

AFFIN BANK BERHAD

(Company no. 25046 T)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 31 March 2018

	Note	< ----- GROUP ----- >		< ----- BANK ----- >	
		31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
ASSETS					
Cash and short-term funds		6,095,199	4,146,815	2,934,253	2,209,948
Deposits and placements with banks and other financial institutions		19,689	464,446	85,611	495,133
Investment accounts due from designated financial institutions		-	-	1,840,065	2,749,067
Financial assets at fair value through profit or loss ("FVTPL")	A9	733,587	105,180	364,128	10,129
Derivative financial assets	A10	198,926	173,125	121,598	120,819
Financial assets at fair value through other comprehensive income ("FVOCI")	A11	14,506,135	-	8,481,485	-
Financial assets at amortised cost	A12	170,590	-	121,601	-
Financial investments available-for-sale	A11	-	14,627,359	-	8,487,818
Financial investments held-to-maturity	A12	-	128,639	-	120,532
Loans, advances and financing	A13	45,826,461	45,722,158	29,004,579	29,143,900
Trade receivables	A14	511,547	550,737	-	-
Commodity-Gold at FVTPL		31,932	32,198	-	-
Other assets	A15	113,928	100,503	49,632	50,795
Amount due from subsidiaries		-	-	-	2
Amount due from joint ventures		33,303	38,849	-	-
Amount due from associate		89,423	500	-	-
Tax recoverable		22,534	21,541	12,593	8,553
Deferred tax assets		77,216	27,185	34,843	-
Statutory deposits with Bank Negara Malaysia		1,760,759	1,772,640	1,135,158	1,203,000
Investment in subsidiaries		-	-	3,063,462	3,063,462
Investment in joint ventures		159,771	160,594	163,640	163,640
Investment in associates		580,019	566,278	548,482	548,482
Property and equipment		487,941	466,082	447,708	425,390
Intangible assets		903,890	903,962	175,065	171,980
TOTAL ASSETS		72,322,850	70,008,791	48,583,903	48,972,650
LIABILITIES AND EQUITY					
Deposits from customers	B7	53,007,069	50,920,229	34,920,263	33,295,153
Investment accounts of customers		1,456	449	-	-
Deposits and placements of banks and other financial institutions	B7	6,823,327	5,706,599	3,285,861	3,980,305
Obligation on securities sold under repurchase agreements		96,617	1,050,935	-	954,922
Derivative financial liabilities	A16	265,804	263,676	192,574	210,877
Bills and acceptances payable		34,842	42,152	34,842	42,152
Trade payables		642,370	677,022	-	-
Other liabilities	A17	1,074,340	945,372	424,179	482,660
Amount due to subsidiaries/holding company		-	-	300,216	448,149
Provision for taxation		4,215	9,560	-	-
Deferred tax liabilities		9,307	27,859	-	17,841
Subordinated term loan and medium term notes	B7	2,009,567	2,036,144	2,009,567	2,036,144
TOTAL LIABILITIES		63,968,914	61,679,997	41,167,502	41,468,203

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
(Company no. 25046 T)
Condensed Interim Financial Statements
Unaudited Statements of Financial Position As At 31 March 2018

	< ----- GROUP ----- >		< ----- BANK ----- >		
	Note	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
EQUITY					
Share capital		4,684,752	4,684,752	4,684,752	4,684,752
Reserves:-					
FVOCI revaluation reserves/AFS revaluation reserves		32,881	97,596	53,962	121,637
Regulatory reserves		632,988	817,399	527,365	710,743
Foreign exchange reserves		151	151	-	-
Retained profits		2,940,724	2,670,888	2,150,322	1,987,315
Equity attributable to equity holders of the Bank		8,291,496	8,270,786	7,416,401	7,504,447
Non-controlling interest		62,440	58,008	-	-
TOTAL EQUITY		8,353,936	8,328,794	7,416,401	7,504,447
TOTAL LIABILITIES AND EQUITY		72,322,850	70,008,791	48,583,903	48,972,650
COMMITMENTS AND CONTINGENCIES	A30	31,000,907	32,285,564	17,440,111	21,411,929
NET ASSETS PER SHARE (RM)		4.27	4.26		

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
(Company no. 25046 T)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Quarter Ended 31 March 2018

GROUP	Note	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		31/3/2018	31/3/2017	31/3/2018	31/3/2017
		RM'000	RM'000	RM'000	RM'000
Interest income	A19	583,364	540,883	583,364	540,883
Interest expense	A20	(367,557)	(337,558)	(367,557)	(337,558)
Net interest income		215,807	203,325	215,807	203,325
Net income from Islamic banking business		98,517	76,983	98,517	76,983
		314,324	280,308	314,324	280,308
Fee and commission income	A21 (a)	174,212	27,207	174,212	27,207
Fee and commission expense	A21 (b)	(56,659)	(2,288)	(56,659)	(2,288)
Net fee and commission income	A21	117,553	24,919	117,553	24,919
Net gains and losses on financial instruments	A22	33,233	4,689	33,233	4,689
Other income	A23	11,507	12,116	11,507	12,116
Net income		476,617	322,032	476,617	322,032
Other operating expenses	A24	(311,575)	(189,980)	(311,575)	(189,980)
Operating profit before allowances		165,042	132,052	165,042	132,052
Write-back of/(allowances for) credit impairment losses	A25	15,684	(6,720)	15,684	(6,720)
Allowances for impairment losses on other assets	A26	(6,000)	-	(6,000)	-
Operating profit		174,726	125,332	174,726	125,332
Share of results of a joint venture		(1,196)	-	(1,196)	-
Share of results of an associate		13,457	-	13,457	-
Profit before taxation and zakat		186,987	125,332	186,987	125,332
Zakat		(237)	-	(237)	-
Profit before taxation		186,750	125,332	186,750	125,332
Taxation	B5	(40,763)	(35,099)	(40,763)	(35,099)
Net profit for the financial year		145,987	90,233	145,987	90,233
Profit for the financial year attributable to :-					
- Equity holders of the Bank		141,467	90,233	141,467	90,233
- Non-controlling interest		4,520	-	4,520	-
		145,987	90,233	145,987	90,233
Earnings per share attributable to the equity holders of the Bank (sen)					
- Basic	B10	7.3	5.3	7.3	5.3

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
(Company no. 25046 T)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Quarter Ended 31 March 2018

GROUP	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
Profit after taxation	145,987	90,233	145,987	90,233
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss :-				
- Net fair value change in financial assets at FVOCI	(13,623)	-	(13,623)	-
- Net fair value change in financial investment available-for-sale	-	28,283	-	28,283
- Net credit impairment losses change in financial assets at FVOCI	(47)	-	(47)	-
- Net gains/(loss) on financial assets measured at FVOCI reclassified to profit or loss on disposal	(919)	-	(919)	-
- Deferred tax on financial assets at FVOCI	3,039	-	3,039	-
- Deferred tax on financial investments available-for-sale	-	(6,788)	-	(6,788)
- Share of other comprehensive income of a joint venture	373	-	373	-
- Share of other comprehensive income of an associate	284	-	284	-
Other comprehensive (loss)/income for the financial period, net of tax	(10,893)	21,495	(10,893)	21,495
Total comprehensive income for the financial period	135,094	111,728	135,094	111,728
Total comprehensive income for the financial period attributable to :-				
- Equity holders of the Bank	130,662	111,728	130,662	111,728
- Non-controlling interest	4,432	-	4,432	-
	135,094	111,728	135,094	111,728

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
(Company no. 25046 T)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Quarter Ended 31 March 2018

<u>BANK</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
Interest income	525,770	541,254	525,770	541,254
Interest expense	(332,921)	(337,558)	(332,921)	(337,558)
Net interest income	192,849	203,696	192,849	203,696
Fee and commission income	32,769	27,207	32,769	27,207
Fee and commission expense	(1,951)	(2,288)	(1,951)	(2,288)
Net fee and commission income	30,818	24,919	30,818	24,919
Net gains and losses on financial instruments	7,484	4,689	7,484	4,689
Other operating income	9,953	12,122	9,953	12,122
Net income	241,104	245,426	241,104	245,426
Other operating expenses	(163,570)	(151,555)	(163,570)	(151,555)
Operating profit before allowances	77,534	93,871	77,534	93,871
(Allowances for)/Write-back of credit impairment losses	30,492	(1,328)	30,492	(1,328)
Profit before taxation and zakat	108,026	92,543	108,026	92,543
Zakat	-	-	-	-
Profit before taxation	108,026	92,543	108,026	92,543
Taxation	(25,832)	(26,367)	(25,832)	(26,367)
Net profit for the financial period	82,194	66,176	82,194	66,176

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
 (Company no. 25046 T)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
Unaudited Income Statements For The Financial Quarter Ended 31 March 2018

<u>BANK</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
Profit after taxation	82,194	66,176	82,194	66,176
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss :-				
- Net fair value change in financial assets at FVOCI	(10,800)	-	(10,800)	-
- Net fair value change in financial investments available-for-sale	-	19,570	-	19,570
- Deferred tax on financial assets at FVOCI	2,382	-	2,382	
- Deferred tax on financial investments available-for-sale	-	(4,697)	-	(4,697)
Other comprehensive (loss)/income for the financial period, net of tax	(8,418)	14,873	(8,418)	14,873
Total comprehensive income for the financial period	73,776	81,049	73,776	81,049

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
(Company no. 25046 T)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 31 March 2018

GROUP	<-----Attributable to Equity Holders of the Bank----->							Non-controlling Interest RM'000	Total equity RM'000
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Retained profits RM'000	Total shareholders' equity RM'000			
At 1 January 2018									
- As previously reported	4,684,752	97,596	817,399	151	2,670,888	8,270,786	58,008	8,328,794	
- Adjustment arising from adoption of MFRS 9	-	(53,910)	(193,250)	-	36,586	(210,574)	-	(210,574)	
- Adjustment arising from adoption of MFRS 15	-	-	-	-	(940)	(940)	-	(940)	
At 1 January 2018, as restated	4,684,752	43,686	624,149	151	2,706,534	8,059,272	58,008	8,117,280	
Comprehensive income :									
- Net profit for the financial period	-	-	-	-	141,467	141,467	4,520	145,987	
Other comprehensive income (net of tax) :									
- Financial assets at FVOCI	-	(10,805)	-	-	-	(10,805)	(88)	(10,893)	
Total comprehensive income for the financial period	-	(10,805)	-	-	141,467	130,662	4,432	135,094	
Effects of predecessor accounting as disclosed in Note B6	-	-	-	-	101,562	101,562	-	101,562	
Transfer to regulatory reserves	-	-	8,839	-	(8,839)	-	-	-	
At 31 March 2018	4,684,752	32,881	632,988	151	2,940,724	8,291,496	62,440	8,353,936	

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
(Company no. 25046 T)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 31 March 2018

<-----Attributable to Equity Holders of the Bank----->

<u>GROUP</u>	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Retained profits RM'000	Total shareholders' equity RM'000
At 1 January 2017	1,688,770	858,904	1,721,637	75,229	280,204	-	1,178,962	5,803,706
Comprehensive income :								
- Net profit for the financial period	-	-	-	-	-	-	90,233	90,233
Other comprehensive income (net of tax) :								
- Financial assets at FVOCI	-	-	-	21,495	-	-	-	21,495
Total comprehensive income for the financial period	-	-	-	21,495	-	-	90,233	111,728
Transfer to regulatory reserves	-	-	-	-	1,802	-	(1,802)	-
At 31 March 2017	1,688,770	858,904	1,721,637	96,724	282,006	-	1,267,393	5,915,434

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
(Company no. 25046 T)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 31 March 2018

<u>BANK</u>	<-----Non-distributable----->			<-Distributable->		Total equity RM'000
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000		
At 1 January 2018						
- As previously reported	4,684,752	121,637	710,743	1,987,315		7,504,447
- Adjustment arising from adoption of MFRS 9	-	(59,257)	(187,370)	84,805		(161,822)
At 1 January 2018, as restated	4,684,752	62,380	523,373	2,072,120		7,342,625
Comprehensive income :						
- Net profit for the financial period	-	-	-	82,194		82,194
Other comprehensive income (net of tax) :						
- Financial assets at FVOCI	-	(8,418)	-	-		(8,418)
Total comprehensive income for the financial period	-	(8,418)	-	82,194		73,776
Transfer to regulatory reserves	-	-	3,992	(3,992)		-
At 31 March 2018	4,684,752	53,962	527,365	2,150,322		7,416,401

<u>BANK</u>	<-----Non-distributable----->				<-Distributable->		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
At 1 January 2017	1,688,770	858,904	1,416,621	93,292	207,026	913,359	5,177,972
Comprehensive income :							
- Net profit for the financial period	-	-	-	-	-	66,176	66,176
Other comprehensive income (net of tax) :							
- Financial assets at FVOCI	-	-	-	14,873	-	-	14,873
Total comprehensive income for the financial period	-	-	-	14,873	-	66,176	81,049
Transfer from regulatory reserves	-	-	-	-	(6,715)	6,715	-
At 31 March 2017	1,688,770	858,904	1,416,621	108,165	200,311	986,250	5,259,021

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

AFFIN BANK BERHAD
(Company no. 25046 T)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 31 March 2018

	< ----- GROUP ----- >		< ----- BANK ----- >	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	186,750	125,332	108,026	92,543
Adjustment for items not involving the movement of cash and cash equivalents	(111,821)	(56,998)	(74,689)	(63,057)
Operating profit before changes in working capital	74,929	68,334	33,337	29,486
Net changes in operating assets	(734,827)	(1,068,133)	731,691	(206,385)
Net changes in operating liabilities	2,283,891	175,059	(121,207)	(979,139)
Tax and zakat paid	(42,840)	(18,576)	(28,000)	(9,354)
Net cash generated from/(used in) operating activities	<u>1,581,153</u>	<u>(843,316)</u>	<u>615,821</u>	<u>(1,165,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received :				
- financial assets at FVOCI	114,389	-	80,329	-
- financial assets at amortised cost	2,052	-	1,412	-
- financial investments available-for-sale	-	74,232	-	74,232
- financial investments held-to-maturity	-	2,946	-	2,946
Dividend income:				
- financial assets at FVOCI	420	-	-	-
- financial assets at amortised cost	1,667	-	-	-
- financial investments available-for-sale	-	104	-	104
Net disposal/(purchase) of				
- financial assets at FVOCI	108,054	-	(87,353)	-
- financial assets at amortised cost	(41,951)	-	(1,069)	-
- financial investments available-for-sale	-	219,206	-	297,507
- financial investments held-to-maturity	-	(531)	-	743
Net cash proceeds from disposal of a subsidiary	-	-	-	662
Purchase of				
- property and equipment	(34,922)	(15,641)	(32,777)	(15,397)
- intangible assets	(123)	(538)	(29)	(538)
Proceeds from disposal of				
- property and equipment	142	-	-	-
- foreclosed properties	307	-	-	-
Capital injection into subsidiary	-	-	-	(200,000)
Cash flow arising from Group Reorganisation [Note B6]	15,545	-	-	-
Net cash generated from/(used in) investing activities	<u>165,580</u>	<u>279,778</u>	<u>(39,487)</u>	<u>160,259</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of subordinated term loan	-	700,000	-	700,000
Payment for interest on subordinated term loan/medium term notes	(109,838)	(14,264)	(52,417)	(14,264)
Net cash (used in)/generated from financing activities	<u>(109,838)</u>	<u>685,736</u>	<u>(52,417)</u>	<u>685,736</u>
Net increase/(decrease) in cash and cash equivalents	1,636,895	122,198	523,917	(319,397)
Effect of exchange rate changes on cash and cash equivalents	(3,317)	19,110	(230)	19,110
Cash and cash equivalents at beginning of the financial year	4,347,433	4,364,490	2,410,566	3,391,038
Cash and cash equivalents at end of the period/year	<u>5,981,011</u>	<u>4,505,798</u>	<u>2,934,253</u>	<u>3,090,751</u>
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	6,095,199	4,592,892	2,934,253	3,077,836
Deposits and placements of banks and other financial institutions	19,689	151,596	85,611	304,095
	<u>6,114,888</u>	<u>4,744,488</u>	<u>3,019,864</u>	<u>3,381,931</u>
Less:				
Amount held on behalf of commissioned dealer's representatives	(48,266)	-	-	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(85,611)	(238,690)	(85,611)	(291,180)
	<u>5,981,011</u>	<u>4,505,798</u>	<u>2,934,253</u>	<u>3,090,751</u>

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017.

Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Bank Negara Malaysia

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial year under review have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values :-

- (i) financial assets held-for-trading,
- (ii) financial investments available-for-sale, and
- (iii) derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and Policy Document on Financial Reporting issued by Bank Negara Malaysia.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017. The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group and the Bank since the year ended 31 December 2017.

There are no changes to the accounting policies adopted since the last financial year except for the adoption of MFRS 9 'Financial Instruments' and MFRS 15 'Revenue from Contracts with Customers' with effect from 1 January 2018. In addition to the adoption of these 2 new standards, IFRS 9 introduced a consequential amendments to paragraph 82(a) of IAS 1 'Presentation of Financial Statements' which is effective from 1 January 2018.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2017, except for the adoption of the following amendments to MFRS that are applicable to the Group and the Bank effective for the financial year beginning on 1 January 2018:-

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contract with Customers'

(i) Adoption of MFRS 9 "Financial Instruments"

Classification and measurements

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 31 December 2017. However, the Group and the Bank have identified certain instruments currently held at financial investments available for sales of which that fail the solely for the payment of principal and interest ("SPPI") test will be reclassified as fair value through profit or loss ("FVTPL") with certain equity instruments elected at inception to be fair valued in OCI accordingly on 1 January 2018.

The Group and the Bank do not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There are no changes to the Group's and the Bank's accounting for financial liabilities. All the financial liabilities, except for derivatives financial liabilities which is at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, loan commitments and financial guarantee contracts.

Under MFRS 9, impairment is measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, is recorded in profit or loss, and allowance for credit losses will be more volatile under MFRS 9.

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018 :-

Group	MFRS 139	Reclassification	Remeasurement	MFRS 9
	carrying			carrying amount
	31 December 2017			1 January 2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised cost				
Cash and short-term funds				
Opening balance	4,146,815	-	-	4,146,815
Closing balance	4,146,815	-	-	4,146,815
Deposits and placements with banks and other financial institutions				
Opening balance	464,446	-	-	464,446
To FVTPL - Deposits and placements with banks and other financial institutions	-	(263,828)	-	(263,828)
Remeasurement	-	-	(116)	(116)
	464,446	(263,828)	(116)	200,502
Financial investments held-to-maturity ("HTM"):				
Opening balance	128,639	-	-	128,639
HTM to investment securities at amortised cost ("AC")	-	(128,639)	-	(128,639)
Closing balance	128,639	(128,639)	-	-
Loans, advances and financing:				
Opening balance	45,722,158	-	-	45,722,158
To investment securities at amortised cost	-	(40,497)	-	(40,497)
Remeasurement - unwinding of discount	-	-	(1,426)	(1,426)
Remeasurement - expected credit loss ("ECL")	-	-	(223,604)	(223,604)
Closing balance	45,722,158	(40,497)	(225,030)	45,456,631
Financial assets at amortised cost:				
Opening balance	-	-	-	-
From loans, advances and financing	-	40,497	-	40,497
From held-to-maturity ("HTM")	-	128,639	-	128,639
Remeasurement	-	-	(820)	(820)
Closing balance	-	169,136	(820)	168,316

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018 :-

Group	MFRS 139	Reclassification	Remeasurement	MFRS 9
	31 December 2017			1 January 2018
	carrying			carrying amount
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised cost				
Trade receivables				
Opening balance	550,737	-	-	550,737
Remeasurement	-	-	(105)	(105)
Closing balance	550,737	-	(105)	550,632
Other assets				
Opening balance	100,503	-	-	100,503
Remeasurement	-	-	(12)	(12)
Closing balance	100,503	-	(12)	100,491
Total financial assets at amortised cost	51,113,298	(263,828)	(226,083)	50,623,387
Financial assets at FVOCI				
Financial investments available-for-sale				
Opening balance	14,627,359	-	-	14,627,359
AFS to FVOCI - debt	-	(15,322,913)	-	(15,322,913)
AFS to FVOCI - equity	-	(118,847)	-	(118,847)
AFS to Equity FVTPL	-	(331,970)	-	(331,970)
Closing balance	14,627,359	(15,773,730)	-	(1,146,371)
Financial assets at FVOCI - debt				
Opening balance	-	-	-	-
From available-for-sale	-	15,322,913	-	15,322,913
From amortised cost	-	-	-	-
Remeasurement	-	-	-	-
Closing balance	-	15,322,913	-	15,322,913
Financial assets at FVOCI - equity				
Opening balance	-	-	-	-
From available-for-sale	-	118,847	-	118,847
Closing balance	-	118,847	-	118,847
Total financial assets at FVOCI	14,627,359	(331,970)	-	14,295,389
Financial assets at FVTPL				
Opening balance	105,180	-	-	105,180
From amortised cost - deposits and placements				
with banks and other financial institutions	-	263,828	(4,333)	259,495
From available-for-sale ("AFS")	-	331,970	397	332,367
Total financial assets at FVTPL	105,180	595,798	(3,936)	697,042
Other liabilities				
Opening balance	945,372	-	-	945,372
Remeasurement - off-balance sheet loan, loan commitments and financial guarantee issued	-	-	48,218	48,218
Remeasurement - investment accounts due from designated financial institutions	-	-	88	88
Closing balance	945,372	-	48,306	993,678

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

The following table analyses the impact, net of tax, of transition to MFRS 9 on reserves and retained earnings. The impact relates to the liability credit reserve, the fair value reserve and retained earnings. There is no impact on other components of equity.

Group	Impact of adopting MFRS 9 at 1 January 2018 RM'000
Fair value reserve	
Closing balance under MFRS 139 (31 December 2017)	97,596
Recognition of expected credit losses under MFRS 9 for debt financial assets at FVOCI	8,705
Reclassification of financial assets (debt and equity) from AFS to FVTPL	(62,615)
	<u>43,686</u>
Opening balance under MFRS 9 (1 January 2018)	<u>43,686</u>
Collective Allowance ("CA") reserve - 1.2%	
Closing balance under MFRS 139 (31 December 2017)	817,399
Reserve to retained earnings on adoption of MFRS 9	(817,399)
	<u>-</u>
Opening balance under MFRS 9 (1 January 2018)	<u>-</u>
Regulatory Reserve ("RR") - 1%	
Transfer from retained earnings	624,148
	<u>624,148</u>
Opening balance under MFRS 9 (1 January 2018)	<u>624,148</u>
Retained earnings	
Closing balance under MFRS 139 (31 December 2017)	2,670,888
Reclassification under MFRS 9	61,179
Recognition of expected credit losses under MFRS 9 (including loan commitments)	(617,995)
BNM 1% Regulatory Reserve	(624,148)
Reversal of 1.2% CA Reserve	817,399
Reversal of Collective Allowance and Individual Allowance under MFRS 139	332,400
Deferred Tax	67,751
	<u>2,707,474</u>
Opening balance under MFRS 9 (1 January 2018)	<u>2,707,474</u>

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with MFRS 139
- the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

	MFRS 139 Carrying value 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 Carrying value 1 January 2018 RM'000
<u>Reconciliation of impairment allowance balance from MFRS 139 to MFRS 9</u>				
Loans, advances and financing				
- Individual and collective impairment	332,400	-	223,604	556,004
Loans/financing commitments	-	-	48,218	48,218
FVTPL	-	-	3,936	3,936
FVOCI and amortised cost	20,402	(7,818)	9,846	22,430
	<u>352,802</u>	<u>(7,818)</u>	<u>285,604</u>	<u>630,588</u>
Net deferred tax assets/(liabilities)				
Opening balance	(674)	-	-	(674)
Remeasurement - deferred tax assets	-	-	67,751	67,751
	<u>(674)</u>	<u>-</u>	<u>67,751</u>	<u>67,077</u>
Closing balance	<u>(674)</u>	<u>-</u>	<u>67,751</u>	<u>67,077</u>

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

	MFRS 139 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 1 January 2018 RM'000
Bank				
<u>Financial assets at amortised cost</u>				
Cash and short-term funds				
Opening balance	2,209,948	-	-	2,209,948
Closing balance	2,209,948	-	-	2,209,948
Investment accounts due from designated financial institution				
Opening balance	2,749,067	-	-	2,749,067
Remeasurement	-	-	(88)	(88)
Closing balance	2,749,067	-	(88)	2,748,979
Deposits and placements with banks and other financial institutions				
Opening balance	495,133	-	-	495,133
To FVTPL - deposits and placements with banks and other financial institutions	-	(253,515)	-	(253,515)
Remeasurement	-	-	(116)	(116)
Closing balance	495,133	(253,515)	(116)	241,502
Financial investments held-to-maturity ("HTM"):				
Opening balance	120,532	-	-	120,532
HTM to investment securities at amortised cost ("AC")	-	(120,532)	-	(120,532)
Closing balance	120,532	(120,532)	-	-
Loans, advances and financing:				
Opening balance	29,143,900	-	-	29,143,900
Remeasurement - unwinding of discount	-	-	(832)	(832)
Remeasurement - expected credit loss ("ECL")	-	-	(177,282)	(177,282)
Closing balance	29,143,900	-	(178,114)	28,965,786
Financial assets at amortised cost:				
Opening balance	-	-	-	-
From held-to-maturity ("HTM")	-	120,532	-	120,532
Remeasurement	-	-	(584)	(584)
Closing balance	-	120,532	(584)	119,948
Other assets	50,795	-	-	50,795
Total financial assets at amortised cost	34,769,375	(253,515)	(178,902)	34,336,958
<u>Financial assets at FVOCI</u>				
Financial investments available-for-sale				
Opening balance	8,487,818	-	-	8,487,818
AFS to FVOCI - debt	-	(8,457,788)	-	(8,457,788)
AFS to Equity FVTPL	-	(113,692)	-	(113,692)
Closing balance	8,487,818	(8,571,480)	-	(83,662)
Financial assets at FVOCI - debt				
Opening balance	-	-	-	-
From available-for-sale ("AFS")	-	8,457,788	-	8,457,788
Closing balance	-	8,457,788	-	8,457,788
Total financial assets at FVOCI	8,487,818	(113,692)	-	8,374,126

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

Bank	MFRS 139 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 1 January 2018 RM'000
Financial assets at FVTPL				
Opening balance	10,129	-	-	10,129
From amortised cost - deposits and placements with banks and other financial institutions	-	253,515	(4,333)	249,182
From available-for-sale ("AFS")	-	113,692	397	114,089
Total financial assets at FVTPL	10,129	367,207	(3,936)	373,400
Other liabilities				
Opening balance	482,660	-	-	482,660
Remeasurement off-balance sheet loan, loan commitments and financial guarantee issue	-	-	31,159	31,159
Closing balance	482,660	-	31,159	513,819

The following table analyses the impact, net of tax, of transition to MFRS 9 on reserves and retained earnings. The impact relates to the liability credit reserve, the fair value reserve and retained earnings. There is no impact on other components of equity.

	Impact of adopting MFRS 9 at 1 January 2018 RM'000
Fair value reserve	
Closing balance under MFRS 139 (31 December 2017)	121,637
Recognition of expected credit losses under MFRS 9 for debt financial assets at FVOCI	3,399
Reclassification of financial assets (debt and equity) from AFS to FVTPL	(62,656)
Opening balance under MFRS 9 (1 January 2018)	62,380
Collective Allowance ("CA") reserve - 1.2%	
Closing balance under MFRS 139 (31 December 2017)	710,743
Reserve to retained earnings on adoption of MFRS 9	(710,743)
Opening balance under MFRS 9 (1 January 2018)	-
Regulatory Reserve ("RR") - 1%	
Transfer from retained earnings	523,373
Opening balance under MFRS 9 (1 January 2018)	523,373
Retained earnings	
Closing balance under MFRS 139 (31 December 2017)	1,987,315
Reclassification under MFRS 9	61,824
Recognition of expected credit losses under MFRS 9 (including loan commitments)	(464,908)
BNM 1% Regulatory Reserve	(523,373)
Reversal of 1.2% CA Reserve	710,743
Reversal of Collective Allowance and Individual Allowance under MFRS 139	248,344
Deferred Tax	52,175
Opening balance under MFRS 9 (1 January 2018)	2,072,120

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with MFRS 139
- the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

	MFRS 139 Carrying value			MFRS 9 Carrying value
	31 December 2017	Reclassification	Remeasurement	1 January 2018
	RM'000	RM'000	RM'000	RM'000
<u>Reconciliation of impairment allowance balance from MFRS 139 to MFRS 9</u>				
Loans, advances and financing				
- Individual and collective impairment	248,344	-	177,282	425,626
Loans/financing commitments	-	-	31,159	31,159
FVTPL	-	-	3,936	3,936
FVOCI and amortised cost	3,893	-	4,187	8,080
	<u>252,237</u>	<u>-</u>	<u>216,564</u>	<u>468,801</u>
Deferred tax liabilities				
Opening balance	17,841	-	-	17,841
Remeasurement - deferred tax assets	-	-	(52,175)	(52,175)
Closing balance	<u>17,841</u>	<u>-</u>	<u>(52,175)</u>	<u>(34,334)</u>

(ii) Adoption of MFRS 15 "Revenue from Contracts with Customers"

MFRS 15 "Revenue from contracts with customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few;
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa; and
- As with any new Standard, there are also increased disclosures.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(ii) Adoption of MFRS 15 "Revenue from Contracts with Customers"

The Group have adopted MFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under MFRS 118 "Revenue" and related interpretations. The impact of adoption of the MFRS 15 on the Group's opening retained profits are set out below:

	<u>As at 1.1.2018</u>		
	<u>Gross fees DR/(CR) RM'000</u>	<u>Tax effect DR/(CR) RM'000</u>	<u>Net impact DR/(CR) RM'000</u>
Group			
Impact to Opening Retained Profit arising from:-			
Fees for services transferred at a point in time upon satisfaction of performance obligations	(755)	181	(574)
Fees for services transferred over time in respect of agency and guarantee fees	1,991	(477)	1,514
Net debit impact to Retained Profits as at 1.1.2018	<u>1,236</u>	<u>(296)</u>	<u>940</u>

There is no material impact on the financial position, comprehensive income, cashflows and earnings per share of the Group on the adoption of MFRS 15 for the financial quarter ended 31 March 2018.

