,750</u>
Collective allowance and Regulatory reserve as % of gross loans, advances and financing less individual allowance	<u>1.2%</u>	<u>1.2%</u>

A12. STATUTORY DEPOSITS 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		Company	
	30.06.16 RM'000	31.03.16 RM'000	30.06.16 RM'000	31.03.16 RM'000
Trade receivables	389,777	604,589	-	-
Other receivables, deposits and prepayments	754,095	662,685	2,190	2,873
Interest receivable	247,586	283,151	5	12
Fee receivable	48,831	36,114	-	-
Amount due from originators	424,487	432,594	-	-
Amount due from agents, brokers and reinsurers	58,541	26,443	-	-
Foreclosed properties	52,670	52,808	-	-
Tax recoverable	498,869	467,857	675	831
Collateral pledged for derivative transactions	665,977	670,715	-	-
	<u>3,140,833</u>	<u>3,236,956</u>	<u>2,870</u>	<u>3,716</u>
Allowance for impairment	(55,851)	(57,848)	-	-
	<u>3,084,982</u>	<u>3,179,108</u>	<u>2,870</u>	<u>3,716</u>

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

A14. REINSURANCE ASSETS AND OTHER INSURANCE RECEIVABLES

	Note	Group	
		30.06.16 RM'000	31.03.16 RM'000
Reinsurance assets from general insurance business		356,621	423,931
Other insurance receivables	(i)	<u>77,157</u>	<u>89,624</u>
		<u>433,778</u>	<u>513,555</u>
(i) Other insurance receivables			
Due premiums including agents/brokers and co-insurers balances		87,196	85,967
Amount owing by reinsurance and cedants		24,163	20,719
Reinsurance deposit		-	16,815
Allowance for impairment		<u>(34,202)</u>	<u>(33,877)</u>
		<u>77,157</u>	<u>89,624</u>

A15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	30.06.16 RM'000	31.03.16 RM'000
Licensed banks	613,019	334,831
Bank Negara Malaysia	43,661	44,411
Other financial institutions	1,850,190	1,364,527
	<u>2,506,870</u>	<u>1,743,769</u>

A16. DEPOSITS FROM CUSTOMERS

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Demand deposits	15,878,975	13,448,089
Savings deposits	5,355,285	5,268,017
Term/Investment deposits	65,475,398	71,635,826
Negotiable instruments of deposits	250	6,644
	<u>86,709,908</u>	<u>90,358,576</u>

The deposits are sourced from the following types of customers:

Government and statutory bodies	10,504,785	11,335,303
Business enterprises	38,411,298	40,455,179
Individuals	34,405,381	34,889,340
Others	3,388,444	3,678,754
	<u>86,709,908</u>	<u>90,358,576</u>

A17. OTHER LIABILITIES

	Group		Company	
	30.06.16	31.03.16	30.06.16	31.03.16
	RM'000	RM'000	RM'000	RM'000
Trade payables	464,676	698,583	-	-
Other payables and accruals	1,442,298	1,568,877	17,448	21,427
Interest payable on deposits and borrowings	863,934	933,303	17,842	6,878
Lease deposits and advance rental	10,711	10,146	-	-
Provision for commitments and contingencies	97,050	116,161	-	-
Amount due to subsidiaries	-	-	2,812	8,954
Provision for taxation	14,963	13,843	-	-
Collateral received for derivative transactions	425,642	469,030	-	-
	<u>3,319,274</u>	<u>3,809,943</u>	<u>38,102</u>	<u>37,259</u>

A18. INSURANCE CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES

Group	Note	30.06.16 RM'000	31.03.16 RM'000
Insurance contract liabilities	(i)	2,531,505	2,643,896
Other insurance payables	(ii)	103,160	117,564
		<u>2,634,665</u>	<u>2,761,460</u>
 (i) Insurance contract liabilities			
		30.06.16	
	Gross contract liabilities	Reinsurance assets	Net contract liabilities
	RM'000	RM'000	RM'000
General insurance business	2,531,505	(356,621)	2,174,884
		<u>2,531,505</u>	<u>(356,621)</u>
		31.03.16	
	Gross contract liabilities	Reinsurance assets	Net contract liabilities
	RM'000	RM'000	RM'000
General insurance business	2,643,896	(423,931)	2,219,965
		<u>2,643,896</u>	<u>(423,931)</u>
 (ii) Other insurance payables			
		30.06.16	31.03.16
		RM'000	RM'000
Amount due to agents and intermediaries		31,275	25,270
Amounts due to reinsurers and cedants		71,885	92,294
		<u>103,160</u>	<u>117,564</u>

A19. INTEREST INCOME

Group	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Short-term funds and deposits and placements with banks and other financial institutions	27,585	48,610	27,585	48,610
Financial assets held-for-trading	49,143	37,977	49,143	37,977
Financial investments available-for-sale	77,524	61,268	77,524	61,268
Financial investments held-to-maturity	25,151	24,438	25,151	24,438
Loans and advances	808,416	834,586	808,416	834,586
Impaired loans and advances	2,141	1,411	2,141	1,411
Others	16,011	7,915	16,011	7,915
	<u>1,005,971</u>	<u>1,016,205</u>	<u>1,005,971</u>	<u>1,016,205</u>
 Company				
Short-term funds and deposits and placements with banks and other financial institutions	42	221	42	221
	<u>42</u>	<u>221</u>	<u>42</u>	<u>221</u>

A20. INTEREST EXPENSE

Group	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Deposits from customers	468,683	462,867	468,683	462,867
Deposit and placements of banks and other financial institutions	9,763	6,759	9,763	6,759
Senior notes	48,019	49,862	48,019	49,862
Credit-Linked Notes	3,482	3,969	3,482	3,969
Recourse obligation on loans sold to Cagamas Berhad	26,832	10,136	26,832	10,136
Term loans	9,331	7,266	9,331	7,266
Subordinated term loans and notes	11,219	3,798	11,219	3,798
Bonds	5,196	5,222	5,196	5,222
Medium term notes	17,226	17,226	17,226	17,226
Hybrid and Innovative Tier 1 capital securities	9,976	21,864	9,976	21,864
Others	3,912	3,700	3,912	3,700
	<u>613,639</u>	<u>592,669</u>	<u>613,639</u>	<u>592,669</u>
Company				
Senior notes	10,970	10,970	10,970	10,970
Term loans	3,015	3,011	3,015	3,011
	<u>13,985</u>	<u>13,981</u>	<u>13,985</u>	<u>13,981</u>

A21. NET INCOME FROM INSURANCE BUSINESS

Group	Note	Individual Quarter		Cumulative Quarter	
		30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Income from insurance business:	(a)				
Premium income from general insurance business		353,898	379,523	353,898	379,523
		<u>353,898</u>	<u>379,523</u>	<u>353,898</u>	<u>379,523</u>
Insurance claims and commissions:	(b)				
Insurance commission ¹		35,730	30,844	35,730	30,844
General insurance claims		175,981	239,268	175,981	239,268
		<u>211,711</u>	<u>270,112</u>	<u>211,711</u>	<u>270,112</u>
Total income from insurance business, net		<u>142,187</u>	<u>109,411</u>	<u>142,187</u>	<u>109,411</u>
(a) Income from insurance business					
Gross Premium					
- insurance contract		383,982	385,673	383,982	385,673
- change in unearned premium provision		9,051	30,298	9,051	30,298
		<u>393,033</u>	<u>415,971</u>	<u>393,033</u>	<u>415,971</u>
Premium ceded					
- insurance contract		(33,044)	(34,018)	(33,044)	(34,018)
- change in unearned premium provision		(6,091)	(2,430)	(6,091)	(2,430)
		<u>(39,135)</u>	<u>(36,448)</u>	<u>(39,135)</u>	<u>(36,448)</u>
		<u>353,898</u>	<u>379,523</u>	<u>353,898</u>	<u>379,523</u>
(b) Insurance claims					
- gross benefits and claims paid		298,693	210,232	298,693	210,232
- claims ceded to reinsurers		(80,590)	(15,630)	(80,590)	(15,630)
- change in contract liabilities - insurance contract		(110,728)	53,717	(110,728)	53,717
- change in contract liabilities ceded to reinsurers					
- insurance contract		68,606	(9,051)	68,606	(9,051)
		<u>175,981</u>	<u>239,268</u>	<u>175,981</u>	<u>239,268</u>

¹ Net of bancassurance commission paid/payable to subsidiaries of the Group of RM2,532,000 (30 June 2015: RM3,772,000) eliminated upon consolidation.