(iii) Presentation of interest for derivatives and other financial instruments measured at Fair Value through Profit or Loss ("FVTPL")

IFRS 9 introduced a consequential amendment to paragraph 82 (a) of IAS 1 "Presentation of Financial Statements", which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest revenue calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statement.

The effective interest method does not apply to derivatives and other instruments measured at FVTPL, the interest arising on such instruments should not be included in the line item of "interest income" (except for gains and losses arising from related hedging instruments that are accounted for as hedges under IFRS 9).

Accordingly, the Group and the Bank changed the classification of interest income for financial assets measured at FVTPL from "Interest Income" to "Net gain and losses on financial instruments" for the current and previous financial quarters as reflected in Note A22 to the interim financial statements.

Interest income and interest expense on derivatives instruments are also correspondingly reclassified to "Net gain and losses on financial instruments" as reflected in Note A22 to the interim financial statements.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 was not subjected to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The operations of the Group and the Bank are generally not affected by any seasonal or cyclical factors but are in tandem with the country's economic situation.

A5. ITEMS OF UNUSUAL NATURE, SIZE AND INCIDENCE AFFECTING NET ASSETS, EQUITY, NET INCOME OR CASH FLOWS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter under review.

A6. CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect during the financial quarter under review.

A7. DEBT AND EQUITY SECURITIES

There were no shares issuance or cancellations, share buy-backs, resale of shares bought back and repayment of debts and equity securities by the Group and the Bank during the financial quarter under review.

A8. DIVIDENDS PAID

No dividend has been paid during the financial quarter under review.

Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Bank Negara Malaysia

A9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
Trading				
At fair value				
Money market instruments				
Malaysian Government Securities	70,021	20,349	-	-
Malaysian Government Investment Issues	143,242	10,129	-	10,129
Malaysian Government Islamic Investment Issues	-	10,224	-	-
Negotiable Instruments of Deposit	9,941	-	-	-
	<u>223,204</u>	<u>40,702</u>	<u>-</u>	<u>10,129</u>
Investment Linked Deposit	249,694	-	249,694	-
Quoted Securities				
- Shares in Malaysia	32,139	38,696	-	-
- Unit Trusts in Malaysia	88,374	6,979	-	-
- REITs in Malaysia	5,930	-	-	-
Unquoted Securities				
- Corporate Bonds and/or Sukuk in Malaysia	2,784	1,775	-	-
- Corporate Bonds and/or Sukuk outside Malaysia	17,028	17,028	-	-
	<u>619,153</u>	<u>105,180</u>	<u>249,694</u>	<u>10,129</u>
Equity				
At fair value				
Unquoted Securities				
- Shares in Malaysia	83,662	-	83,662	-
- Corporate Bonds and/or Sukuk in Malaysia	30,772	-	30,772	-
	<u>733,587</u>	<u>105,180</u>	<u>364,128</u>	<u>10,129</u>

A10. DERIVATIVE FINANCIAL ASSETS

	31/3/2018		31/3/2017	
	Contract/ Notional Amount RM'000	Assets RM'000	Contract/ Notional Amount RM'000	Assets RM'000
Group				
At fair value				
Foreign exchange derivatives:				
- Currency forwards	1,314,045	15,876	515,361	6,075
- Cross currency swaps	1,632,860	99,910	3,075,603	96,883
- Currency swaps	2,346,942	64,563	2,402,127	50,211
- Current options	-	(4)	-	-
Interest rate derivatives:				
- Interest rate swaps	2,101,000	18,581	1,801,000	19,956
	<u>7,394,847</u>	<u>198,926</u>	<u>7,794,091</u>	<u>173,125</u>
Bank				
At fair value				
Foreign exchange derivatives:				
- Currency forwards	289,977	2,916	135,977	2,116
- Cross currency swaps	1,844,499	101,597	3,468,924	99,777
- Current options	-	(4)	-	-
Interest rate derivatives:				
- Interest rate swaps	1,101,000	17,089	1,326,000	18,926
	<u>3,235,476</u>	<u>121,598</u>	<u>4,930,901</u>	<u>120,819</u>

Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Bank Negara Malaysia

A11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")/ FINANCIAL INVESTMENTS AVAILABLE -FOR-SALE

	Group		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
At fair value				
Money market instruments				
Malaysian Government Securities	322,684	262,298	100,844	111,019
Malaysian Government Investment Issuance	2,576,275	2,398,206	1,252,772	1,185,300
Malaysian Government Treasury Bills	77,752	12,517	-	-
Khazanah Bonds/Sukuk	387,174	384,575	229,699	228,326
Cagamas Bonds/Sukuk	227,855	137,598	121,075	70,980
Sukuk Perumahan Kerajaan	447,633	450,475	278,611	279,963
Negotiable Instruments of Deposit	603,773	760,323	1,611,646	1,772,500
	4,643,146	4,405,992	3,594,647	3,648,088
Quoted Securities				
- Shares in Malaysia	61	6,296	-	-
- Unit Trusts in Malaysia	-	208,907	-	-
- REITs in Malaysia	14,034	13,083	-	-
- REITs outside Malaysia	12,667	10,977	-	-
Unquoted Securities				
- Shares in Malaysia	166,517	252,432	145,906	229,568
- Corporate Bonds and/or Sukuk in Malaysia	9,228,003	9,230,824	4,450,751	4,309,562
- Corporate Bonds and/or Sukuk outside Malaysia	442,063	507,022	290,537	300,956
	14,506,491	14,635,533	8,481,841	8,488,174
Expected credit loss ("ECL")/Allowance for impairment for securities	(356)	(8,174)	(356)	(356)
	14,506,135	14,627,359	8,481,485	8,487,818
<u>Movement in expected credit losses/Allowance for impairment for securities</u>				
At beginning of the financial period/year	8,174	11,822	356	356
MFRS 9 reclassification to cost	(7,818)	-	-	-
Allowance made during the financial period/year	-	1,287	-	-
Amount written-off	-	(4,935)	-	-
At end of the financial period/year	356	8,174	356	356

**A12. FINANCIAL ASSETS AT AMORTISED COST/
FINANCIAL INVESTMENT HELD-TO-MATURITY**

	Group		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
Unquoted Securities				
- Corporate Bonds and/or Sukuk in Malaysia	166,557	124,085	125,480	124,069
- Redeemable Convertible Unsecured Loan Stock in Malaysia	15,101	15,041	-	-
	181,658	139,126	125,480	124,069
Expected credit loss ("ECL")/Allowance for impairment for securities	(11,068)	(10,487)	(3,879)	(3,537)
	170,590	128,639	121,601	120,532
<u>Movement in expected credit losses/Allowance for impairment for securities</u>				
At beginning of the financial period/year	10,487	10,487	3,537	3,537
Expected credit loss ("ECL")	581	-	342	-
At end of the financial period/year	11,068	10,487	3,879	3,537

A13. LOANS, ADVANCES AND FINANCING

(a) BY TYPE

Overdrafts	2,002,059	1,867,780	1,647,343	1,554,785
Term loans / financing				
- Housing loans/financing	9,051,324	8,486,642	4,082,103	4,086,865
- Syndicated term loans/financing	2,089,077	2,634,929	1,099,955	1,227,635
- Hire purchase receivables	12,464,667	12,365,906	8,481,790	8,501,399
- Business term loans/financing	14,170,279	13,699,795	9,390,284	9,399,271
- Other term loans/financing	393,389	412,788	-	-
Bills receivables	29,940	27,811	24,284	19,583
Trust receipts	225,927	222,179	218,253	207,462
Claims on customers under acceptance credits	1,287,273	1,260,155	1,084,269	1,009,909
Staff loans/financing of which:				
RM NIL were to Directors (2017: RM NIL)	170,666	167,350	131,569	133,194
Credit/charge cards	113,102	111,414	113,037	111,402
Revolving credit	3,998,173	4,395,924	3,129,897	3,136,532
Margin financing	374,824	357,181	-	-
Factoring	8,018	4,207	8,018	4,207
Other receivables	-	40,497	-	-
Gross loans, advances and financing	46,378,718	46,054,558	29,410,802	29,392,244
Less: Allowance for impairment losses				
- Individual impairment	-	(93,885)	-	(69,836)
- Collective impairment	-	(238,515)	-	(178,508)
- Expected credit loss ("ECL")	(552,257)	-	(406,223)	-
Total net loans, advances and financing	45,826,461	45,722,158	29,004,579	29,143,900

(b) BY MATURITY STRUCTURE

Maturing within one year	8,781,883	8,636,523	6,433,976	6,092,359
One year to three years	4,585,934	4,823,382	3,689,699	3,719,003
Three years to five years	6,948,717	6,805,424	5,241,575	4,988,404
Over five years	26,062,184	25,789,229	14,045,552	14,592,478
	46,378,718	46,054,558	29,410,802	29,392,244

(c) BY TYPE OF CUSTOMER

Domestic non-banking institutions :-				
- Others	732,465	774,836	451,881	553,756
Domestic business enterprises :-				
- Small medium enterprises	12,572,959	12,511,252	9,912,298	9,988,662
- Others	10,371,755	10,842,187	7,021,354	6,878,274
Government and statutory bodies	1,120,480	1,104,981	58,911	58,657
Individuals	20,866,057	20,042,711	11,667,877	11,602,284
Other domestic entities	12,782	765,402	294,549	306,451
Foreign entities	701,863	13,189	3,932	4,160
Foreign individuals	357	-	-	-
	46,378,718	46,054,558	29,410,802	29,392,244

A13. LOANS, ADVANCES AND FINANCING (Cont.)

	Group		Bank	
	31/3/2018	31/12/2017	31/3/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>				
Fixed rate :-				
- Housing loans/financing	377,411	384,844	330,231	337,989
- Hire purchase receivables	12,466,953	12,368,159	8,481,790	8,501,399
- Other fixed rate loans/financing	2,997,173	3,092,517	1,584,944	1,551,713
- Margin financing	374,824	357,181	-	-
Variable rate :-				
- BLR plus	19,614,195	19,131,797	11,700,667	11,372,025
- Cost plus	10,424,055	10,682,080	7,313,170	7,629,118
- Other variable rates	124,107	37,980	-	-
	46,378,718	46,054,558	29,410,802	29,392,244
(e) <u>BY ECONOMIC PURPOSE</u>				
Construction	3,327,019	3,451,504	2,249,981	2,328,238
Purchase of landed property of which				
- Residential	9,028,771	8,465,547	3,908,523	3,928,963
- Non-residential	6,269,750	6,383,585	4,623,723	4,821,020
Purchase of securities	1,575,053	1,448,427	646,554	480,252
Purchase of transport vehicles	12,783,041	12,689,074	8,680,021	8,702,450
Fixed assets other than land and building	274,205	275,714	176,472	175,731
Personal use	759,689	702,599	713,281	661,340
Credit card	113,100	111,414	113,035	111,402
Consumer durable	489	582	485	577
Merger and acquisition	87,742	89,071	87,742	89,071
Working capital	11,237,603	11,402,100	7,858,541	7,666,531
Others	922,256	1,034,941	352,444	426,669
	46,378,718	46,054,558	29,410,802	29,392,244
(f) <u>BY SECTOR</u>				
Primary agriculture	879,826	859,639	528,815	524,490
Mining and quarrying	523,802	638,033	246,949	263,840
Manufacturing	2,153,707	2,085,077	1,636,269	1,561,820
Electricity, gas and water supply	268,467	179,040	77,615	66,646
Construction	2,789,719	2,621,265	1,749,194	1,705,228
Real estate	8,130,064	8,373,983	6,211,929	6,375,208
Wholesale and retail trade and restaurants and hotels	2,937,345	2,782,437	2,322,320	2,283,708
Transport, storage and communication	1,653,871	2,421,243	1,312,060	1,514,303
Finance, insurance and business services	3,186,246	3,022,240	2,406,258	2,240,310
Education, health and others	2,844,247	2,783,211	1,164,327	1,163,623
Household	21,004,520	20,240,269	11,753,414	11,691,226
Others	6,904	48,121	1,652	1,842
	46,378,718	46,054,558	29,410,802	29,392,244
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>				
Perlis	166,107	231,679	22,940	28,931
Kedah	1,498,438	1,464,362	791,494	786,429
Pulau Pinang	2,539,820	2,660,130	1,896,410	2,088,712
Perak	1,621,686	1,595,065	966,497	962,749
Selangor	13,902,934	13,075,574	8,625,259	8,305,353
Wilayah Persekutuan	12,504,430	13,283,748	7,706,163	7,847,522
Negeri Sembilan	1,349,188	1,309,232	633,112	647,921
Melaka	1,033,543	1,036,264	776,276	788,511
Johor	5,336,470	5,134,735	3,436,431	3,401,016
Pahang	1,117,860	1,035,997	713,293	652,916
Terengganu	824,226	818,457	437,918	438,849
Kelantan	237,117	229,318	64,971	62,062
Sarawak	2,151,606	2,137,082	1,746,878	1,792,876
Sabah	1,820,112	1,749,113	1,450,950	1,432,806
Labuan	189,066	206,288	122,012	137,294
Outside Malaysia	86,115	87,514	20,198	18,297
	46,378,718	46,054,558	29,410,802	29,392,244

A13. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

	Group		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
At 1 January, as previously stated	1,167,306	717,865	959,086	590,447
Effect of adoption of MFRS 9	(1,426)	-	(832)	-
At the beginning of financial period/year	1,165,880	717,865	958,254	590,447
Classified as impaired during the financial period/year	172,067	1,445,665	129,868	989,469
Reclassified as non-impaired during the financial period/year	(102,388)	(676,240)	(79,460)	(338,471)
Amount written-back during the financial period/year	(54,057)	(156,769)	(49,978)	(127,510)
Amount written-off during the financial period/year	(1,197)	(163,215)	(1,193)	(154,849)
	1,180,305	1,167,306	957,491	959,086
Gross impaired loans as a % of gross loans, advances and financing	2.54%	2.53%	3.06%	2.98%

For the Bank, restricted investment accounts were included in the ratio calculation amounting to RM1,845.1 million (2017 : RM2,749.0 million).