A22. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Fee and commission income:				
Fees on loans and securities	50,034	39,062	50,034	39,062
Corporate advisory	2,650	3,082	2,650	3,082
Guarantee fees	14,868	13,677	14,868	13,677
Underwriting commission	3,067	1,802	3,067	1,802
Portfolio management fees	8,328	8,573	8,328	8,573
Unit trust management fees	21,944	25,497	21,944	25,497
Property trust management fees	1,820	1,497	1,820	1,497
Brokerage fees and commission	10,491	14,175	10,491	14,175
Wealth management fees	7,819	6,153	7,819	6,153
Other fee and commission income	26,014	25,047	26,014	25,047
	<u>147,035</u>	<u>138,565</u>	<u>147,035</u>	<u>138,565</u>
Investment and trading income:				
Net gain from sale of financial assets held-for-trading	16,605	389	16,605	389
Net gain from sale of financial investments available-for-sale	5,724	20,884	5,724	20,884
Net gain on revaluation of financial assets held-for-trading	3,687	21,593	3,687	21,593
Net foreign exchange gain/(loss) ¹	(5,430)	45,732	(5,430)	45,732
Net (loss)/gain on derivatives	23,354	(31,233)	23,354	(31,233)
Gain/(Loss) on disposal of equity interests in subsidiaries ²	1,681	(1,658)	1,681	(1,658)
Dividend income from:				
Financial assets held-for-trading	974	939	974	939
Financial investments available-for-sale	11,659	10,495	11,659	10,495
Others	423	298	423	298
	<u>58,677</u>	<u>67,439</u>	<u>58,677</u>	<u>67,439</u>
Other income:				
Net non-trading foreign exchange loss	(4,248)	(473)	(4,248)	(473)
Net gain/(loss) on disposal of property and equipment	(14)	5	(14)	5
Rental income	1,137	1,090	1,137	1,090
Profit from sale of goods and services	8,505	9,650	8,505	9,650
Others	3,817	7,422	3,817	7,422
	<u>9,197</u>	<u>17,694</u>	<u>9,197</u>	<u>17,694</u>
	<u>214,909</u>	<u>223,698</u>	<u>214,909</u>	<u>223,698</u>

¹ Foreign exchange gain includes gains and losses from spot and forward contracts and other currency derivatives.

² Current period gain of RM1.7 million arose from disposal of subsidiary, AmTrustee Berhad. In prior year, the loss of RM1.7 million was related to the disposal of PT. AmCapital Indonesia and its subsidiary.

A22. OTHER OPERATING INCOME (CONT'D.)

Company	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Investment and trading income:				
Dividend income from:				
Financial investments available-for-sale	864	786	864	786
	<u>864</u>	<u>786</u>	<u>864</u>	<u>786</u>
Other income:				
Others	9	-	9	-
	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>
	<u>873</u>	<u>786</u>	<u>873</u>	<u>786</u>

A23. OTHER OPERATING EXPENSES

Group	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Personnel costs:				
Salaries, allowances and bonuses	226,176	194,302	226,176	194,302
Shares/options granted under ESS	(460)	4,037	(460)	4,037
Contributions to EPF	36,180	31,757	36,180	31,757
Social security cost	1,746	1,630	1,746	1,630
Others	32,120	26,041	32,120	26,041
	<u>295,762</u>	<u>257,767</u>	<u>295,762</u>	<u>257,767</u>
Establishment costs:				
Depreciation of property and equipment	14,366	12,534	14,366	12,534
Amortisation of intangible assets	24,379	21,074	24,379	21,074
Computerisation costs	48,268	45,929	48,268	45,929
Rental of premises	27,950	26,436	27,950	26,436
Cleaning, maintenance and security	7,367	7,346	7,367	7,346
Others	11,768	10,563	11,768	10,563
	<u>134,098</u>	<u>123,882</u>	<u>134,098</u>	<u>123,882</u>
Marketing and communication expenses:				
Sales commission	3,694	1,954	3,694	1,954
Advertising, promotional and other marketing activities	13,580	12,231	13,580	12,231
Telephone charges	4,527	5,719	4,527	5,719
Postage	3,095	3,743	3,095	3,743
Travel and entertainment	3,854	3,633	3,854	3,633
Others	4,856	5,476	4,856	5,476
	<u>33,606</u>	<u>32,756</u>	<u>33,606</u>	<u>32,756</u>
Administration and general expenses:				
Professional services	24,126	36,127	24,126	36,127
Travelling	2,215	1,606	2,215	1,606
Others	44,968	32,075	44,968	32,075
	<u>71,309</u>	<u>69,808</u>	<u>71,309</u>	<u>69,808</u>
	<u>534,775</u>	<u>484,213</u>	<u>534,775</u>	<u>484,213</u>

A23. OTHER OPERATING EXPENSES (CONT'D.)

Company	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Personnel costs:				
Salaries, allowances and bonuses	3,062	3,284	3,062	3,284
Contributions to EPF	416	365	416	365
Others	162	194	162	194
	<u>3,640</u>	<u>3,843</u>	<u>3,640</u>	<u>3,843</u>
Establishment costs:				
Depreciation of property and equipment	43	38	43	38
Others	6	3	6	3
	<u>49</u>	<u>41</u>	<u>49</u>	<u>41</u>
Marketing and communication expenses:				
Advertising, promotional and other marketing activities	27	13	27	13
Telephone charges	25	3	25	3
Postage	-	1	-	1
Travel and entertainment	46	21	46	21
	<u>98</u>	<u>38</u>	<u>98</u>	<u>38</u>
Administration and general expenses:				
Professional services	57	1,396	57	1,396
Travelling	20	-	20	-
Others	879	1,456	879	1,456
	<u>956</u>	<u>2,852</u>	<u>956</u>	<u>2,852</u>
Service transfer pricing income/(expense) to related companies, net	(581)	3,384	(581)	3,384
	<u>4,162</u>	<u>10,158</u>	<u>4,162</u>	<u>10,158</u>

A24. ALLOWANCE/(WRITEBACK) FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

Group	Individual Quarter		Cumulative Quarter	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Allowance/(writeback) for loans, advances and financing:				
Individual allowance, net	15,307	(5,897)	15,307	(5,897)
Collective allowance, net	108,914	143,059	108,914	143,059
Impaired loans, advances and financing:				
Recovered, net	(160,464)	(126,439)	(160,464)	(126,439)
	<u>(36,243)</u>	<u>10,723</u>	<u>(36,243)</u>	<u>10,723</u>

A25. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to segment and to assess its performance. The Group comprises the following main business segments:

(a) Retail Banking

Retail banking will focus on building emerging affluent and small business customers and the mass market. Retail banking offers products and financial solutions which includes auto financing, mortgage and personal loans, credit cards, small business loans, priority banking services, wealth management, remittance services and deposits.

(b) Wholesale Banking

Wholesale banking comprises Corporate and Commercial Banking, Markets, Investment Banking and Fund Management.

(i) Corporate and Commercial Banking offers a full range of products and services of corporate lending, trade finance, offshore banking, and cash management solutions to wholesale banking clients;

(ii) Markets includes proprietary trading as well as providing full range of products and services relating to treasury activities, including foreign exchange, derivatives, and fixed income;

(iii) Investment Banking offers investment banking solutions and services, encompassing capital markets activities, equity derivatives, broking, private banking services, corporate advisory and fund raising services (equity and debt capital); and

(iv) Fund Management comprises the asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.

(c) Insurance

Insurance segment offers a broad range of general insurance products, namely motor, personal accident, property and household. It also offers life insurance and takaful products namely wealth protection/ savings, health and medical protection and family takaful solutions provided through our joint venture operations.

(d) Group Funding and Others

Group funding and others comprises activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

Notes to the business segment analysis:

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

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

A25. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group

For the financial period ended 30.06.16	Wholesale Banking						Group Funding and Others RM'000	Total RM'000
	Retail Banking RM'000	Corporate & Commercial Banking RM'000	Markets RM'000	Investment Banking RM'000	Fund Management RM'000	Insurance RM'000		
	External revenue	727,374	565,054	132,075	62,305	30,034		
Revenue from other segments	(69,501)	65,319	(70,893)	(8,287)	-	-	83,362	-
Total operating revenue	<u>657,873</u>	<u>630,373</u>	<u>61,182</u>	<u>54,018</u>	<u>30,034</u>	<u>398,759</u>	<u>230,694</u>	<u>2,062,933</u>
Net interest income	283,455	183,705	15,034	10,161	612	33,513	39,144	565,624
Other income	63,495	44,114	34,947	43,744	29,423	144,616	18,946	379,285
Gain on disposal of subsidiary	-	-	-	-	-	-	1,681	1,681
Income	<u>346,950</u>	<u>227,819</u>	<u>49,981</u>	<u>53,905</u>	<u>30,035</u>	<u>178,129</u>	<u>59,771</u>	<u>946,590</u>
Share in results of associates and joint ventures	1,285	-	-	-	-	1,723	1,621	4,629
Other operating expenses	<u>(233,231)</u>	<u>(62,291)</u>	<u>(18,024)</u>	<u>(33,427)</u>	<u>(18,484)</u>	<u>(83,126)</u>	<u>(86,964)</u>	<u>(535,547)</u>
of which:								
<i>Depreciation of property and equipment</i>	(5,959)	(401)	(235)	(409)	(86)	(3,363)	(3,936)	(14,389)
<i>Amortisation of intangible assets</i>	(4,475)	(731)	(1,603)	(230)	(322)	(2,133)	(15,071)	(24,565)
Profit/(Loss) before provisions	<u>115,004</u>	<u>165,528</u>	<u>31,957</u>	<u>20,478</u>	<u>11,551</u>	<u>96,726</u>	<u>(25,572)</u>	<u>415,672</u>
(Allowance)/Writeback for impairment losses on loan, advances and financing	(11,080)	58,598	-	3,201	-	-	(14,476)	36,243
(Allowance)/Writeback for impairment losses on other assets	(4)	9,322	-	(1,318)	-	17	239	8,256
(Allowance)/Writeback of provision for commitments and contingencies	<u>(376)</u>	<u>15,284</u>	<u>-</u>	<u>(1,936)</u>	<u>-</u>	<u>-</u>	<u>6,237</u>	<u>19,209</u>
Profit/(Loss) before taxation and zakat	<u>103,544</u>	<u>248,732</u>	<u>31,957</u>	<u>20,425</u>	<u>11,551</u>	<u>96,743</u>	<u>(33,572)</u>	<u>479,380</u>
Taxation and zakat	<u>(24,203)</u>	<u>(55,923)</u>	<u>(7,670)</u>	<u>(6,252)</u>	<u>(2,203)</u>	<u>(20,381)</u>	<u>(3,303)</u>	<u>(119,935)</u>
Profit/(Loss) for the period	<u>79,341</u>	<u>192,809</u>	<u>24,287</u>	<u>14,173</u>	<u>9,348</u>	<u>76,362</u>	<u>(36,875)</u>	<u>359,445</u>
Other information								
Total segment assets	47,311,390	39,114,306	10,043,184	2,698,891	157,855	5,431,563	25,105,870	129,863,059
Total segment liabilities	41,655,534	48,886,585	4,397,563	646,929	25,721	3,436,653	14,334,362	113,383,347
Cost to income ratio	67.0%	27.3%	36.1%	62.0%	61.5%	46.2%	141.7%	56.3%
Gross loans, advances and financing	46,764,695	38,789,648	-	1,423,094	-	3,993	22,014	87,003,444
Net loans, advances and financing	46,299,486	38,512,365	-	1,414,347	-	3,756	(422,808)	85,807,146
Impaired loans, advances and financing	709,059	762,513	-	2,235	-	-	-	1,473,807
Total deposits	40,980,943	46,391,694	728,492	-	-	-	1,115,649	89,216,778
Additions to:								
Property and equipment	7,233	94	1	992	14	2,010	12,347	22,691
Intangible assets	5,608	246	33	138	42	4,209	11,521	21,797

A25. BUSINESS SEGMENT ANALYSIS (CONT'D.)

Group

For the financial period ended 30.06.15 (Restated)	Wholesale Banking						Group Funding and Others RM'000	Total RM'000
	Retail Banking RM'000	Corporate & Commercial Banking RM'000	Markets RM'000	Investment Banking RM'000	Fund Management RM'000	Insurance RM'000		
External revenue	782,816	559,946	99,909	48,781	33,832	420,923	162,896	2,109,103
Revenue from other segments	(52,770)	77,841	(62,295)	(4,939)	-	-	42,163	-
Total operating revenue	<u>730,046</u>	<u>637,787</u>	<u>37,614</u>	<u>43,842</u>	<u>33,832</u>	<u>420,923</u>	<u>205,059</u>	<u>2,109,103</u>
Net interest income	334,015	194,937	9,192	9,744	561	33,344	34,571	616,364
Other income	83,025	40,697	22,239	33,984	33,271	111,978	23,666	348,860
Loss on disposal of subsidiary Income	-	-	-	-	-	-	(1,658)	(1,658)
	<u>417,040</u>	<u>235,634</u>	<u>31,431</u>	<u>43,728</u>	<u>33,832</u>	<u>145,322</u>	<u>56,579</u>	<u>963,566</u>
Share in results of associates and joint ventures	1,225	-	-	-	-	(2,813)	1,840	252
Other operating expenses	(215,556)	(55,354)	(18,605)	(30,329)	(18,760)	(67,464)	(81,247)	(487,315)
of which:								
<i>Depreciation of property and equipment</i>	(5,497)	(443)	(229)	(450)	(108)	(2,986)	(3,965)	(13,678)
<i>Amortisation of intangible assets</i>	(4,364)	(700)	(1,424)	(195)	(362)	(1,690)	(12,750)	(21,485)
Profit/(Loss) before provisions	<u>202,709</u>	<u>180,280</u>	<u>12,826</u>	<u>13,399</u>	<u>15,072</u>	<u>75,045</u>	<u>(22,828)</u>	<u>476,503</u>
(Allowance)/Writeback for impairment losses on loan, advances and financing	(42,924)	25,697	-	548	-	-	5,956	(10,723)
(Allowance)/Writeback for impairment losses on other assets	196	(84)	(120)	(1,296)	-	(706)	1,908	(102)
Writeback of provision for commitments and contingencies	(1,426)	7,758	-	207	-	-	11,585	18,124
Transfer to profit equalisation reserve	-	-	-	-	-	-	(1,406)	(1,406)
Profit before taxation and zakat	<u>158,555</u>	<u>213,651</u>	<u>12,706</u>	<u>12,858</u>	<u>15,072</u>	<u>74,339</u>	<u>(4,785)</u>	<u>482,396</u>
Taxation and zakat	(37,703)	(48,880)	(3,050)	(3,474)	(6,255)	(18,298)	3,926	(113,734)
Profit for the period	<u>120,852</u>	<u>164,771</u>	<u>9,656</u>	<u>9,384</u>	<u>8,817</u>	<u>56,041</u>	<u>(859)</u>	<u>368,662</u>
Other information								
Total segment assets	46,195,647	38,494,794	6,619,392	2,998,061	166,346	5,371,441	31,848,851	131,694,532
Total segment liabilities	43,077,531	50,658,479	2,130,589	575,679	39,732	3,440,752	15,978,333	115,901,095
Cost to income ratio	51.5%	23.5%	59.2%	69.4%	55.5%	47.3%	139.1%	50.6%
Gross loans, advances and financing	45,845,490	38,295,633	-	1,482,416	-	9,547	23,714	85,656,800
Net loans, advances and financing	45,202,165	37,841,840	-	1,475,962	-	9,547	(463,354)	84,066,160
Impaired loans, advances and financing	892,053	646,880	-	2,292	-	-	-	1,541,225
Total deposits	42,169,085	45,510,449	512,750	-	-	-	4,715,837	92,908,121
Additions to:								
Property and equipment	3,492	205	71	405	2,213	4,868	21,434	32,688
Intangible assets	2,574	1,044	95	828	124	4,136	24,486	33,287

A26. VALUATION OF PROPERTY AND EQUIPMENT

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

A27. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any items, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group for the current financial year.

A28. CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY

On 30 June 2016, AmBank (M) Berhad had fully withdrawn its investment in a collective investment scheme, AmCash Premium. Accordingly, AmCash Premium is no longer consolidated as part of the Group.

Other than as disclosed above and in Note B6, there were no material changes in the composition of the Group and the Company for the current financial quarter.

A29. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the banking subsidiaries of the Company make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

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

	Group	
	30.06.16	31.03.16
	Principal/ Notional Amount RM'000	Principal/ Notional Amount RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
up to one year	14,785,818	14,691,791
over one year	5,133,739	4,703,052
Unutilised credit card lines	2,996,414	2,846,456
Forward asset purchases	1,886,994	866,986
	24,802,965	23,108,285
Contingent Liabilities		
Direct credit substitutes	2,358,899	2,267,415
Transaction related contingent items	5,420,495	5,047,478
Obligations under underwriting agreements	1,866,690	73,348
Short term self liquidating trade related contingencies	708,433	649,520
	10,354,517	8,037,761
Derivative Financial Instruments		
Interest/Profit rate related contracts:	50,316,358	47,352,541
One year or less	7,126,291	8,175,391
Over one year to five years	34,254,358	30,103,999
Over five years	8,935,709	9,073,151
Foreign exchange related contracts:	50,160,399	45,631,935
One year or less	47,230,238	42,525,684
Over one year to five years	848,708	1,125,881
Over five years	2,081,453	1,980,370
Credit related contracts:	456,779	673,394
One year or less	114,225	337,027
Over one year to five years	342,554	336,367
Equity and commodity related contracts:	248,899	233,194
One year or less	172,885	159,622
Over one year to five years	76,014	73,572
	101,182,435	93,891,064
	136,339,917	125,037,110

A29. COMMITMENTS AND CONTINGENCIES (CONT'D.)

As at the reporting date, updates on 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 2016: RM150,000,000) on behalf of AmFutures Sdn Bhd for the payment and discharge of all monies due on trading accounts maintained by customers.
- (b) Legal suits:
- Zurich insurance Malaysia Bhd -V- AmTrustee Bhd & Meridian Asset Management S/B ("Zurich Suit")
 - Meridian Asset Management S/b -V- AmTrustee Bhd ("Meridian Suit")
- (Currently pending before the Federal Court)

Nature of Claim

Zurich Suit: Zurich claims for breach of trust for losses suffered by it when Zurich appointed Meridian as an external fund manager for certain of its insurance funds. Meridian appointed AmTrustee as custodian for the said insurance funds.