(ii) Impaired loans, advances and financing by economic purpose

Construction	151,567	164,218	143,592	156,243
Purchase of landed property of which				
- Residential	216,153	207,849	134,132	137,494
- Non-residential	271,515	272,499	246,492	247,641
Purchase of securities	53	51	53	51
Purchase of transport vehicles	244,326	235,606	218,525	213,673
Fixed assets other than land and building	897	984	653	749
Personal use	20,092	17,203	19,317	16,393
Credit card	687	622	687	622
Consumer durable	15	16	15	16
Working capital	257,711	256,643	186,628	184,515
Others	17,289	11,615	7,397	1,689
	1,180,305	1,167,306	957,491	959,086

(iii) Impaired loans, advances and financing by sector

Primary agriculture	14,182	14,055	14,182	13,980
Mining and quarrying	13,619	13,615	13,552	13,552
Manufacturing	24,917	24,569	23,861	23,477
Electricity, gas and water supply	290	288	53	53
Construction	136,210	144,542	79,022	88,388
Real estate	253,178	252,055	210,055	207,512
Wholesale and retail trade and restaurants and hotels	43,738	41,691	38,199	36,564
Transport, storage and communication	292,711	292,658	292,351	292,478
Finance, insurance and business services	72,831	76,650	57,285	60,756
Education, health and others	1,083	730	1,019	605
Household	327,546	306,453	227,912	221,721
	1,180,305	1,167,306	957,491	959,086

(iv) Impaired loans, advances and financing by geographical distribution

Perlis	2,982	2,627	777	505
Kedah	56,469	55,385	41,945	41,964
Pulau Pinang	30,907	26,769	29,262	25,156
Perak	16,750	16,023	10,408	10,252
Selangor	277,103	264,602	186,416	177,166
Wilayah Persekutuan	230,309	232,178	213,661	222,501
Negeri Sembilan	79,593	79,958	70,199	73,650
Melaka	8,937	6,604	7,581	4,527
Johor	42,436	34,040	37,746	30,216
Pahang	20,023	18,715	18,590	17,615
Terengganu	296,856	296,647	290,579	290,641
Kelantan	5,094	4,925	1,528	1,437
Sarawak	59,040	58,261	22,161	21,545
Sabah	26,879	42,307	26,638	41,911
Outside Malaysia	26,927	28,265	-	-
	1,180,305	1,167,306	957,491	959,086

A13. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(v) Movements in allowance for impairment on loans, advances and financing

	Group		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
Individual impairment				
At 1 January, as previously stated	93,885	149,507	69,836	131,497
Effect of adoption of MFRS 9	(93,885)	-	(69,836)	-
At beginning of financial period/year	-	149,507	-	131,497
Allowance made during the financial period/year	-	110,892	-	94,484
Amount recovered during the financial period/year	-	(47,255)	-	(39,157)
Amount written-off during the financial period/year	-	(112,633)	-	(112,633)
Unwinding discount of allowance	-	(5,236)	-	(4,355)
Exchange difference	-	(1,390)	-	-
At end of financial period/year	-	93,885	-	69,836
Collective impairment				
At 1 January, as previously stated	238,515	237,165	178,508	189,637
Effect of adoption of MFRS9	(238,515)	-	(178,508)	-
At beginning of financial period/year	-	237,165	-	189,637
Allowance made during the financial period/year	-	49,319	-	28,512
Amount written-off during the financial period/year	-	(47,969)	-	(39,641)
At end of financial period/year	-	238,515	-	178,508

Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Bank Negara Malaysia

A13. LOANS, ADVANCES AND FINANCING (Cont.)

Movement in expected credit losses for loans, advances and financing

Group

At the beginning of financial period, on adoption of MFRS9	556,004	219,154	104,552	232,298
Total transfer between stages	-	20,416	(40)	(20,376)
Transfer to 12-month ECL (Stage 1)	-	36,022	(34,143)	(1,879)
- Changes due to change in credit risk	-	36,022	(34,143)	(1,879)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	(13,901)	40,232	(26,331)
- Changes due to change in credit risk	-	(13,901)	40,232	(26,331)
Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	(1,705)	(6,129)	7,834
- Changes due to change in credit risk	-	(1,705)	(6,129)	7,834
Loans/Financing derecognised during the period (other than write-offs)	(27,480)	(21,350)	(5,313)	(817)
New loans/financing originated or purchased	27,250	23,990	2,903	357
Changes due to change in credit risk	(373)	(43,043)	(7,516)	50,186
Modifications to contractual cash flows of financial asset	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Write-offs	(807)	-	-	(807)
Other adjustments	(2,337)	-	-	(2,337)
At the end of financial period	552,257	199,167	94,586	258,504

Total	12 months ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
31/3/2018	31/3/2018	31/3/2018	31/3/2018	
RM'000	RM'000	RM'000	RM'000	
At the beginning of financial period, on adoption of MFRS9	556,004	219,154	104,552	232,298
Total transfer between stages	-	20,416	(40)	(20,376)
Transfer to 12-month ECL (Stage 1)	-	36,022	(34,143)	(1,879)
- Changes due to change in credit risk	-	36,022	(34,143)	(1,879)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	(13,901)	40,232	(26,331)
- Changes due to change in credit risk	-	(13,901)	40,232	(26,331)
Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	(1,705)	(6,129)	7,834
- Changes due to change in credit risk	-	(1,705)	(6,129)	7,834
Loans/Financing derecognised during the period (other than write-offs)	(27,480)	(21,350)	(5,313)	(817)
New loans/financing originated or purchased	27,250	23,990	2,903	357
Changes due to change in credit risk	(373)	(43,043)	(7,516)	50,186
Modifications to contractual cash flows of financial asset	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Write-offs	(807)	-	-	(807)
Other adjustments	(2,337)	-	-	(2,337)
At the end of financial period	552,257	199,167	94,586	258,504

Bank

At the beginning of financial period, on adoption of MFRS9	425,626	158,869	92,803	173,954
Total transfer between stages	-	19,598	(5,613)	(13,985)
Transfer to 12-month ECL (Stage 1)	-	34,120	(32,285)	(1,835)
- Changes due to change in credit risk	-	34,120	(32,285)	(1,835)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	(12,818)	32,266	(19,448)
- Changes due to change in credit risk	-	(12,818)	32,266	(19,448)
Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	(1,704)	(5,594)	7,298
- Changes due to change in credit risk	-	(1,704)	(5,594)	7,298
Loans/Financing derecognised during the period (other than write-offs)	(20,779)	(15,103)	(4,935)	(741)
New loans/financing originated or purchased	19,286	16,026	2,903	357
Changes due to change in credit risk	(15,566)	(44,003)	(6,114)	34,551
Write-offs	(806)	-	-	(806)
Other adjustments	(1,538)	-	-	(1,538)
At the end of financial period	406,223	135,387	79,044	191,792

Total	12 months ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	
	(Stage 1)	(Stage 2)	(Stage 3)	
31/3/2018	31/3/2018	31/3/2018	31/3/2018	
RM'000	RM'000	RM'000	RM'000	
At the beginning of financial period, on adoption of MFRS9	425,626	158,869	92,803	173,954
Total transfer between stages	-	19,598	(5,613)	(13,985)
Transfer to 12-month ECL (Stage 1)	-	34,120	(32,285)	(1,835)
- Changes due to change in credit risk	-	34,120	(32,285)	(1,835)
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	(12,818)	32,266	(19,448)
- Changes due to change in credit risk	-	(12,818)	32,266	(19,448)
Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	(1,704)	(5,594)	7,298
- Changes due to change in credit risk	-	(1,704)	(5,594)	7,298
Loans/Financing derecognised during the period (other than write-offs)	(20,779)	(15,103)	(4,935)	(741)
New loans/financing originated or purchased	19,286	16,026	2,903	357
Changes due to change in credit risk	(15,566)	(44,003)	(6,114)	34,551
Write-offs	(806)	-	-	(806)
Other adjustments	(1,538)	-	-	(1,538)
At the end of financial period	406,223	135,387	79,044	191,792

**Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting
Bank Negara Malaysia**

A14. TRADE RECEIVABLES

	Group	
	31/3/2018 RM'000	31/12/2017 RM'000
Amount due from stock-broking clients:		
- performing accounts	360,812	265,799
- impaired accounts (a)	871	1,366
Amount due from brokers	74,859	72,708
Amount due from Bursa Securities Clearing Sdn. Bhd.	-	83,281
Management fees receivable on fund management	75,897	128,612
	<u>512,439</u>	<u>551,766</u>
Less: Allowance for bad and doubtful debts		
- Individual impairment (b)	-	(1,029)
- Expected credit losses ("ECL") (c)	(892)	-
	<u>511,547</u>	<u>550,737</u>
(a) Movements of impaired trade receivables		
At the beginning of financial period/year	1,366	1,742
Allowance made during the financial period/year	6	136
Amount recovered during the financial period/year	(501)	(512)
At end of financial period/year	<u>871</u>	<u>1,366</u>
(b) Movement in individual allowances		
At 1 January, as previously stated	1,029	993
Effect of adoption of MFRS9	(1,029)	-
At the beginning of financial period/year	-	993
Allowance made during the financial period/year	-	121
Amount recovered during the financial period/year	-	(85)
At end of financial period/year	<u>-</u>	<u>1,029</u>
(c) Movement in expected credit losses ("ECL")		
At the beginning allowance of financial period, on adoption of MFRS9	1,134	-
Allowance made during the financial period/year	69	-
Amount written-back during the financial period/year	(311)	-
At end of financial period/year	<u>892</u>	<u>-</u>

A15. OTHER ASSETS

	Group		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
Other debtors (a)	53,143	43,021	10,508	4,943
Prepayments and deposits	16,490	19,867	15,895	19,088
Cheque clearing accounts	20,630	17,535	5,267	9,493
Foreclosed properties (b)	20,407	19,912	17,962	17,271
Collaterals pledged for derivative transactions	168	168	-	-
Clearing guarantee fund	1,890	-	-	-
Clearing fund	1,000	-	-	-
Transferable membership	200	-	-	-
	<u>113,928</u>	<u>100,503</u>	<u>49,632</u>	<u>50,795</u>
(a) Other debtors				
Other debtors	53,958	43,733	10,508	4,943
Less: - Individual impairment (i)	-	(712)	-	-
- Expected credit losses ("ECL") (ii)	(815)	-	-	-
	<u>53,143</u>	<u>43,021</u>	<u>10,508</u>	<u>4,943</u>
(i) Movement in individual allowances				
At 1 January, as previously stated	712	781	-	-
Effect of adoption of MFRS9	(712)	-	-	-
At the beginning of financial period/year	-	781	-	-
Allowance made during the financial period/year	-	403	-	-
Amount written off during the financial period/year	-	(472)	-	-
At end of financial period/year	<u>-</u>	<u>712</u>	<u>-</u>	<u>-</u>
(ii) Movement in expected credit losses ("ECL")				
At the beginning allowance of financial period, on adoption of MFRS9	724	-	-	-
Allowance made during the financial period/year	104	-	-	-
Amount written off during the financial period/year	(13)	-	-	-
At end of financial period/year	<u>815</u>	<u>-</u>	<u>-</u>	<u>-</u>
(b) Foreclosed properties				
At the beginning of the financial period/year	19,912	7,970	17,271	5,329
Purchased during the financial period/year	691	12,012	691	12,012
Disposal during the financial period/year	(196)	(70)	-	(70)
At end of financial period/year	<u>20,407</u>	<u>19,912</u>	<u>17,962</u>	<u>17,271</u>

A16. DERIVATIVE FINANCIAL LIABILITIES

Group	31/3/2018		31/3/2017	
	Contract/ Notional Amount RM'000	Liability RM'000	Contract/ Notional Amount RM'000	Liability RM'000
At fair value				
Foreign exchange derivatives:				
- Currency forwards	3,438,691	142,640	3,362,909	106,537
- Cross currency swaps	1,148,717	95,494	2,544,896	133,756
- Currency swaps	1,337,931	11,723	529,884	5,147
- Current options	11,709	25	-	-
Interest rate derivatives:				
- Interest rate swaps	2,526,148	15,922	-	18,236
	8,463,196	265,804	6,437,689	263,676
Bank				
At fair value				
Foreign exchange derivatives:				
- Currency forwards	1,363,576	82,932	1,256,430	58,249
- Cross currency swaps	1,164,007	95,564	2,865,264	135,924
- Current options	11,709	25	-	-
Interest rate derivatives:				
- Interest rate swaps	1,311,148	14,053	1,226,148	16,704
	3,850,440	192,574	5,347,842	210,877

A17. OTHER LIABILITIES

	Group		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
BNM and CGC Funding programmes	37,904	37,944	36,903	37,944
Margin and collateral deposits	123,799	131,494	106,791	114,402
Trust accounts for remisiers/Commissioned dealers' representatives trust balances	48,266	49,119	-	-
Defined contribution plan	19,476	18,111	18,063	16,737
Collaterals pledged for derivative transactions	-	29	-	-
Other creditors and accruals	181,237	190,253	66,165	53,153
Accrued employee benefits	94,196	129,887	19,554	36,969
Amounts payable to commissioned and salaried dealer's representatives	41,554	39,505	-	-
Cheque clearing accounts	29,047	34,112	29,047	34,112
Provision for zakat	2,995	3,223	-	-
Sundry creditors	329,798	175,693	121,018	156,128
Securities borrowings and lending	87,650	82,030	-	-
Unearned income	35,734	53,972	-	33,215
Expected Credit Loss (a):				
- loan commitments and financial guarantees	42,618	-	26,638	-
- investment accounts due from designated financial institutions	66	-	-	-
	1,074,406	945,372	424,179	482,660

(a) Movement in expected credit losses ("ECL")

At beginning of financial period/year, on adoption of MFRS9	48,306	-	31,159	-
Changes during the period/year	(5,622)	-	(4,521)	-
At end of financial period/year	42,684	-	26,638	-

A18. RESERVES

	Group		Bank	
	31/3/2018	31/12/2017	31/3/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Retained profits	2,940,724	2,670,888	2,150,322	1,987,315
Foreign exchange reserves	151	151	-	-
FVOCI revaluation reserves/AFS revaluation reserves (a)	32,881	97,596	53,962	121,637
Statutory reserves (b)	-	-	-	-
Regulatory reserves (c)	632,988	817,399	527,365	710,743
	3,606,744	3,586,034	2,731,649	2,819,695

- (a) Fair value reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as investments securities at FVOCI. The gains or securities become impaired. Losses are transferred in the income statement upon disposal or when the securities become impaired.
- (b) The requirement to maintain a statutory reserve funds has been removed pursuant to BNM's Capital Fund Policy with effect from 3 May 2017. Consequently, the statutory reserve amount has been transferred to retained earnings.
- (c) Pursuant to BNM letter dated 1 November 2017. Effective 1 January 2018, the banking subsidiaries shall maintain, in aggregate, stage 1 and 2 provisions regulatory reserve of no less than 1% of all credit exposures (on and off balance sheet that are subject to MFRS9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysian Government), net of Stage 3 provision.