Meridian Suit: Meridian claims for losses suffered by it arising from the custodian services provided by AmTrustee to Meridian. The losses are funds invested by Zurich and Kumpulan Wang Persaraan (KWAP), with Meridian.

Status

High Court

Zurich Suit: High Court dismissed Zurich's claim against AmTrustee. Meridian was found to be fully liable to Zurich.

Meridian Suit: High Court held AmTrustee liable to contribute to Meridian for 40% of the sum amount that Meridian pays Zurich and KWAP. Until Meridian pays Zurich and KWAP, there is no liability on AmTrustee to contribute (reimburse).

Parties then appealed to the Court of Appeal

Court of Appeal

Zurich Suit: High Court decision varied. AmTrustee and Meridian were now held to be severally liable to Zurich. This means that both AmTrustee and Meridian are fully liable for the amount and Zurich may elect whom to pursue.

Meridian Suit: the High Court decision was maintained.

Parties applied for leave (i.e. permission) to appeal to the Federal Court.

Federal Court

Due to the winding up of Meridian and subsequent appointment of the Insolvency Department over Meridian, the Insolvency Department sought an adjournment of the hearing of AmTrustee's leave application to enable them to obtain instructions from the contributories and creditors of Meridian. The adjourned Case Management took place on 22 April 2016 and the Court then fixed AmTrustee's leave application for hearing on 29 June 2016.

On 29 June 2016, the Federal Court heard and dismissed AmTrustee's leave application. Therefore, the Court of Appeal's decision of 20 May 2014 (that AmTrustee and Meridian are severally liable to Zurich) stands. Pursuant to the Court of Appeal decision of 20 May 2014, Zurich had on 4 July 2016 made a claim against AmTrustee for the payment of the judgement sum of RM19,602,119.23, together with interest on the judgement sum from the date of filing of the writ to the date of realization and costs related thereto, amounting to an aggregate of RM30,035,670.61 (the "Settlement Sum"). On 15 July 2016, the Group had fully settled its share (based on shareholding) of the Settlement Sum under the indemnity to the purchasers which amounted to RM24.0 million in relation to the sale of the Group's shareholding in AmTrustee.

Pursuant to the High Court decision on 11 April 2013, AmTrustee is also liable to pay 40% of any amount that Meridian has paid to KWAP as ordered by the High Court (the "Contribution"). However, as Meridian has been wound up, AmTrustee's solicitors are of the view that AmTrustee is therefore not likely to have to pay the Contribution.

- (c) Since the last financial year end until the reporting date, AmMetLife had received complaints from 55 policyholders relating to the alleged mis-selling of a certain insurance product of AmMetLife. The Company and MetLife are working jointly in the process of investigating these complaints and assessing any financial impact thereon.

Under the terms for the sale by the Company to MetLife of shares in AmMetLife, the Group would fully indemnify MetLife or AmMetLife from any losses arising from incidences of mis-selling of certain specified insurance products occurring prior to the share sale.

A30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	30.06.16			31.03.16		
	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
Trading derivatives						
Interest rate related contracts:	44,011,358	324,482	346,224	41,047,541	276,216	288,903
- One year or less	6,776,290	2,837	4,396	7,825,391	3,517	2,438
- Over one year to three years	15,424,664	48,517	44,010	14,806,859	45,475	45,109
- Over three years	21,810,404	273,128	297,818	18,415,291	227,224	241,356
Foreign exchange related contracts:	50,160,399	1,192,933	1,143,860	45,631,935	1,544,842	1,674,274
- One year or less	47,230,238	848,321	844,874	42,525,684	1,224,960	1,399,483
- Over one year to three years	272,454	3,028	31,147	459,391	9,692	10,746
- Over three years	2,657,707	341,584	267,839	2,646,860	310,190	264,045
Credit related derivative contracts:	456,779	18,866	9,029	673,394	19,978	9,679
- One year or less	114,225	144	66	337,027	485	176
- Over three years	342,554	18,722	8,963	336,367	19,493	9,503
Equity and commodity related contracts:	248,899	2,214	879	233,194	3,014	2,959
- One year or less	172,885	1,335	-	159,622	1,881	1,826
- Over three years	76,014	879	879	73,572	1,133	1,133
	<u>94,877,435</u>	<u>1,538,495</u>	<u>1,499,992</u>	<u>87,586,064</u>	<u>1,844,050</u>	<u>1,975,815</u>
Hedging derivatives						
Interest rate related contracts -						
Interest rate swaps:						
Cash flow hedge	5,955,000	45,119	43,150	5,955,000	39,951	35,705
- One year or less	350,000	94	260	350,000	222	304
- Over one year to three years	2,835,000	9,540	6,960	2,435,000	6,129	3,762
- Over three years	2,770,000	35,485	35,930	3,170,000	33,600	31,639
Fair value hedge	350,000	-	14,282	350,000	-	11,287
- Over three years	350,000	-	14,282	350,000	-	11,287
Total	<u>101,182,435</u>	<u>1,583,614</u>	<u>1,557,424</u>	<u>93,891,064</u>	<u>1,884,001</u>	<u>2,022,807</u>

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.

A30. 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.

A30. 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 foreign exchange 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.

A30. 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 statement of profit or loss. 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 statement of profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the statement of profit or loss. 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 statement of profit or loss 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 statement of profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss. Amounts accumulated in equity are released to the statement of profit or loss in the periods when the hedged forecast transactions affect the statement of profit or loss. 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.

A31. FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group and the Company 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 measured at fair value that are recognised on a recurring basis, the Group and the Company 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 and the Company'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 and the Company. Therefore, unobservable inputs reflect the Group's and the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Company's own data.

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

Group

30.06.16	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Derivative financial assets	157	1,583,457	-	1,583,614
Financial assets held-for-trading				
- Money market securities	-	1,367,276	-	1,367,276
- Equities	251,814	-	-	251,814
- Quoted private debt securities	38,926	-	-	38,926
- Unquoted private debt securities	-	4,280,010	-	4,280,010
Financial investments available-for-sale				
- Money market securities	2,481,858	1,640,902	-	4,122,760
- Equities	1,090,477	1,431	-	1,091,908
- Unquoted private debt securities	-	5,008,289	-	5,008,289
	<u>3,863,232</u>	<u>13,881,365</u>	<u>-</u>	<u>17,744,597</u>
Derivative financial liabilities	<u>2,215</u>	<u>1,555,209</u>	<u>-</u>	<u>1,557,424</u>

A31. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

30.06.16	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company				
Financial investments available-for-sale				
- Equities	122,716	-	-	122,716
	<u>122,716</u>	<u>-</u>	<u>-</u>	<u>122,716</u>
31.03.16				
Group				
Derivative financial assets	33	1,883,968	-	1,884,001
Financial assets held-for-trading				
- Money market securities	-	782,884	-	782,884
- Equities	301,702	-	-	301,702
- Quoted private debt securities	38,962	-	-	38,962
- Unquoted private debt securities	-	3,797,070	-	3,797,070
Financial investments available-for-sale				
- Money market securities	-	5,496,253	-	5,496,253
- Equities	1,097,768	33,725	-	1,131,493
- Unquoted private debt securities	-	4,933,103	-	4,933,103
	<u>1,438,465</u>	<u>16,927,003</u>	<u>-</u>	<u>18,365,468</u>
Derivative financial liabilities	1,992	2,020,815	-	2,022,807
Company				
Financial investments available-for-sale				
- Equities	121,860	-	-	121,860
	<u>121,860</u>	<u>-</u>	<u>-</u>	<u>121,860</u>

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

A31. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

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 which are recorded at fair value at the reporting date.

	Financial investments available -for-sale	Financial investments available -for-sale
	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Balance at beginning of financial year	-	-
Total gains/(losses) recognised in:		
- income statement:		
- other operating income	-	1,235
- impairment writeback	-	10,956
Settlements	-	(12,191)
Balance at end of financial period/year	<u>-</u>	<u>-</u>

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

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.

A32. CAPITAL ADEQUACY

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

	30.06.16			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Before deducting proposed dividends:				
CET1 Capital ratio	11.069%	9.950%	31.572%	11.560%
Tier 1 Capital ratio	12.524%	9.950%	31.572%	12.593%
Total Capital ratio	15.732%	15.444%	31.572%	16.417%
After deducting proposed dividends:				
CET1 Capital ratio	10.633%	9.950%	29.339%	11.214%
Tier 1 Capital ratio	12.088%	9.950%	29.339%	12.248%
Total Capital ratio	15.296%	15.444%	29.339%	16.072%
	31.03.16			
	AmBank	AmBank Islamic	AmInvestment Bank	Group *
Before deducting proposed dividends:				
CET1 Capital ratio	11.082%	9.846%	33.574%	11.530%
Tier 1 Capital ratio	12.555%	9.846%	33.574%	12.568%
Total Capital ratio	15.770%	15.320%	33.574%	16.405%
After deducting proposed dividends:				
CET1 Capital ratio	10.640%	9.846%	31.204%	11.183%
Tier 1 Capital ratio	12.114%	9.846%	31.204%	12.221%
Total Capital ratio	15.328%	15.320%	31.204%	16.058%

Notes:

Group* figures presented in this Report represent an **aggregation** of the capital positions and risk weighted assets ("RWA") of our three regulated banking institutions (consolidated for AmBank (M) Berhad and AmInvestment Bank Berhad). The positions of each entity and group (where applicable) are published at www.ambankgroup.com.

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 2016, pursuant to BNM's guidelines on Capital Adequacy Framework for Banks (Capital Components) issued on 13 October 2015, the minimum capital adequacy ratio to be maintained under the guidelines are at 4.5% for CET1 capital, 6.0% for Tier 1 capital and 8% for total capital ratio. Banking institutions are also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:

- (a) a Capital Conservation Buffer ("CCB") of 2.5%; and
- (b) a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the bank has credit exposures.

The CCB requirements under transitional arrangements shall be phased-in starting from 1 January 2016 as follows:

	CCB
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

The Company being a financial holding company ("FHC") will be required to comply with the above BNM's guideline issued on 13 October 2015 on minimum capital adequacy ratios at the consolidated level for FHC effective 1 January 2019.

A32. CAPITAL ADEQUACY (CONT'D.)

- (b) The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows:

	30.06.16			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
<u>CET1 Capital</u>				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	4,785,169	982,055	65,023	6,092,169
Unrealised gains on available-for-sale ("AFS") financial instruments	17,778	1,572	-	19,041
Foreign exchange translation reserve	74,831	-	-	80,687
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	-	-	2,800	2,800
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	111,805
Cash flow hedging reserve	1,686	-	-	1,686
Qualifying non-controlling interests	-	-	-	2
Less: Regulatory adjustments applied on CET1 capital				
Intangible assets	(352,356)	(163)	(2,456)	(360,629)
Deferred tax assets	(53,912)	-	(5,645)	(60,646)
Cash flow hedging reserve	(1,686)	-	-	(1,686)
55% of cumulative gains of AFS financial instruments	(9,778)	(865)	-	(10,473)
Regulatory reserve	-	-	(2,800)	(2,800)
Investment in capital instruments of unconsolidated financial and insurance entities	(5,106)	-	(8,321)	-
Deduction in excess of Tier 2 capital**	-	-	(1,848)	-
CET1 Capital	7,200,803	2,653,051	446,753	10,689,400
<u>Additional Tier 1 Capital</u>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	985,000	-	-	985,000
Tier 1 Capital	8,185,803	2,653,051	446,753	11,674,400
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	600,000	-	1,000,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,180,680	600,000	-	1,780,680
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	595,489	264,802	3,701	864,005
Less: Regulatory adjustments applied on Tier 2 Capital	(3,404)	-	(3,701)	-
Tier 2 Capital	2,172,765	1,464,802	-	3,644,686
Total Capital	10,358,568	4,117,853	446,753	15,319,086

The breakdown of the risk weighted assets ("RWA") in various categories of risk are as follows:

Credit RWA	59,915,340	25,846,125	890,964	85,913,432
Less: Credit RWA absorbed by Restricted Investment Account	-	(1,003,820)	-	(1,003,820)
Total Credit RWA	59,915,340	24,842,305	890,964	84,909,612
Market RWA	3,318,282	329,487	331,152	3,989,226
Operational RWA	4,485,482	1,491,869	300,619	6,419,078
Total Risk Weighted Assets	67,719,104	26,663,661	1,522,735	95,317,916

** The portion of regulatory adjustments not deducted from Tier 2 (as 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).

A32. CAPITAL ADEQUACY (CONT'D.)

- (b) The aggregated components of CET1 Capital, Additional Tier 1 Capital, Tier 2 Capital and Total Capital of the Group are as follows:

	31.03.16			Group *
	AmBank RM'000	AmBank Islamic RM'000	AmInvestment Bank RM'000	
<u>CET1 Capital</u>				
Ordinary shares	820,364	462,922	200,000	1,483,286
Share premium	942,844	724,185	-	1,667,029
Retained earnings	5,080,500	982,055	99,023	6,421,500
Unrealised gains/(losses) on available-for-sale ("AFS") financial instruments	11,951	(1,589)	-	10,162
Foreign exchange translation reserve	61,296	-	-	65,471
Statutory reserve	980,969	483,345	200,000	1,664,314
Regulatory reserve	-	-	2,800	2,800
Capital reserve	-	-	-	2,815
Merger reserve	-	-	-	111,805
Cash flow hedging reserve	3,635	-	-	3,635
Qualifying non-controlling interests	-	-	-	2
Less: Regulatory adjustments applied on CET1 capital				
Intangible assets	(344,944)	(14)	(2,542)	(353,350)
Deferred tax assets	(115,179)	-	(4,899)	(121,133)
Cash flow hedging reserve	(3,635)	-	-	(3,635)
55% of cumulative gains of AFS financial instruments	(6,573)	-	-	(6,463)
Regulatory reserve	-	-	(2,800)	(2,800)
Investment in capital instruments of unconsolidated financial and insurance entities	(23,106)	-	(8,321)	-
Deduction in excess of Tier 2 Capital**	-	-	(1,477)	-
CET1 Capital	7,408,122	2,650,904	481,784	10,945,438
<u>Additional Tier 1 Capital</u>				
Additional Tier 1 Capital instruments (subject to gradual phase-out treatment)	985,000	-	-	985,000
Tier 1 Capital	8,393,122	2,650,904	481,784	11,930,438
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments meeting all relevant criteria for inclusion	400,000	600,000	-	1,000,000
Tier 2 Capital instruments (subject to gradual phase-out treatment)	1,180,680	600,000	-	1,780,680
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	-	-	-	1
Collective allowance and regulatory reserve	583,675	273,963	4,071	861,733
Less: Regulatory adjustments applied on Tier 2 capital	(15,404)	-	(4,071)	-
Tier 2 Capital	2,148,951	1,473,963	-	3,642,414
Total Capital	10,542,073	4,124,867	481,784	15,572,852

The breakdown of the risk weighted assets ("RWA") in various categories of risk are as follows:

Credit RWA	60,022,744	26,112,657	1,096,673	86,456,861
Less: Credit RWA absorbed by Restricted Investment Account	-	(1,003,979)	-	(1,003,979)
Total Credit RWA	60,022,744	25,108,678	1,096,673	85,452,882
Market RWA	2,231,172	296,231	35,738	2,573,750
Operational RWA	4,595,005	1,519,148	302,599	6,902,371
Total Risk Weighted Assets	66,848,921	26,924,057	1,435,010	94,929,003

** The portion of regulatory adjustments not deducted from Tier 2 (as 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).

A33. INSURANCE BUSINESS

AmGeneral Holdings Berhad and its subsidiary

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	General insurance fund		Shareholders' fund and Others		Total	
	30.06.16 RM'000	31.03.16 RM'000	30.06.16 RM'000	31.03.16 RM'000	30.06.16* RM'000	31.03.16* RM'000
ASSETS						
Cash and short-term funds	189,820	273,201	620,147	347,891	809,967	621,093
Deposits and placements with banks and other financial institutions	10,968	10,098	-	224,503	10,968	234,602
Financial assets held-for-trading	3,000,623	2,886,136	2,881,054	2,873,953	2,881,054	2,873,953
Financial investments available-for-sale	5,042	37,354	560,276	554,058	52,897	85,356
Loans and advances	3,756	5,065	-	-	3,756	5,065
Deferred tax assets	11,391	21,326	9	-	11,400	21,326
Investment in subsidiary	-	-	2,108,733	2,108,733	-	-
Other assets	186,721	157,816	463,802	470,923	217,235	194,247
Reinsurance assets and other insurance receivables	433,778	513,555	-	-	433,778	513,555
Property and equipment	80,994	98,992	4,607	4,607	85,601	103,599
Intangible assets	48,048	28,323	77,957	78,960	904,931	886,210
Assets held for sale	18,446	18,398	961	961	19,407	19,359
TOTAL ASSETS	3,989,587	4,050,264	6,717,546	6,664,589	5,430,994	5,558,365
LIABILITIES AND EQUITY						
Redeemable cumulative convertible preference share	-	-	422,543	417,878	422,543	417,878
Deferred tax liabilities	-	-	87,663	89,060	87,676	89,144
Other liabilities	691,078	697,409	33,978	104,281	291,769	367,203
Insurance contract liabilities and other insurance payables	2,634,665	2,761,460	-	-	2,634,665	2,761,460
Total Liabilities	3,325,743	3,458,869	544,184	611,219	3,436,653	3,635,685
Share capital	-	-	4,661,158	4,540,874	499,148	499,148
Reserves	663,844	591,395	1,512,204	1,512,496	1,495,193	1,423,532
Total Equity	663,844	591,395	6,173,362	6,053,370	1,994,341	1,922,680
TOTAL LIABILITIES AND EQUITY	3,989,587	4,050,264	6,717,546	6,664,589	5,430,994	5,558,365

* after elimination on consolidation

Note: Shareholders' funds and Others comprise the immediate investment holding company and collective investment schemes of the insurance subsidiary.