Prior to MFRS 9 implementation, the banking subsidiaries are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances.

A19. INTEREST INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	444,663	437,349	444,663	437,349
Money at call and deposits with financial institutions	15,549	26,356	15,549	26,356
Financial assets at FVOCI	114,389	-	114,389	-
Financial assets at amortised cost	2,052	-	2,052	-
Financial investments available-for-sale	-	74,232	-	74,232
Financial investments held-to-maturity	-	2,946	-	2,946
Others	6,711	-	6,711	-
	583,364	540,883	583,364	540,883
of which :-				
Interest income earned on impaired loans, advances and financing	2,424	(222)	2,424	(222)
	525,770	541,254	525,770	541,254
Bank				
Loan, advances and financing	401,790	409,630	401,790	409,630
Money at call and deposits with financial institutions	42,239	54,446	42,239	54,446
Reverse repurchase agreements with financial institutions	-	-	-	-
Financial assets at FVOCI	80,329	-	80,329	-
Financial assets at amortised cost	1,412	-	1,412	-
Financial investments available-for-sale	-	74,232	-	74,232
Financial investments held-to-maturity	-	2,946	-	2,946
	525,770	541,254	525,770	541,254
of which :-				
Interest income earned on impaired loans, advances and financing	1,574	(222)	1,574	(222)

A20. INTEREST EXPENSE

Group				
Deposits from customers	316,651	289,482	316,651	289,482
Deposits and placements of banks and other financial institutions	21,405	23,504	21,405	23,504
Securities sold under repurchase agreements	1,861	4,987	1,861	4,987
Subordinated term loan	-	11,530	-	11,530
Subordinated medium term notes	25,841	7,914	25,841	7,914
Others	1,799	141	1,799	141
	367,557	337,558	367,557	337,558
Bank				
Deposits from customers	278,912	289,482	278,912	289,482
Deposits and placements of banks and other financial institutions	25,278	23,504	25,278	23,504
Securities sold under repurchase agreements	2,751	4,987	2,751	4,987
Subordinated term loan	-	11,530	-	11,530
Subordinated medium term notes	25,841	7,914	25,841	7,914
Others	139	141	139	141
	332,921	337,558	332,921	337,558

A21. NET FEE AND COMMISSION INCOME

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
Group				
(a) Fee and commission income:				
Net brokerage	22,430	-	22,430	-
Portfolio management fees	74,123	-	74,123	-
Corporate advisory fees	1,874	-	1,874	-
Commission	6,324	5,047	6,324	5,047
Service charges and fees	21,570	16,307	21,570	16,307
Guarantee fees	5,984	5,853	5,984	5,853
Arrangement fees	850	-	850	-
Agency fees	1,765	-	1,765	-
Initial service charges	37,773	-	37,773	-
Other fee income	1,519	-	1,519	-
	<u>174,212</u>	<u>27,207</u>	<u>174,212</u>	<u>27,207</u>
(b) Fee and commission expense:				
Commission and referral expense	(56,659)	(2,288)	(56,659)	(2,288)
Net fee and commission income	<u>117,553</u>	<u>24,919</u>	<u>117,553</u>	<u>24,919</u>
Bank				
(a) Fee and commission income:				
Commission	6,074	5,047	6,074	5,047
Service charges and fees	21,272	16,307	21,272	16,307
Guarantee fees	5,423	5,853	5,423	5,853
	<u>32,769</u>	<u>27,207</u>	<u>32,769</u>	<u>27,207</u>
(b) Fee and commission expense:				
Commission and referral expense	(1,951)	(2,288)	(1,951)	(2,288)
Net fee and commission income	<u>30,818</u>	<u>24,919</u>	<u>30,818</u>	<u>24,919</u>

A22. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
Income from financial instruments:				
Gains/(losses) arising on financial assets at FVTPL :-				
- net gain/(loss) on disposal	17,994	135	17,994	135
- unrealised gains/(losses)	(709)	-	(709)	-
- interest income	8,852	-	8,852	-
- gross dividend income	1,667	-	1,667	-
Gains/(losses) on derivatives instruments				
- realised	97	103	97	103
- unrealised	2,515	286	2,515	286
- interest income	24,874	27,195	24,874	27,195
- Interest expense	(24,685)	(26,229)	(24,685)	(26,229)
Gains/(losses) arising on financial investments available-for-sale :-				
- net gains on disposal	-	3,095	-	3,095
- gross dividend income	-	104	-	104
Gains/(losses) arising on financial assets at FVOCI :-				
- net gains on disposal	2,208	-	2,208	-
- gross dividend income	420	-	420	-
	33,233	4,689	33,233	4,689

Bank

Income from financial instruments:

Gains/(losses) arising on financial assets at FVTPL :-

- net gain/(loss) on disposal	(15)	135	(15)	135
- unrealised gains/(losses)	(582)	-	(582)	-
- interest income	4,177	-	4,177	-

Gains/(losses) on derivatives instruments

- realised	97	103	97	103
- unrealised	2,562	286	2,562	286
- interest income	24,196	27,195	24,196	27,195
- Interest expense	(24,170)	(26,229)	(24,170)	(26,229)

Gains/(losses) arising on financial investments available-for-sale :-

- net gains on disposal	-	3,095	-	3,095
- gross dividend income	-	104	-	104

Gains/(losses) arising on financial assets at FVOCI :-

- net gains on disposal	1,219	-	1,219	-
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	7,484	4,689	7,484	4,689
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A23. OTHER OPERATING INCOME

Group

Other income:

Foreign exchange gains/(losses)

- realised	11,085	(10,882)	11,085	(10,882)
- unrealised	(3,317)	19,110	(3,317)	19,110

Rental income

	27	628	27	628
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Gain/(loss) on disposal of property and equipment

	99	-	99	-
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Gain/(loss) on disposal of foreclosed properties

	111	-	111	-
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Other non-operating income

	3,502	3,260	3,502	3,260
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Total other operating income

	11,507	12,116	11,507	12,116
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Bank

Other income:

Foreign exchange gains/(losses)

- realised	7,332	(10,882)	7,332	(10,882)
- unrealised	(230)	19,110	(230)	19,110

Rental income

	27	628	27	628
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Gain on winding-up of a subsidiary

	-	162	-	162
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Other non-operating income

	2,824	3,104	2,824	3,104
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Total other operating income

	9,953	12,122	9,953	12,122
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A24. OTHER OPERATING EXPENSES

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	151,046	83,146	151,046	83,146
Defined contribution plan	23,762	13,858	23,762	13,858
Other personnel costs	26,904	12,333	26,904	12,333
	<u>201,712</u>	<u>109,337</u>	<u>201,712</u>	<u>109,337</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	5,772	1,158	5,772	1,158
Entertainment	1,795	512	1,795	512
Travelling and accommodation	2,253	1,139	2,253	1,139
Dealers' handling fees	300	-	300	-
Commission and brokerage expenses	3,383	2,603	3,383	2,603
Others marketing expenses	1,968	604	1,968	604
	<u>15,471</u>	<u>6,016</u>	<u>15,471</u>	<u>6,016</u>
<u>Establishment-related expenses</u>				
Rental of premises	9,875	6,523	9,875	6,523
Equipment rental	769	125	769	125
Repair and maintenance	13,413	9,991	13,413	9,991
Depreciation of property and equipment	6,364	3,729	6,364	3,729
Amortisation of intangible assets	6,705	2,453	6,705	2,453
IT consultancy fee	9,846	15,265	9,846	15,265
Dataline rental	2,852	1,807	2,852	1,807
Security services	4,250	4,496	4,250	4,496
Electricity, water and sewerage	3,364	2,466	3,364	2,466
Insurance/Takaful and indemnities	7,196	5,654	7,196	5,654
Other establishment costs	1,341	1,250	1,341	1,250
	<u>65,975</u>	<u>53,759</u>	<u>65,975</u>	<u>53,759</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	4,321	1,084	4,321	1,084
Auditors' remuneration :-				
(i) Statutory audit fees	597	435	597	435
(ii) Regulatory related fees	17	-	17	-
(iii) Tax fees	3	18	3	18
(iv) Non-audit fees	43	318	43	318
Professional fees	3,560	8,964	3,560	8,964
Property and equipment written-off	137	21	137	21
Intangible asset written-off	12	-	12	-
Mail and courier charges	1,055	587	1,055	587
Stationery and consumables	4,094	2,013	4,094	2,013
Directors' fees and allowances	908	650	908	650
Donations	567	656	567	656
Settlement, clearing and bank charges	3,825	2,913	3,825	2,913
Stamp duties	596	41	596	41
Subscription fees	1,945	-	1,945	-
GST input tax-non recoverable	3,351	2,445	3,351	2,445
Other administration and general expenses	3,386	723	3,386	723
	<u>28,417</u>	<u>20,868</u>	<u>28,417</u>	<u>20,868</u>
Total other operating expenses	311,575	189,980	311,575	189,980

A24. OTHER OPERATING EXPENSES (Cont.)

Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Wages, salaries and bonus	70,980	64,432	70,980	64,432
Defined contribution plan	11,002	10,636	11,002	10,636
Other personnel costs	13,640	9,761	13,640	9,761
	95,622	84,829	95,622	84,829
Promotion and marketing-related expenses				
Business promotion and advertisement	3,371	910	3,371	910
Entertainment	1,069	446	1,069	446
Travelling and accommodation	1,071	895	1,071	895
Commission and brokerage expenses	2,514	2,140	2,514	2,140
Others marketing expenses	553	397	553	397
	8,578	4,788	8,578	4,788
Establishment-related expenses				
Rental of premises	4,661	4,924	4,661	4,924
Equipment rental	405	86	405	86
Repair and maintenance	9,908	8,502	9,908	8,502
Depreciation of property and equipment	3,851	3,491	3,851	3,491
Amortisation of intangible assets	3,113	2,453	3,113	2,453
IT consultancy fee	7,389	12,460	7,389	12,460
Dataline rental	2,441	1,515	2,441	1,515
Security services	3,244	3,466	3,244	3,466
Electricity, water and sewerage	1,915	1,997	1,915	1,997
Insurance/Takaful and indemnities	6,471	5,221	6,471	5,221
Other establishment costs	(565)	82	(565)	82
	42,833	44,197	42,833	44,197
General and administrative expenses				
Telecommunication expenses	1,593	823	1,593	823
Auditors' remuneration :-				
(i) Statutory audit fees	330	330	330	330
(ii) Tax fees	-	11	-	11
(iii) Non-audit fees	33	318	33	318
Professional fees	3,153	8,637	3,153	8,637
Property and equipment written-off	134	19	134	19
Mail and courier charges	1,062	481	1,062	481
Stationery and consumables	3,007	1,317	3,007	1,317
Directors' fees and allowances	513	483	513	483
Donations	557	629	557	629
Settlement, clearing and bank charges	3,003	2,637	3,003	2,637
Stamp duties	592	38	592	38
GST input tax-non recoverable	2,106	1,543	2,106	1,543
Other administration and general expenses	454	475	454	475
	16,537	17,741	16,537	17,741
Total other operating expenses	163,570	151,555	163,570	151,555

**A25. (WRITE-BACK OF)/ALLOWANCES FOR
 CREDIT IMPAIRMENT LOSSES**

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment				
- Made during the financial period/year	-	20,124	-	20,124
- Written-back during the financial period/year	-	(12,568)	-	(12,568)
Collective impairment				
- Made/written-back during the financial period/year advances and financing and trade receivables	-	9,414	-	9,414
Expected credit loss ("ECL")				
- loans, advances and financing and trade receivables	(845)	-	(845)	-
- securities and placements	(1,109)	-	(1,109)	-
- loan and financing commitments and contingencies	(5,622)	-	(5,622)	-
Bad debts and financing				
- recovered	(8,498)	(10,543)	(8,498)	(10,543)
- written-off	390	293	390	293
	(15,684)	6,720	(15,684)	6,720
Bank				
Individual impairment				
- Made during the financial period/year	-	14,377	-	14,377
- Written-back during the financial period/year	-	(8,738)	-	(8,738)
Collective impairment				
- Made/written-back during the financial period/year	-	5,674	-	5,674
Expected credit loss ("ECL")				
- loans, advances and financing and trade receivables	(17,059)	-	(17,059)	-
- securities and placements	(1,159)	-	(1,159)	-
- loan and financing commitments and contingencies	(4,521)	-	(4,521)	-
Bad debts and financing				
- recovered	(8,141)	(10,278)	(8,141)	(10,278)
- written-off	388	293	388	293
	(30,492)	1,328	(30,492)	1,328

**A26. ALLOWANCES FOR IMPAIRMENT LOSSES
 ON OTHER ASSETS**

Group				
Allowance made for impairment loss				
- Advances to joint venture	6,000	-	6,000	-
	6,000	-	6,000	-

A27. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 March 2018 and 31 March 2017 are as follows:-

	<----- Current year's individual and cumulative quarter ended 31 March 2018 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	338,226	135,227	-	3,164	-	476,617
Intersegment revenue	4,312	(2,654)	-	796	(2,454)	-
Segment revenue	342,538	132,573	-	3,960	(2,454)	476,617
Overhead expenses	(217,447)	(93,490)	-	(3,092)	2,454	(311,575)
of which :-						
Depreciation of property and equipment	(4,048)	(2,272)	-	(44)	-	(6,364)
Amortisation of intangible assets	(3,125)	(3,565)	-	(15)	-	(6,705)
Write-back of credit impairment losses on loans, advances and financing, trade receivables, securities and other assets	9,556	128	-	-	-	9,684
Segment results	134,647	39,211	-	868	-	174,726
Share of results of a joint venture (net of tax)	-	-	(1,196)	-	-	(1,196)
Share of results of an associate (net of tax)	-	-	13,457	-	-	13,457
Profit before taxation and zakat	134,647	39,211	12,261	868	-	186,987
Zakat	-	(237)	-	-	-	(237)
Profit before taxation	134,647	38,974	12,261	868	-	186,750
Taxation	-	-	-	-	-	(40,763)
Net profit for the individual quarter	-	-	-	-	-	<u>145,987</u>

	<----- Preceding year's individual and cumulative quarter 31 March 2017 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	322,032	-	-	-	-	322,032
Intersegment revenue	-	-	-	-	-	-
Segment revenue	322,032	-	-	-	-	322,032
Operating expenses	(189,980)	-	-	-	-	(189,980)
of which :-						
Depreciation of property and equipment	(3,729)	-	-	-	-	(3,729)
Amortisation of intangible assets	(2,453)	-	-	-	-	(2,453)
Allowances for credit impairment losses on loans, advances and financing, trade receivables, securities and other assets	(6,720)	-	-	-	-	(6,720)
Segment results	125,332	-	-	-	-	125,332
Share of results of a joint venture (net of tax)	-	-	-	-	-	-
Share of results of an associate (net of tax)	-	-	-	-	-	-
Profit before taxation and zakat	125,332	-	-	-	-	125,332
Zakat	-	-	-	-	-	-
Profit before taxation	125,332	-	-	-	-	125,332
Taxation	-	-	-	-	-	(35,099)
Net profit for the individual quarter	-	-	-	-	-	<u>90,233</u>

A28. SUBSEQUENT MATERIAL EVENT

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial statements.