A33. INSURANCE BUSINESS (CONT'D.)

AmGeneral Holdings Berhad and its subsidiary

(II) CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016

Group	General insurance fund		Shareholders' fund and Others		Total	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000	30.06.16* RM'000	30.06.15* RM'000
Interest income	1,677	1,130	36,501	36,745	38,178	37,875
Interest expense	-	-	(4,665)	(4,530)	(4,665)	(4,530)
Net interest income	1,677	1,130	31,836	32,215	33,513	33,345
Income from insurance business	353,898	379,523	-	-	353,898	379,523
Insurance claims and commissions**	(214,243)	(273,884)	-	-	(214,243)	(273,884)
Net income from insurance business	139,655	105,639	-	-	139,655	105,639
Other operating income	33,462	34,396	7,547	261,604	4,961	6,339
Net income	174,794	141,165	39,383	293,819	178,129	145,323
Other operating expenses	(80,310)	(62,678)	(2,815)	(2,947)	(83,126)	(65,625)
Acquisition and business efficiency expenses	-	(1,840)	-	-	-	(1,840)
Operating profit	94,484	76,647	36,568	290,872	95,003	77,858
Net impairment (loss)/writeback on:						
Doubtful sundry receivables	17	(706)	-	-	17	(706)
Profit before taxation	94,501	75,941	36,568	290,872	95,020	77,152
Taxation	(20,323)	(18,198)	(59)	(100)	(20,381)	(18,298)
Profit for the period	74,178	57,743	36,509	290,772	74,639	58,854

* after elimination on consolidation

** Includes commission paid/payable to related companies of the Group of RM2,532,000 (30 June 2015:RM3,772,000)

A34. OPERATIONS OF ISLAMIC BANKING

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
ASSETS		
Cash and short-term funds	3,736,400	4,385,587
Deposits and placements with banks and other financial institutions	950,000	500,000
Derivative financial assets	41,269	57,272
Financial assets held-for-trading	145,989	174,550
Financial investments available-for-sale	2,368,604	3,177,516
Financial Investments held-to-maturity	1,267,268	1,263,639
Financing and advances	26,866,024	27,391,553
Receivables: Investments not quoted in active markets	471,046	468,141
Statutory deposit with Bank Negara Malaysia	866,000	842,000
Deferred tax assets	386	296
Other assets	548,534	348,234
Property and equipment	358	368
Intangible assets	163	14
TOTAL ASSETS	37,262,041	38,609,170
LIABILITIES AND ISLAMIC BANKING FUNDS		
Deposits and placements of banks and other financial institutions	1,725,230	1,443,510
Recourse obligation on financing sold to Cagamas Berhad	1,125,397	1,127,824
Derivative financial liabilities	54,685	67,685
Deposits from customers	26,791,295	28,383,782
Investment accounts of customers	18,638	18,411
Investment account due to licensed bank	1,000,000	1,000,000
Term funding	1,850,000	1,850,000
Subordinated Sukuk	1,399,565	1,399,528
Deferred tax liabilities	10,952	5,883
Other liabilities	386,203	470,486
TOTAL LIABILITIES	34,361,965	35,767,109
Share capital/Capital funds	492,922	492,922
Reserves	2,407,154	2,349,139
TOTAL ISLAMIC BANKING FUNDS	2,900,076	2,842,061
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	37,262,041	38,609,170
COMMITMENTS AND CONTINGENCIES	9,929,980	8,372,430

A34. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016**

Group	Individual Quarter		Cumulative Quarter	
	30.06.16	30.06.15 (Restated)	30.06.16	30.06.15 (Restated)
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	438,353	447,531	438,353	447,531
Income derived from investment of investment account funds	14,649	16,762	14,649	16,762
Charge for impairment on financing and advances	(9,326)	(35,968)	(9,326)	(35,968)
Writeback of provision for commitments and contingencies	3,946	2,589	3,946	2,589
Impairment for sundry debtors	-	(10)	-	(10)
Transfer to profit equalisation reserve	-	(1,406)	-	(1,406)
Total distributable income	447,622	429,498	447,622	429,498
Income attributable to the depositors and others	(251,427)	(251,341)	(251,427)	(251,341)
Income attributable to the investment account holders	(13,047)	(15,003)	(13,047)	(15,003)
Profit attributable to the Group	183,148	163,154	183,148	163,154
Income derived from Islamic Banking Funds	31,257	25,217	31,257	25,217
Total net income	214,405	188,371	214,405	188,371
Other operating expenses	(106,425)	(89,152)	(106,425)	(89,152)
Finance cost	(36,692)	(33,377)	(36,692)	(33,377)
Profit before taxation and zakat	71,288	65,842	71,288	65,842
Taxation and zakat	(16,434)	(13,741)	(16,434)	(13,741)
Profit for the period	54,854	52,101	54,854	52,101

**UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016**

Group	Individual Quarter		Cumulative Quarter	
	30.06.16	30.06.15 (Restated)	30.06.16	30.06.15 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit for the period	54,854	52,101	54,854	52,101
Other comprehensive income/(loss):				
Items that may be reclassified to profit or loss				
Net change in revaluation of financial investments available-for-sale	4,158	2,810	4,158	2,810
Income tax relating to the components of other comprehensive income	(998)	(674)	(998)	(674)
Other comprehensive income for the period, net of tax	3,160	2,136	3,160	2,136
Total comprehensive income for the period	58,014	54,237	58,014	54,237

A34. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016**

Group	Non-Distributable				Distributable		Total Equity RM'000	
	Share capital/ Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Profit equalisation reserve RM'000	Available- for- sale reserve/ (deficit) RM'000	Foreign currency translation reserve/ (deficit) RM'000		Retained earnings RM'000
At 1 April 2015	492,922	724,185	483,345	3,904	(6,537)	(53)	886,620	2,584,386
Profit for the financial year	-	-	-	-	-	-	52,101	52,101
Other comprehensive income, net	-	-	-	-	2,136	-	-	2,136
Total comprehensive income for the financial year	-	-	-	-	2,136	-	52,101	54,237
Utilisation of profit equalisation reserve for the financial year	-	-	-	(3,904)	-	-	3,904	-
At 30 June 2015	492,922	724,185	483,345	-	(4,401)	(53)	942,625	2,638,623
At 1 April 2016	492,922	724,185	483,345	-	(1,534)	(53)	1,143,197	2,842,062
Profit for the financial year	-	-	-	-	-	-	54,854	54,854
Other comprehensive income, net	-	-	-	-	3,160	-	-	3,160
Total comprehensive income	-	-	-	-	3,160	-	54,854	58,014
At 30 June 2016	492,922	724,185	483,345	-	1,626	(53)	1,198,051	2,900,076

A34. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(a) Financing and Advances

Financing and advances by type and Shariah contracts are as follows:

Group 30.06.16	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
At amortised cost:							
Cash lines	-	-	-	-	1,066,393	-	1,066,393
Term financing	2,154,295	2,312,868	10,840	-	3,784,994	78,900	8,341,897
Revolving credit	148,455	1,633,418	-	-	3,064,832	-	4,846,705
Housing financing	2,385,202	-	50,630	-	-	-	2,435,832
Hire purchase receivables	4	-	-	8,933,318	-	-	8,933,322
Bills receivables	-	-	-	-	-	12,290	12,290
Credit card receivables	-	-	-	-	-	266,240	266,240
Trust receipts	-	188,675	-	-	-	-	188,675
Claims on customers under acceptance credits	-	1,025,037	-	-	-	132,428	1,157,465
Gross financing and advances*	<u>4,687,956</u>	<u>5,159,998</u>	<u>61,470</u>	<u>8,933,318</u>	<u>7,916,219</u>	<u>489,858</u>	<u>27,248,819</u>
Allowance for impairment on financing and advances							
- Individual allowance							(65,350)
- Collective allowance							(317,445)
Net financing and advances							<u>26,866,024</u>

A34. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

Financing and advances by type and Shariah contracts are as follows (Cont'd.):

Group 31.03.16	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Musharakah Mutanaqisah RM'000	Al-Ijarah Thummah Al-Bai' (AITAB) RM'000	Bai' Al-Inah RM'000	Others RM'000	Total RM'000
At amortised cost:							
Cash lines	-	-	-	-	1,048,140	-	1,048,140
Term financing	2,359,827	2,251,556	9,987	-	3,925,881	80,224	8,627,475
Revolving credit	191,617	1,585,145	-	-	3,045,921	-	4,822,683
Housing financing	2,113,486	-	47,256	-	-	-	2,160,742
Hire purchase receivables	4	-	-	9,455,955	-	-	9,455,959
Bills receivables	-	-	-	-	-	13,134	13,134
Credit card receivables	-	-	-	-	-	260,129	260,129
Trust receipts	-	152,071	-	-	-	-	152,071
Claims on customers under acceptance credits	-	1,114,116	-	-	-	130,211	1,244,327
Gross financing and advances*	<u>4,664,934</u>	<u>5,102,888</u>	<u>57,243</u>	<u>9,455,955</u>	<u>8,019,942</u>	<u>483,698</u>	<u>27,784,660</u>
Allowance for impairment on financing and advances							
- Individual allowance							(63,715)
- Collective allowance							<u>(329,392)</u>
Net financing and advances							<u>27,391,553</u>

* Included in financing and advances are exposures to the Restricted Investment Account ("RIA") arrangements between AmBank Islamic Berhad and AmBank (M) Berhad ("AmBank"). Under the RIA contract, the profit is shared based on a pre-agreed ratio. AmBank is exposed to the risks and rewards on the RIA financing and it shall account for all allowance for impairment arising from the RIA financing.