A29. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed below, there were no other significant changes in the composition of the Group during the financial quarter under review :-

Group Reorganisation

Upon the completion of the Reorganisation as disclosed in Note B(6), AFFIN Holdings Berhad ("AHB") became the wholly-owned subsidiary of AFFIN Bank Berhad ("ABB") on 30 January 2018.

A30. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured over the assets of the Group.

The notional amounts of the commitments and contingencies of the Group are as follows :-

	<-----Group----->		<-----Bank----->	
	Principal Amount		Principal Amount	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
Direct credit substitutes	619,504	573,469	412,716	376,301
Transaction related contingent items	2,071,857	2,091,113	1,783,781	1,797,759
Short-term self-liquidating trade-related contingencies	378,726	431,400	132,030	151,867
Foreign exchange related contracts #				
- Less than one year	10,947,107	12,007,480	4,577,738	7,587,059
- One year to less than five years	283,788	380,815	96,030	97,051
- Five years and above	-	42,485	-	42,485
Interest rate related contracts #				
- Less than one year	1,266,000	886,000	816,000	736,000
- One year to less than five years	2,246,148	2,216,148	481,148	701,148
- Five years and above	1,115,000	1,115,000	1,115,000	1,115,000
Irrevocable commitments to extend credit				
- Maturity less than one year	3,107,289	8,349,806	6,047,175	6,707,971
- Maturity more than one year	7,952,727	3,255,925	1,364,821	1,598,619
Commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrowers' creditworthiness	630,315	571,760	236,581	136,844
Unutilised credit card lines	382,446	364,163	377,091	363,825
	31,000,907	32,285,564	17,440,111	21,411,929

The fair value of these derivatives has been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position.

A31. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts and classified by remaining period to maturity/repricing date (whichever is earlier) as at reporting date are as follows:-

GROUP	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 31 March 2018												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	4,637,668	72,646	42,422	4,752,736	12,817	2,385	674	15,876	130,564	7,003	5,073	142,640
- Cross currency swaps	2,685,547	96,030	-	2,781,577	99,576	334	-	99,910	73,758	21,736	-	95,494
- Currency swaps	3,612,183	39,243	33,447	3,684,873	54,359	5,492	4,712	64,563	11,723	-	-	11,723
- Currency option	11,709	-	-	11,709	(4)	-	-	(4)	25	-	-	25
Interest rate contracts												
- Interest rate swaps	1,266,000	1,849,148	1,512,000	4,627,148	2,329	353	15,899	18,581	3,335	1,403	11,184	15,922
	12,213,107	2,057,067	1,587,869	15,858,043	169,077	8,564	21,285	198,926	219,405	30,142	16,257	265,804
As at 31 December 2017												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	3,714,719	121,129	42,422	3,878,270	4,090	1,557	428	6,075	97,837	5,664	3,036	106,537
- Cross currency swaps	5,481,984	96,030	42,485	5,620,499	94,236	316	2,331	96,883	108,260	27,157	(1,661)	133,756
- Currency swaps	2,810,777	87,787	33,447	2,932,011	42,251	5,042	2,918	50,211	5,147	-	-	5,147
Interest rate contracts												
- Interest rate swaps	886,000	1,179,148	2,152,000	4,217,148	2,715	1,388	15,853	19,956	4,014	2,898	11,324	18,236
	12,893,480	1,484,094	2,270,354	16,647,928	143,292	8,303	21,530	173,125	215,258	35,719	12,699	263,676

A31. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts and classified by remaining period to maturity/repricing date (whichever is earlier) as at reporting date are as follows:-

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 March 2018												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	1,653,553	-	-	1,653,553	2,916	-	-	2,916	82,932	-	-	82,932
- Cross currency swaps	2,912,476	96,030	-	3,008,506	101,263	334	-	101,597	73,828	21,736	-	95,564
- Option	11,709	-	-	11,709	(4)	-	-	(4)	25	-	-	25
Interest rate contracts												
- Interest rate swaps	816,000	84,148	1,512,000	2,412,148	2,296	214	14,579	17,089	2,980	720	10,353	14,053
	5,393,738	180,178	1,512,000	7,085,916	106,471	548	14,579	121,598	159,765	22,456	10,353	192,574
As at 31 December 2017												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	1,391,386	1,021	-	1,392,407	2,111	5	-	2,116	58,249	-	-	58,249
- Cross currency swaps	6,195,673	96,030	42,485	6,334,188	97,129	316	2,332	99,777	110,428	27,157	(1,661)	135,924
Interest rate contracts												
- Interest rate swaps	736,000	334,148	1,482,000	2,552,148	2,715	1,385	14,826	18,926	3,797	2,455	10,452	16,704
	8,323,059	431,199	1,524,485	10,278,743	101,955	1,706	17,158	120,819	172,474	29,612	8,791	210,877

A31. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

Foreign exchange and interest rate related contracts are subject to market risk, credit risk and liquidity risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM69.8 million (FYE 31/12/2017: RM64.5 million), while the notional amount of interest rate contract was RM610.1 million (FYE 31/12/2017: RM690.1 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM333.3 million (FYE 31/12/2017: RM363.7 million) and RM121.5 million (FYE 31/12/2017: RM341.7 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. The exposure to liquidity risk is mitigated by entering into transactions where the underlying financial instruments are widely traded and also easily closed out through alternative markets.

Cash Requirement of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at the reporting date, there is no requirement for the Group to post any additional cash collateral on its derivative contracts.

Related Accounting Policies

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2017.

A32. FAIR VALUE MEASUREMENTS

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:-

- (a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- (b) Level 2 - quoted prices for identical or similar instruments in markets that are not active; and model-derived which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, directly or indirectly.
- (c) Level 3 - valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2018				
Assets				
Financial assets at FVTPL				
- Money market instruments	-	223,204	-	223,204
- Shares, unit trusts and REITs	126,443	-	83,662	210,105
- Corporate bonds/Sukuk	-	19,812	30,772	50,584
- Investment linked deposit	-	249,694	-	249,694
Derivative financial assets	-	198,926	-	198,926
Financial assets at FVOCI *				
- Money market instruments	-	4,643,146	-	4,643,146
- Shares and REITs	26,701	61	166,161	192,923
- Corporate bonds/Sukuk	-	9,670,066	-	9,670,066
	153,144	15,004,909	280,595	15,438,648
Liabilities				
Derivative financial liabilities	-	265,804	-	265,804
31 December 2017				
Assets				
Financial assets at FVTPL				
- Money market instruments	-	40,702	-	40,702
- Shares and unit trusts	45,675	-	-	45,675
- Corporate bonds/Sukuk	-	18,803	-	18,803
Derivative financial assets	-	173,125	-	173,125
Financial investments available-for-sale *				
- Money market instruments	-	4,405,992	-	4,405,992
- Shares, unit trusts and REITs	233,637	61	249,823	483,521
- Corporate bonds/Sukuk	-	9,707,816	30,030	9,737,846
	279,312	14,346,499	279,853	14,905,664
Liabilities				
Derivative financial liabilities	-	263,676	-	263,676

* Net of allowance for impairment losses

A32. FAIR VALUE MEASUREMENTS (Cont.)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2018				
Assets				
Financial assets at FVTPL				
- Shares	-	-	83,662	83,662
- Corporate bonds/Sukuk	-	-	30,772	30,772
- Investment linked deposit	-	249,694	-	249,694
Derivative financial assets	-	121,598	-	121,598
Financial assets at FVOCI *				-
- Money market instruments	-	3,594,647	-	3,594,647
- Shares	-	-	145,550	145,550
- Corporate bonds/Sukuk	-	4,741,288	-	4,741,288
	-	8,707,227	259,984	8,967,211
Liabilities				
Derivative financial liabilities	-	192,574	-	192,574
31 December 2017				
Assets				
Financial assets at FVTPL				
- Money market instruments	-	10,129	-	10,129
Derivative financial assets	-	120,819	-	120,819
Financial investments available-for-sale *				
- Money market instruments	-	3,648,088	-	3,648,088
- Shares	-	-	229,212	229,212
- Corporate bonds/Sukuk	-	4,580,488	30,030	4,610,518
	-	8,359,524	259,242	8,618,766
Liabilities				
Derivative financial liabilities	-	210,877	-	210,877

* Net of allowance for impairment losses

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

A32. FAIR VALUE MEASUREMENTS (Cont.)

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, 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.

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial period (2017: Nil).

The following table present the changes in Level 3 instruments for the financial year ended:-

	<-----Group----->		<-----Bank----->	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
At beginning of the financial year	279,853	266,501	259,242	246,637
Purchases	-	22,724	-	22,724
Sales	-	(4,159)	-	(4,159)
Net changes in income accrued	451	(15)	451	(15)
Total (losses)/gains recognised in other comprehensive income	291	(5,198)	291	(5,945)
Allowance for impairment losses	-	-	-	-
At end of the financial year	280,595	279,853	259,984	259,242

Effect of changes in significant unobservable assumptions to reasonably possible alternative

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

A33. CAPITAL ADEQUACY

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio, Tier I Capital Ratio and Total Capital Ratio are 6.375% (2017: 5.75%), 7.875% (2017: 7.25%) and 9.875% (2017: 9.25%) respectively for year 2018.

	Group (#)		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
a) The components of CET I, Tier I				
Tier II capital :-				
<u>CET I/Tier I capital</u>				
Paid-up share capital	4,684,752	4,684,752	4,684,752	4,684,752
Retained profits	2,799,257	2,670,888	2,068,128	1,987,315
Unrealised gains/(losses) of financial instrument measured at FVOCI	32,881	97,596	53,962	121,638
Foreign exchange reserve	151	151	-	-
	<u>7,517,041</u>	<u>7,453,387</u>	<u>6,806,842</u>	<u>6,793,705</u>
Less Regulatory adjustments:-				
- Goodwill and other intangibles	(903,890)	(903,962)	(175,066)	(171,980)
- Deferred tax assets	(67,909)	-	(34,843)	-
- 55% of cumulative gains of FVOCI financial instruments	(18,084)	(53,678)	(29,679)	(66,901)
- Investments in subsidiaries/joint venture/associate	(739,790)	(581,498)	(3,775,584)	(3,020,467)
Total CET I Capital	<u>5,787,368</u>	<u>5,914,249</u>	<u>2,791,670</u>	<u>3,534,357</u>
Non-controlling interest	16,144	9,213	-	-
Total Tier I Capital (a)	<u>5,803,512</u>	<u>5,923,462</u>	<u>2,791,670</u>	<u>3,534,357</u>
<u>Tier II capital</u>				
Subordinated MTNs/loans	2,000,000	2,000,000	2,000,000	2,000,000
General provisions/Collective impairment allowances	563,273	129,725	394,341	94,643
Regulatory adjustments	-	436,217	-	314,759
Less : Investment in subsidiaries/joint venture/associate	-	(145,374)	-	(755,117)
Total Tier II Capital (b)	<u>2,563,273</u>	<u>2,420,568</u>	<u>2,394,341</u>	<u>1,654,285</u>
Total Tier I & II Capital (a) + (b)	<u>8,366,785</u>	<u>8,344,030</u>	<u>5,186,011</u>	<u>5,188,642</u>
Capital base before proposed dividends	8,366,785	8,344,030	5,186,011	5,188,642
Proposed dividends	-	-	-	-
Capital base after proposed dividends	<u>8,366,785</u>	<u>8,344,030</u>	<u>5,186,011</u>	<u>5,188,642</u>
b) The breakdown of risk-weighted assets :-				
Credit risk	45,061,815	45,275,347	31,547,297	32,752,159
Market risk	578,928	604,034	428,475	242,490
Operational risk	2,644,218	2,544,825	1,920,116	1,916,984
Total risk-weighted assets	<u>48,284,961</u>	<u>48,424,206</u>	<u>33,895,888</u>	<u>34,911,633</u>
c) Capital adequacy ratios :-				
<u>Before deducting proposed dividends:-</u>				
CET I capital ratio	11.985%	12.213%	8.236%	10.124%
Tier I capital ratio	12.019%	12.232%	8.236%	10.124%
Total capital ratio	<u>17.327%</u>	<u>17.231%</u>	<u>15.300%</u>	<u>14.862%</u>
<u>After deducting proposed dividends:-</u>				
CET I capital ratio	11.985%	12.213%	8.236%	10.124%
Tier I capital ratio	12.019%	12.232%	8.236%	10.124%
Total capital ratio	<u>17.327%</u>	<u>17.231%</u>	<u>15.300%</u>	<u>14.862%</u>

The group comprises the banking and non-banking subsidiaries.

A33. CAPITAL ADEQUACY (Cont.)

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the Restricted Investment Accounts ("RIA") are included in calculation of capital adequacy for the Bank. As at 31 March 2018, RIA are included in calculation of capital adequacy for the Bank. As at 31 March 2018, RIA assets included in the Total Capital Ratio calculation amounted to RM1,845.1 million (2017: RM2,749.8 million).