A34. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

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

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Balance at beginning of financial year	605,200	606,455
Impaired during the period/year	107,283	414,127
Reclassification to non-impaired financing	(39,265)	(59,820)
Recoveries	(40,881)	(126,010)
Amount written off	(51,364)	(229,552)
Balance at end of financial period/year	<u>580,973</u>	<u>605,200</u>
Gross impaired financing and advances as % of total gross financing and advances	<u>2.1%</u>	<u>2.2%</u>

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

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Individual allowance		
Balance at beginning of financial year	63,715	66,075
Allowance made during the period/year	9,097	27,588
Amount written off	(7,462)	(29,948)
Balance at end of financial period/year	<u>65,350</u>	<u>63,715</u>
Collective allowance		
Balance at beginning of financial year	329,392	458,453
Allowance made during the period/year	31,381	77,975
Transferred (to)/from conventional commercial banking*	-	17
Foreign exchange differences	1	(5)
Amount written off and others	(43,329)	(207,048)
Balance at end of financial period/year**	<u>317,445</u>	<u>329,392</u>
Collective allowance as % of gross financing and advances (excluding RIA financing) less individual allowance	<u>1.2%</u>	<u>1.2%</u>

* On 31 December 2015, AmBank Islamic entered into a new RIA contract for the sum of RM300.0 million with AmBank. Arising from this contract, the Bank transferred collective allowance of approximately RM2.46 million for the financing funded to AmBank. On 15 March 2016, AmBank early redeemed the RIA and derecognised the collective allowance previously recognised in its financial statements of RM2.48 million.

** As at 30 June 2016, the gross exposure and collective allowance relating to the RIA financing amounted to RM1,003.8 million and RM1.5 million respectively (31 March 2016: RM1,004.0 million and RM1.5 million respectively).

There was no individual allowance provided for the RIA financing.

A34. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(b) Deposit From Customers

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Savings deposits		
<i>Wadiah</i>	2,005,993	1,950,534
Demand deposits		
<i>Wadiah</i>	6,423,214	3,911,360
Term deposits		
Commodity Murabahah	18,307,088	22,515,492
Negotiable instruments of deposits		
<i>Bai' Bithaman Ajil</i>	-	6,396
Structured deposits		
<i>Murabahah</i>	55,000	-
	<u>26,791,295</u>	<u>28,383,782</u>

(c) Investment Accounts Of Customers

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Without maturity:		
- Wakalah	18,638	18,411
	<u>18,638</u>	<u>18,411</u>
Investment asset:		
Interbank placement	18,638	18,411
Total investment	<u>18,638</u>	<u>18,411</u>

Average Rate of Return and Average Performance Incentive Fee for the investment accounts are as follows:

	Investment account holder			
	30.06.16			31.03.16
	Average rate of return (%)	Average Performance incentive fee (%)	Average rate of return (%)	Average Performance incentive fee (%)
Maturity:				
less than 3 months	0.05	3.19	0.05	3.18

A34. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(d) Investment Account Due to Licensed Bank

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
<u>Restricted investment account</u>		
- Mudarabah Muqayyadah	1,000,000	1,000,000
Investment asset:		
Financing	1,000,000	1,000,000
Total investment	1,000,000	1,000,000

Profit Sharing Ratio and Average Rate of Return for the investment account are as follows:

	Investment account holder		
	30.06.16	31.03.16	
	RM'000	RM'000	
	Profit sharing	Average rate	Average rate
	ratio	of return	of return
	(%)	(%)	(%)
Maturity:			
between 2 to 5 years	90	5.23	4.56

(e) Other Liabilities

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Other payables and accruals	288,181	343,221
Taxation and zakat payable	37,766	36,323
Provision for commitments and contingencies	7,604	11,603
Amount due to head office	50,691	77,525
Lease deposits and advance rental	1,961	1,814
	386,203	470,486

A34. OPERATIONS OF ISLAMIC BANKING (CONT'D.)

(f) Restatement of Comparatives

During the last quarter of financial year ended 31 March 2016, the Islamic banking subsidiary had restated the placement received from a related company, previously classified as Deposits and placements of banks and other financial insitutions to Investment account due to licensed bank as the placement was not principal guaranteed and both parties did not enter into a new investment account contract upon expiry of the transition period until 30 June 2015 to comply with IFSA and BNM standards on Shariah and policy document on Investment Account. The non-principal guaranteed placement by the same related company as at 31 March 2015 and 1 April 2014 was also reclassified to Investment account to provide more meaningful information. In the financial statements of the Group, both Investment account (asset) and Investment account due to licensed bank (liability) was eliminated on consolidation.

Accordingly, the comparatives for statement of profit or loss were restated as follows:

Individual and Cumulative Quarter ended 30 June 2015	As previously reported RM'000	RM'000	As restated RM'000
Income derived from investment of depositors' funds and others	464,293	(16,762)	447,531
Income derived from investment of investment account funds	-	16,762	16,762
	<hr/>	<hr/>	<hr/>
Income attributable to the depositors and others	(266,344)	15,003	(251,341)
Income attributable to investment account holders	-	(15,003)	(15,003)
	<hr/>	<hr/>	<hr/>

B1. PERFORMANCE REVIEW ON THE RESULTS OF THE GROUP

The Group recorded a profit after tax ("PAT") of RM359.4 million for the period ended 30 June 2016, a reduction of RM9.2 million as compared to corresponding period ended 30 June 2015 of RM368.7 million. The Group's profit attributable to equity holders of the Company ("PATMI") reduced by RM16.5 million.

Reduction in earnings for current period ended 30 June 2016 was mainly due to higher other operating expenses and decrease in net interest income and Islamic banking business by RM50.6 million, RM31.2 million and RM9.8 million respectively. Lower income reported from other operating income and higher taxation by RM8.8 million, RM6.2 million respectively. Financial investments reported higher impairment loss of RM1.1 million for current period ended 30 June 2016 compared to corresponding period ended 30 June 2015.

This was cushioned by writeback on impairment on loans, advances and financing of RM36.2 million for the period ended 30 June 2016 compared to a charge of RM10.7 million in the corresponding period ended 30 June 2015. Higher income from insurance business, share in results of associates and joint ventures, lower acquisition and business efficiency expenses and writeback on provision for commitments and contingencies by RM32.8 million, RM4.4 million, RM2.3 million and RM1.0 million respectively. In addition, no transfer was made to profit equalisation reserve (PER) in current period due to cessation of PER mechanism.

Gross loans, advances and financing decreased marginally to RM87.0 billion compared to RM87.9 billion reported for the last financial year ended 31 March 2016. This was mostly due to decrease from term loans, hire-purchase financing, revolving credit, claims on customers under acceptance credits, trade financing related receivables set off by increase in housing loans.

As at 30 June 2016, the Group's total assets stood at RM129.9 billion. The Total Capital ratio from the aggregation of the consolidated capital positions and risk weighted assets of the regulated banking subsidiaries stood at 16.417%.

Divisional performance for First Quarter Ended 30 June 2016 compared to First Quarter Ended 30 June 2015:

Retail Banking

Total income for the first quarter ended 30 June 2016 fell 16.7% year-on-year (yoy) as a result of margin compression despite higher fee income and a high base due to a non-recurring gain from disposal of investment last year.

Total expenses increased by 8.2% yoy on higher personnel and computerisation costs. Profit after tax (PAT) decreased 34.3% yoy to RM79.3 million.

Gross loans grew 2.0% mainly underpinned by robust mortgage growth of 16%, partly offset by auto finance and small business banking contraction. Customer deposit base contracted 2.8% amid intense competition for retail fixed deposits. The business will continue to focus on driving growth in low cost deposits.

Wholesale Banking

Total income increased 5.0% yoy to RM361.7 million on higher loan & advisory fees and wealth management fees. Non-interest income increased 17%, supported by fixed income trading, markets sales as well as loans and advisory fees income.