The capital adequacy ratios of AFFIN Islamic Bank Berhad are as follows:-

	Economic Entity		Bank	
	31/3/2018	31/12/2017	31/3/2018	31/12/2017
(Before and after deducting proposed dividend)				
CET 1 capital ratio	13.139%	15.086%	13.139%	15.087%
Tier 1 capital ratio	13.139%	15.086%	13.139%	15.087%
Total Capital Ratio	<u>14.316%</u>	<u>16.251%</u>	<u>14.316%</u>	<u>16.251%</u>

The capital adequacy ratios of AFFIN Hwang Investment Bank Berhad are as follows:-

	The Group		Bank	
	31/3/2018	31/12/2017	31/3/2018	31/12/2017
(Before deducting proposed dividend)				
CET 1 capital ratio	33.548%	34.802%	36.554%	40.546%
Tier 1 capital ratio	34.021%	35.059%	36.554%	40.546%
Total Capital Ratio	<u>34.834%</u>	<u>35.438%</u>	<u>37.444%</u>	<u>40.546%</u>
(After deducting proposed dividend)				
CET 1 capital ratio	33.548%	32.342%	36.554%	37.449%
Tier 1 capital ratio	34.021%	32.599%	36.554%	37.449%
Total Capital Ratio	<u>34.834%</u>	<u>32.978%</u>	<u>37.444%</u>	<u>37.449%</u>

A34. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD

(i) Unaudited Statements of Financial Position

	Group	
	31/3/2018 RM'000	31/12/2017 RM'000
ASSETS		
Cash and short-term funds	2,680,912	1,423,594
Financial assets at fair value through other comprehensive income ("FVOCI")	2,492,661	-
Financial investments available-for-sale	-	2,377,724
Derivative financial assets	931	2,623
Financing, advances and other financing	15,653,557	15,369,747
Other assets	20,161	17,833
Statutory deposit with Bank Negara Malaysia	461,000	400,640
Investment in associate	750	750
Amount due from associate/joint venture	33,803	33,349
Amount due from holding company	258,073	406,523
Deferred tax assets	19,007	5,020
Property and equipment	2,423	2,411
Intangible assets	327	-
TOTAL ASSETS	21,623,605	20,040,214
LIABILITIES, ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers	14,336,074	14,199,332
Investment accounts of customers	1,456	449
Deposits and placements of banks and other financial institutions	3,419,372	1,261,400
Investment accounts due to designated financial institutions	1,836,884	2,749,016
Derivative financial liabilities	2,326	3,258
Other liabilities	289,499	67,456
Provision for taxation	851	1,150
Total Liabilities	19,886,462	18,282,061
ISLAMIC BANKING CAPITAL FUNDS		
Share capital	1,060,000	1,060,000
Reserves	677,143	698,153
Total Islamic Banking Capital Funds	1,737,143	1,758,153
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	21,623,605	20,040,214
COMMITMENTS AND CONTINGENCIES	4,373,302	4,734,028

A34. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(ii) Unaudited Income Statements

	<-----Group----->			
	Individual Quarter Ended 31/3/2018 RM'000	31/3/2017 RM'000	Cumulative Quarter Ended 31/3/2018 RM'000	31/3/2017 RM'000
Income derived from investment of depositors' funds and others	210,615	148,082	210,615	148,082
Income derived from investment of investment account funds	23,550	28,394	23,550	28,394
Income derived from investment of shareholders' funds	21,530	15,638	21,530	15,638
Allowance for impairment on financing and advances	(14,936)	(5,392)	(14,936)	(5,392)
Total distributable income	240,759	186,722	240,759	186,722
Income attributable to depositors	(154,548)	(115,502)	(154,548)	(115,502)
	86,211	71,220	86,211	71,220
Other operating expenses	(53,938)	(38,470)	(53,938)	(38,470)
Profit before taxation and zakat	32,273	32,750	32,273	32,750
Zakat	-	-	-	-
Profit before taxation	32,273	32,750	32,273	32,750
Taxation	(7,682)	(8,681)	(7,682)	(8,681)
Net profit for the financial period	24,591	24,069	24,591	24,069

(iii) Unaudited Statements of Comprehensive Income

	<-----Group----->			
	Individual Quarter Ended 31/3/2018 RM'000	31/3/2017 RM'000	Cumulative Quarter Ended 31/3/2018 RM'000	31/3/2017 RM'000
Profit after taxation	24,591	24,069	24,591	24,069
Other comprehensive income :-				
- Net fair value change in financial assets at FVOCI	(260)	-	(260)	-
- Net fair value change in financial investments available-for-sale	-	8,714	-	8,714
- Deferred tax on financial assets at FVOCI	114	-	114	-
- Deferred tax on financial investments available-for-sale	-	(2,091)	-	(2,091)
Other comprehensive income/(loss) for the financial period, net of tax	(146)	6,623	(146)	6,623
Total comprehensive income for the financial period	24,445	30,692	24,445	30,692

A34. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(iv) Unaudited Condensed Statement Of Changes In Equity

<u>Economic Entity</u>	<-----Attributable to Equity Holders of the Bank----->					
	Share capital	Statutory reserves	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018,						
- As previously reported	1,060,000	-	(6,915)	94,866	610,202	1,758,153
- Adjustment arising from adoption of MFRS 9	-	-	215	(26,035)	(19,420)	(45,240)
At 1 January 2018, as restated	1,060,000	-	(6,700)	68,831	590,782	1,712,913
Comprehensive income:						
- Net profit for the financial period/year	-	-	-	-	24,591	24,591
Other comprehensive income (net of tax):						
- Financial assets at FVOCI			(361)			(361)
Total comprehensive income for the period/year	-	-	(361)	-	24,591	24,230
Transfer to regulatory reserves	-	-	-	11,108	(11,108)	-
At 31 March 2018	1,060,000	-	(7,061)	79,939	604,265	1,737,143

	<-----Attributable to Equity Holders of the Bank----->					
	Share capital	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	560,000	305,016	(18,064)	73,178	237,127	1,157,257
Comprehensive income:						
- Net profit for the financial period/year	-	-	-	-	24,069	24,069
Other comprehensive income (net of tax):						
- Financial investments available-for-sale	-	-	6,623	-	-	6,623
Total comprehensive income for the period/year	-	-	6,623	-	24,069	30,692
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to regulatory reserves	-	-	-	8,518	(8,518)	-
At 31 March 2017	560,000	305,016	(11,441)	81,696	252,678	1,387,949

A34. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(iv) Financing

	Group	
	31/3/2018 RM'000	31/12/2017 RM'000
<u>By type</u>		
Cash line	354,715	312,995
Term financing		
- Housing financing	4,969,221	4,399,777
- Syndicated term financing	696,583	1,065,163
- Hire purchase receivables	3,982,877	3,864,507
- Business term financing	4,779,995	4,300,525
Bills receivables	5,655	8,228
Trust receipts	7,673	14,717
Interest-free accepted bills	203,004	250,246
Staff financing	33,905	28,931
Credit/charge cards	65	12
Revolving credit	760,059	1,205,946
	15,793,752	15,451,047
Less : Allowance for impairment losses		
- Individual impairment	-	(24,039)
- Collective impairment	-	(57,261)
- Expected credit losses ("ECL")	(140,195)	-
Total net financing	15,653,557	15,369,747

(v) Impaired financing

(a) Movements of impaired financing

At 1 January, as previously stated	142,310	97,498
Effect of adoption of MFRS 9	(594)	-
Balance at the beginning of financial period/year	141,716	97,498
Classified as impaired during the financial period/year	42,199	419,647
Reclassified as non-impaired during the financial period/year	(22,928)	(337,769)
Amount recovered during the financial period/year	(3,615)	(28,700)
Amount written-off during the financial period/year	(4)	(8,366)
Balance at the end of financial period/year	157,368	142,310
Net impaired financing, advances and other financing as a percentage of net financing, advances and other financing	1.13%	1.12%

(b) Movements in the allowance for impairment on financing

Collective impairment

At 1 January, as previously stated	57,261	44,995
Effect of adoption of MFRS 9	(57,261)	-
Balance at the beginning of financial period/year	-	44,995
Allowance (net of write-back) made during the financial period/year	-	20,595
Amount written-off during the financial period/year	-	(8,329)
Balance at the end of financial period/year	-	57,261

Individual impairment

At 1 January, as previously stated	24,039	18,003
Effect of adoption of MFRS 9	(24,039)	-
Balance at the beginning of financial period/year	-	18,003
Allowance made during the financial period/year	-	16,404
Amount recovered during the financial period/year	-	(8,096)
Unwinding discount of allowance	-	(881)
Exchange difference	-	(1,391)
Balance at the end of financial period/year	-	24,039

A34. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

Movement in expected credit losses for loans, advances and financing

Bank	12 months	Lifetime	Lifetime	
	ECL	ECL not	ECL Credit	
Total	(Stage 1)	(Stage 2)	(Stage 3)	
31-03-18	31-03-18	31-03-18	31-03-18	
RM'000	RM'000	RM'000	RM'000	
At the beginning of financial period, on adoption of MFRS9	123,837	54,528	10,975	58,334
Total transfer between stages	-	839	5,552	(6,391)
Transfer to 12-month ECL (Stage 1)	-	1,902	(1,858)	(44)
- Changes due to change in credit risk	-	1,902	(1,858)	(44)
- Modifications to contractual cash flows of financial asset	-	-	-	-
- Changes in models/risk parameters	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	(1,062)	7,945	(6,883)
- Changes due to change in credit risk	-	(1,062)	7,945	(6,883)
- Modifications to contractual cash flows of financial asset	-	-	-	-
- Changes in models/risk parameters	-	-	-	-
Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	(1)	(535)	536
- Changes due to change in credit risk	-	(1)	(535)	536
- Modifications to contractual cash flows of financial asset	-	-	-	-
- Changes in models/risk parameters	-	-	-	-
Loans/Financing derecognised during the period (other than write-offs)	(5,907)	(5,461)	(369)	(77)
New loans/financing originated or purchased	7,794	7,794	-	-
Changes due to change in credit risk	15,270	956	(1,321)	15,635
Modifications to contractual cash flows of financial asset	-	-	-	-
Changes in models/risk parameters	-	-	-	-
Write-offs	(1)	-	-	(1)
Other adjustments	(798)	-	-	(798)
At the end of financial period	140,195	58,656	14,837	66,702

(vi) Deposits from customers

	Group	
	31/3/2018	31/12/2017
	RM'000	RM'000
<u>Qard</u>		
Demand deposits	2,325,120	3,071,743
Savings deposits	563,463	539,826
	<u>2,888,583</u>	<u>3,611,569</u>
<u>Mudarabah</u>		
General investment deposits	76,590	76,332
<u>Tawarruq</u>		
Murabahah term deposits	10,249,837	9,925,402
Commodity Murabahah Deposit (CMD)	1,121,064	586,029
	<u>11,370,901</u>	<u>10,511,431</u>
Total deposits from customers	<u>14,336,074</u>	<u>14,199,332</u>

Part B - Explanatory Notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

Financial review for individual and cumulative quarter ended 31/3/2018 against preceding year's corresponding quarter ended 31/12/2017

	Individual Quarter ended		Changes		Cumulative Quarter ended		Changes	
	31-03-18 RM'000	31-03-17 RM'000	RM'000	%	31-03-18 RM'000	31-03-17 RM'000	RM'000	%
Revenue	476,617	322,032	154,585	48.00	476,617	322,032	154,585	48.00
Operating Profit	174,726	125,332	49,394	39.41	174,726	125,332	49,394	39.41
Profit Before Interest and Tax	186,987	125,332	61,655	49.19	186,987	125,332	61,655	49.19
Profit Before Tax	186,750	125,332	61,418	49.00	186,750	125,332	61,418	49.00
Profit After Tax	145,987	90,233	55,754	61.79	145,987	90,233	55,754	61.79
Profit attributable to equity holders of the Bank	141,467	90,233	51,234	56.78	141,467	90,233	51,234	56.78

The Group reported a profit before tax ("PBT") of RM186.8 million for the current financial quarter as compared to RM125.3 million for the preceding year's corresponding quarter. The improved performance was mainly due to the increase in net fee and commission income, net gain on financial instruments, Islamic banking income and net interest income of RM92.6 million, RM28.5 million, RM21.5 million and RM12.5 million respectively, and the write-back of credit impairment losses of RM15.7 million as compared to a charge of RM6.7 million in the previous year. These were partially offset by the increase in overhead expenses of RM121.6 million and allowance for impairment loss of RM6.0 million on advances to joint venture, cushioned by the share of profit in associate of RM13.5 million.

Commercial Banking

The results of the commercial banking segment was mainly attributable to the AFFIN Bank Berhad and AFFIN Islamic Bank Berhad.

For the 3 months ended 31 March 2018, AFFIN Bank reported a higher PBT of RM108.0 million as compared to RM92.5 million for the preceding year's corresponding quarter. This improved performance was mainly due to a write-back of credit impairment losses of RM30.5 million as compared to a charge of RM1.3 million in the previous year, partially offset by higher overhead expenses of RM12.0 million and the reduction in net interest income of RM10.8 million. The increase in overhead expenses was attributable to higher personnel cost of RM10.8 million.

AFFIN Islamic Bank (AiBB) registered a PBT of RM32.3 million for the current financial quarter as compared to RM32.8 million for the preceding year's corresponding quarter. The increase in operating income of RM24.5 million in line with the financing growth of 13.6%, was not sufficient to cushion both the increase in overhead expenses of RM15.5 million and higher allowance for financing impairment of RM9.5 million.

Investment Banking

The results of the investment banking segment was attributed to the results of AFFIN Hwang Investment Bank Berhad ["AFFIN Hwang IB"] Group.

The AFFIN HwangIB Group reported a PBT of RM39.0 million for the 3 months ended 31 March 2018, mainly made up of net fee and commission income, net gain /losses on financial instruments and net interest income of RM86.6 million, RM25.8 million and RM19.3 million respectively, net of overhead expenses of RM93.5 million which includes the amortisation of intangible asset at ABB Group level. The 70%-owned subsidiary of AFFIN HwangIB, namely AFFIN Hwang Asset Management Berhad ("AHAM") also reported a PBT of RM18.8 million, mainly made up of net fee and commission income of RM57.6 million, net of overhead expenses of RM36.6 million and net foreign exchange loss of RM3.3 million. The overhead expenses were mainly made up of personnel cost of RM25.9 million, promotion and marketing related expenses of RM3.3 million and establishment cost of RM3.1 million for the quarter under review.