Operating expenses increased 7.5% yoy to RM132.2 million from higher personnel and computerisation costs. Consequently, PAT grew 24.9% to RM240.6 million.

Gross loans grew 1.1% on cautious business sentiments. Overall customer deposits declined 2.4% yoy on lower term deposits offset by higher cash management current account.

Insurance

General Insurance

PAT increased 26.7% to RM74.6 million aided by lower claims from improved claims management. Gross written premium declined slightly by 0.4% yoy notwithstanding lower industry vehicle sales.

Life Assurance and Family Takaful

The joint venture has registered a small profit this quarter on the back of higher gross premium. The business will continue to focus on strengthening its core business model, operations and systems to become the preferred insurer in Malaysia.

B2. REVIEW OF MATERIAL CHANGES IN PROFIT BEFORE TAXATION

The Group reported a higher pre-tax profit of RM479.4 million for the first quarter ended 30 June 2016 as compared to RM341.9 million for the previous quarter ended 31 March 2016. This was mainly due to lower other operating expenses and higher net income from insurance business by RM84.2 million and RM54.1 million respectively. Sundry receivables reported writeback of RM9.5 million for current quarter ended 30 June 2016 as compared to impairment loss of RM2.4 million reported for previous quarter ended 31 March 2016. Higher income was reported for the current quarter from Islamic banking business and net interest income by RM6.8 million and RM4.7 million respectively. Acquisition and business efficiency expenses reported lower charge of RM0.7 million and higher profit from the results of associates and joint ventures by RM0.8 million. Financial investments reported lower impairment loss by RM0.7 million.

This was off-set by lower other operating income and lower writeback for commitments and contingencies and impairment on loans and financing by RM19.7 million, RM4.4 million and RM3.3 million respectively.

B3. PROSPECTS FOR FINANCIAL YEAR ENDING 31 MARCH 2017

In the first quarter of 2016, the Malaysian economy registered growth of 4.2% (4Q2015: 4.5%) supported by private consumption which grew 5.3% (4Q2015: 4.9%) driven by wage and employment growth. Private investment growth moderated to 2.2% (4Q2015: 4.9%) on cautious business sentiments and lower investments in upstream mining sector.

For calendar year 2016, the Group forecasts a moderate annual Gross Domestic Product growth of circa 4.0% (2015: 5.0%) supported by healthy government spending, relief from the stabilisation of oil prices and improving inventory levels. These are expected to cushion the weaker exports clouded by the subdued global growth and rising uncertainties in the financial markets, especially after the 'BREXIT' referendum.

Inflation is projected at 2.0% in 2016 as the weak ringgit fuels import costs and from adjustments in government controlled and administered prices. This will be partly mitigated by weak commodity prices, softer demand and high base effect in second half of 2015.

Following the recent BNM overnight policy rate ("OPR") cut by 25 bps to 3% we believe there is room for monetary easing should consumer confidence and business sentiments take a dip due to uncertainties and challenges going forward. Overall, the OPR cut is mildly negative to the banking sector, but is slightly positive to the consumer, auto and property sectors.

Business and economic conditions are expected to be challenging in the near and medium term. As a result, both loans and deposits will grow at a more moderate pace. We expect credit costs to normalise and potentially, some sectors-specific stress.

Despite the potential headwinds in the economy, there are still some bright spots and opportunities such as the SME sector which has consistently outpaced GDP growth since 2005, and has room for growth. The recalibrated Budget 2016 has also provided some impetus to the domestic consumption, as well as emphasis on affordable homes and implementation of infrastructure projects.

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	
	30.06.16 RM'000	30.06.15 RM'000	30.06.16 RM'000	30.06.15 RM'000
Estimated current tax payable	45,127	69,922	45,127	69,922
Deferred tax	70,904	43,350	70,904	43,350
	<u>116,031</u>	<u>113,272</u>	<u>116,031</u>	<u>113,272</u>
Under provision of current taxation in respect of prior years	3,432	44	3,432	44
Taxation	<u>119,463</u>	<u>113,316</u>	<u>119,463</u>	<u>113,316</u>
Zakat	472	418	472	418
Taxation and zakat	<u>119,935</u>	<u>113,734</u>	<u>119,935</u>	<u>113,734</u>

The total tax charge of the Group for the financial period ended 30 June 2016 was higher than the statutory tax rate mainly due to expenses not deductible for tax purpose. The total tax charge of the Group for the financial period ended June 2015 reflects 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 2016, the trustee of the ESS held 7,452,200 ordinary shares (net of ESS shares vested to employees) representing 0.25% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM48,159,907.
- 2 On 23 June 2016, the Board of Directors of the Company announce that its wholly owned subsidiaries, AmBank (M) Berhad, AmInvestment Bank Berhad, AmCard Services Berhad and AmSecurities Holding Sdn Bhd (collectively "the Vendors") have completed the disposal of the Group's entire 80% shareholding in AmTrustee Berhad ("AmTrustee").

The disposal involves the Vendors each disposing of their respective 20% equity stake in AmTrustee to the purchasers for a total cash consideration of RM9,132,302. The consideration for the disposal was arrived at on a "willing-buyer willing seller" basis after taking into account, inter alia, precedent transactions and financials of AmTrustee. With the completion of the disposal, AmTrustee has ceased to be a subsidiary of the Company.

The disposal had the following effects on the financial position of the Group as at the end of the reporting date:

	RM'000
Cash and short-term funds	12,911
Deposits and placements with banks and other financial institutions	100
Deferred tax assets	353
Other assets	1,176
Property and equipment	98
Intangible assets	50
Other liabilities	(5,395)
Net assets of subsidiary disposed	<u>9,293</u>
Group's share of net assets of subsidiary disposed	7,434
Proceeds received net of incidental costs of disposal	<u>9,115</u>
Gain on disposal of subsidiary	<u>1,681</u>

B7. BORROWINGS

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
(i) Deposits from customers		
Six months or less	70,364,031	73,711,147
Over six months to one year	12,127,288	12,365,791
Over one year to three years	3,671,045	3,774,420
Over three years to five years	547,544	507,218
	<u>86,709,908</u>	<u>90,358,576</u>
(ii) Deposits and placements of banks and other financial institutions		
Six months or less	1,822,913	1,006,273
Over six months to one year	149,578	165,393
Over one year to three years	19,475	70,291
Over three years to five years	514,904	501,812
	<u>2,506,870</u>	<u>1,743,769</u>
(iii) Term funding (unsecured)		
(a) Senior notes		
More than one year	6,481,861	6,754,601
(b) Credit-Linked Notes		
Due within one year	49,914	-
More than one year	135,688	284,863
(c) Term loans and revolving credits		
Due within one year	1,614,269	401,100
More than one year	-	1,167,050
(d) Structured deposit		
Due within one year	1,044	-
	<u>8,282,776</u>	<u>8,607,614</u>
(iv) Debt capital		
(a) Unsecured notes/sukuk		
More than one year	1,799,153	1,799,077
(b) Medium Term Notes		
More than one year	1,310,000	1,310,000
(c) Non-Innovative Tier 1 Capital Securities		
More than one year	500,000	500,000
(d) Innovative Tier 1 Capital Securities		
More than one year	485,000	485,000
	<u>4,094,153</u>	<u>4,094,077</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*, issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad dated 25 March 2010, the breakdown of the retained earnings of the Group as at the end of the reporting period, into realised and unrealised profits is as follows:

	Group	
	30.06.16	31.03.16
	RM'000	RM'000
Total retained earnings		
- Realised	9,573,846	8,825,133
- Unrealised	1,554,646	1,965,338
Total share of retained earnings from associates		
- Realised	122,768	126,731
- Unrealised	(3,766)	(6,725)
Less: Consolidation adjustments	(3,385,681)	(3,371,385)
Total retained earnings as per consolidated financial statements	7,861,813	7,539,092

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 A29.

B10. DIVIDENDS

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

B11. EARNINGS PER SHARE (SEN)

a. Basic earnings per share

The basic earnings per share of the Group 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 period.

	Individual Quarter		Cumulative Quarter	
	30.06.16	30.06.15	30.06.16	30.06.15
Net profit attributable to equity holders of the Company (RM'000)	323,000	339,511	323,000	339,511
Weighted average number of ordinary shares in issue (RM'000)	3,006,344	3,002,850	3,006,344	3,002,850
Basic earnings per share (Sen)	10.74	11.31	10.74	11.31

b. Diluted earnings per share

The diluted earnings per share of the Group 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	
	30.06.16	30.06.15	30.06.16	30.06.15
Net profit attributable to equity holders of the Company (RM'000)	323,000	339,511	323,000	339,511
Weighted average number of ordinary shares in issue (as in (a) above) (RM'000)	3,006,344	3,002,850	3,006,344	3,002,850
Effect of executives' share scheme (RM'000)	-	432	-	432
Adjusted weighted average number of ordinary shares in issue/issuable (RM'000)	3,006,344	3,003,282	3,006,344	3,003,282
Fully diluted earnings per share (Sen)	10.74	11.30	10.74	11.30