For the 3 months ended 31 March 2018, the AHIB Group's reported a PBT of RM39.0 million as compared to RM38.0 million achieved last year, mainly due to higher net fee and commission income of RM17.8 million net of lower net gain on financial instruments of RM10.2 million. The increase in net fee and commission income was in turn attributable to the increase in net management fee income of RM16.3 million. The overhead expenses were up by RM5.3 million, mainly due to higher personnel cost and higher marketing expenses of RM4.0 million and RM1.3 million respectively.

The 70%-owned subsidiary namely AFFIN Hwang Asset Management Berhad ("AHAM") registered a PBT RM18.8 million for the 3 months ended 31 March 2018 indicated a significant improvement of 42.4% as compared to RM13.2 million achieved in the previous year. The improved performance was mainly attributable to higher net management fee income of RM13.8 million, in line with the higher AUA ("Assets Under Administration") of RM47.6 billion as at 31 March 2018 as compared to RM47.4 billion as at 31 December 2017. The overhead expenses also increased by RM5.7 million mainly due to higher personnel cost of RM6.4 million net of lower marketing expenses of RM0.9 million for the quarter under review.

B1. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (Cont.)

Insurance

The results of the insurance segment was made up of share of after tax results of AXA AFFIN Life Insurance Berhad ("AALI") and AXA AFFIN General Insurance Berhad ("AAGI").

AALI reported a pre-tax loss of RM3.0 million for the 3 months ended 31 March 2018, mainly made up of reserves for future policyholders' liabilities of RM 3.5 million as a result of movement in MGS rate. For the 3 months ended 31 March 2018, AALI reported a lower pre-tax loss of RM3.0 million as compared to the pre-tax loss of RM5.3 million for the corresponding quarter last year. This was mainly attributable to lower reserves for future policyholders' liabilities of RM2.3 million.

AAGI reported a pre-tax profit of RM38.0 million for the 3 months ended 31 March 2018, mainly made up of earned premium of RM293.1 million and investment income of RM24.4 million, net of net claims incurred, net commission and management expenses of RM174.1 million, RM35.3 million and RM66.9 million respectively. For the period ended 31 March 2018, AAGI reported a gross premium of RM442.2 million, a growth of 8.3% as compared to the corresponding quarter last year, which was mainly contributed by Motor and Personal Accident. AAGI reported a higher pre-tax profit of RM38.0 million as compared to RM15.6 million for the corresponding quarter last year was mainly contributed by higher underwriting results of RM15.7 million and higher investment income of RM4.8 million.

Other business segment

The results of other business segment was made up of the pretax loss of RM0.3 million of AFFIN Moneybrokers Sdn Bhd ("AMB") mainly made up of brokerage income of RM2.5 million net of overhead expenses of RM2.3 million.

For the period ended 31 March 2018, AMB also reported a lower PBT of RM0.3 million as compared to RM0.5 million achieved in the previous year.

B2. COMMENTS ON CURRENT PERFORMANCE AGAINST THE PRECEDING QUARTER'S

Financial review for current quarter against preceding quarter

	Current Financial Quarter 31-03-18 RM'000	Preceding Financial Quarter 31-12-17 RM'000	Changes	
			RM'000	%
Revenue	476,617	534,703	(58,086)	(10.86)
Operating Profit	174,726	210,785	(36,059)	(17.11)
Profit Before Interest and Tax	188,183	227,925	(39,742)	(17.44)
Profit Before Tax	186,750	223,484	(36,734)	(16.44)
Profit After Tax	145,987	176,119	(30,132)	(17.11)
Profit attributable to equity holders of the Bank	141,467	169,536	(28,069)	(16.56)

For the current financial quarter, the Group reported a lower pre-tax profit of RM186.8 million as compared to RM223.5 million achieved in the preceding quarter. This was mainly due to the reduction in net fee and commission income, net gain and losses of financial instruments and other income totaling RM48.2 million and lower net interest income of RM9.6 million respectively. These were partially offset by lower allowance for impairment loss on advances to joint venture of RM6.3 million and the write-back of credit impairment losses of RM15.5 million as compared to a charge of RM1.6 million in the preceding quarter.

B3. PROSPECTS FOR FINANCIAL YEAR 2018

Commercial Banking

Malaysia's strong economic growth is projected to continue in 2018 with real GDP expected to expand between 5.5% and 6.0%. The GDP's expansion is to be supported by private domestic demand and external sectors.

For the remaining period of financial year 2018, the Bank expects competition and challenges for retail market and fixed deposits will stir up due to the changes in financial environment, financial reforms not only from the existing players but also from the non-financial services competitors.

The Bank will continue to leverage on the Group's strengths to further develop its business and improve its market position. The Bank is expected to maintain its market position by focusing on opportunities in the Retail, Small and Medium Enterprises ("SME") and Corporate, as well as transactional banking segment.

The Bank also remains focused in its pursuits of operational excellence, whilst safeguarding strong governance, compliance and risk culture. In line with the rapid development in digital banking landscape, the Bank will continue to accelerate its digital banking solutions and further improve its innovativeness in offering financial solutions for better customer experience.

Investment Banking

Following a strong real GDP growth of 5.9% in 2017, as reflected in exports and domestic demand, the Malaysian economy is set to sustain its growth momentum in 2018. Growth in private consumption will be underpinned by favorable income and labor market conditions, while investment activity will be supported by new and on-going infrastructure projects. Favorable domestic macroeconomic conditions, which include the strong GDP growth and exports performance, will continue to support positive ringgit sentiments. The stance of the country's monetary policy will remain accommodative and supportive of domestic demand this year.

The Investment Banking Group is cautiously optimistic of its prospect in 2018 as it expects the domestic economic fundamentals to remain resilient notwithstanding potential external vulnerabilities such as the pockets of geopolitical concerns observed in 2017 that is anticipated to continue in 2018 and the looming threat of trade war between US and China.

The Group shall continue on its efforts to expand its present market leading positions in the securities and asset management businesses. The increasing domestic equity capital markets and mergers and acquisition activities in 2017 are expected to continue into 2018 and this will augur well for the investment banking business of the Group. The asset management business continues to be upbeat in its performance and will continue to focus on increasing its AUA and revenue by launching more new and innovative funds locally and abroad where possible. The asset management business shall also continue to focus on growing its Private Retirement Funds.

In summary, the Group remains positive on the industry outlook for 2018 and will continue to build resilience across its businesses, and drive efficiency savings in its business operations, with collaborative efforts across the larger Affin banking group to better serve its clientele base. However, the Group takes cognisance that its business and operations are highly dependent on the performance of the equity and capital markets.

Insurance

Long-term outlook for the Malaysian insurance industry remains positive underpinned by economic growth, favourable demographics, increasing awareness for protection, and regulatory reforms in an underpenetrated market.

The life insurance market (as measured by weighted annualised new business premium) is expected to record high single digit growth for 2018, and continue to grow at a moderate rate. AXA AFFIN Life Insurance Berhad will aim to reposition the business more towards health and protection with a focus on building a multi-channel proposition targeting different customer segments, including relatively less penetrated customer segments.

The general insurance market experienced some contraction in 2017 amidst the second phase of liberalisation. Market conditions are still expected to be challenging in 2018 as impact of motor and fire detariffication will be felt more profoundly. AXA AFFIN General Insurance Berhad will focus on selective growth and harness benefits from transformation projects undertaken, while continuing its journey to be a customer centric insurer.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

There were no profit forecast and profit guarantee issued by the Group and the Bank.

B5. TAXATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :-				
- Income tax based on profit for the financial period	38,052	29,824	38,052	29,824
Deferred tax :-				
- Relating to originating temporary differences	2,711	5,275	2,711	5,275
	40,763	35,099	40,763	35,099
	<-----Bank----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :-				
- Income tax based on profit for the financial period	23,960	21,435	23,960	21,435
Deferred tax :-				
- Relating to originating temporary differences	1,872	4,932	1,872	4,932
	25,832	26,367	25,832	26,367

For the current quarter, the Group's effective tax rate was lower than the statutory tax rate, mainly due to certain income not subject to tax or subject to lower tax rate, net of certain expenses not deductible for tax purposes.

For the preceding year's corresponding quarter, the Group's effective tax rate was higher than the statutory tax rate, mainly due to certain expenses not deductible for tax purposes, net of certain income not subject to tax or subject to lower tax rate.

B6. SIGNIFICANT EVENT

Reorganisation of AFFIN Holdings Berhad Group of Companies ["Group Reorganisation"]

On 16 February 2017, AFFIN Hwang Investment Bank Berhad ("AHIB had ") had on behalf of the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that AHB and AFFIN Bank Berhad ("ABB") intend to undertake the following proposals:-

(i) Proposed Transfer by AHB of the following identified companies to ABB:

- AFFIN Hwang Investment Bank Berhad, a wholly-owned subsidiary of AHB ("AHIB");
- AFFIN Moneybrokers Sdn Bhd, a wholly-owned subsidiary of AHB ("AMB");
- AXA AFFIN Life Insurance Berhad, a 51.00%-owned joint venture company of AHB ("AALI"); and
- AXA AFFIN General Insurance Berhad, a 37.07%-owned associate company of AHB ("AAGI"),

(AHIB, AMB, AALI and AAGI shall collectively be referred to as the "Identified Companies" and item (i) above shall now referred to as "the Reorganisation");

(ii) Proposed distribution of the entire shareholdings in ABB held by AHB to the entitled shareholders of AHB whose names appear in AHB's Record of Depositors on an entitlement date to be determined and announced by the Board at a later date ("Entitlement Date") ("Entitled Shareholders"), after the completion of the Reorganisation, on the Entitlement Date by way of a distribution-in-specie via a reduction of the following:

- the entire consolidated capital of AHB (which includes the entire issued and paid-up share capital of AHB and the share premium account of AHB); and
- the retained profits of AHB,

(item (ii) above shall now referred to as "the Distribution");

(iii) Proposed subscription by ABB of 2 new ordinary shares in AHB ("AHB Shares") which will be undertaken simultaneously with the Proposed Distribution ("the Subscription");

(iv) Proposed amendments of the Memorandum and Articles of Association ("M&A") of AHB and ABB to facilitate the Proposed Transfer of Listing Status ("the Amendments");

(v) Proposed transfer of the listing status from AHB to ABB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Transfer of Listing Status"); and

(the above shall collectively be referred to as the "Proposals").

On 16 October 2017, the Transfer Consideration had been finalised to be RM 2.505 billion and satisfied by ABB, partly in cash and partly in shares and the Reorganisation is deemed completed on 16 October 2017.

Subsequent to the Reorganisation, AHB implemented the Distribution and Subscription simultaneously which was completed on 30 January 2018.

The Distribution entailed the distribution of the entire shareholding in ABB held by AHB to its Entitled Shareholders on the basis of 1 ABB share for each AHB share held was completed on 30 January 2018 by way of distribution-in-specie via a reduction of the entire consolidated capital of AHB and the retained earnings of AHB.

ABB subscribed to 2 new ordinary shares of AHB for RM2.00 under the Subscription. Consequently, AHB had become a subsidiary of ABB upon the completion of the Distribution and the Subscription on 30 January 2018.

Upon completion of the Distribution and the Subscription, the Transfer of Listing Status from AHB to ABB was completed on 2 February 2018.

B6. SIGNIFICANT EVENT (Cont.)

Reorganisation of AFFIN Holdings Berhad Group of Companies ["Group Reorganisation"] (Cont.)

The effects of the predecessor accounting arising from the Reorganisation

The Group has adopted predecessor accounting and consolidated the acquired entity's results, assets and liabilities prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous year are not restated.

	AHB RM'000
ASSETS	
Cash and short-term funds	15,545
Deposits and placements with banks and other financial institutions	57,634
Amount due from associate	88,740
Other assets	531
Tax recoverable	1,862
Amount due from subsidiary	3
TOTAL ASSETS	164,315
LIABILITIES	
Other liabilities	5,328
Deferred tax liabilities	5
Borrowings	57,420
TOTAL LIABILITIES	62,753
Net assets transferred to the Group	101,562
Effect of predecessor accounting	101,562
Total purchase consideration [Note]	-
Add: Cash and cash equivalent of the net assets transferred	15,545
Net cash inflow from Group Reorganisation	15,545

Note: AFFIN Bank had on 30 January 2018 subscribed to 2 new ordinary shares of AFFIN Holdings Berhad for RM2.00 pursuant to the Subscription.

B7. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

	Group		Bank	
	31/3/2018 RM'000	31/12/2017 RM'000	31/3/2018 RM'000	31/12/2017 RM'000
<u>By Type of Deposits:-</u>				
Money Market Deposits	944,038	1,450,161	944,038	1,450,161
Demand Deposits	6,589,288	7,514,976	4,276,031	4,445,816
Savings Deposits	2,110,997	2,068,084	1,547,534	1,528,259
Fixed Deposits	36,519,844	34,333,682	22,499,123	20,955,124
Negotiable Instruments of Deposits (NID)	5,612,981	4,865,486	5,653,537	4,915,793
Commodity Murabahah Deposits (CMD)	1,121,064	586,029	-	-
Others	108,857	101,811	-	-
	<u>53,007,069</u>	<u>50,920,229</u>	<u>34,920,263</u>	<u>33,295,153</u>
<u>Maturity structure of fixed deposits and NIDs are as follows:-</u>				
Due within six months	29,240,301	28,146,343	19,638,347	18,136,022
Six months to one year	11,015,125	8,440,099	6,496,033	5,645,663
One year to three years	1,497,410	2,326,825	1,990,341	2,065,142
Three years to five years	379,989	285,901	27,939	24,090
	<u>42,132,825</u>	<u>39,199,168</u>	<u>28,152,660</u>	<u>25,870,917</u>
<u>By Type of Customers:-</u>				
Government and statutory bodies	7,686,285	8,025,732	2,353,998	2,502,386
Business enterprises	15,563,302	13,909,710	9,855,190	8,813,469
Individuals	14,734,649	14,544,917	12,983,577	12,927,124
Domestic banking institutions	5,700,868	4,924,729	5,732,525	4,970,867
Domestic non-banking financial institutions	7,951,394	8,316,341	3,155,528	3,221,556
Foreign Entities	532,288	596,604	439,401	507,288
Others	838,283	602,196	400,044	352,463
	<u>53,007,069</u>	<u>50,920,229</u>	<u>34,920,263</u>	<u>33,295,153</u>

(ii) Deposits and Placements of Banks and Other Financial Institutions

<u>By Type of Institutions:-</u>				
Licensed banks	2,366,229	2,875,922	1,177,725	1,833,042
Licensed investment banks	172,266	98,321	170,485	43,711
Bank Negara Malaysia	713,555	1,176,407	699,316	1,176,296
Other financial institutions	3,571,277	1,555,949	1,238,335	927,256
	<u>6,823,327</u>	<u>5,706,599</u>	<u>3,285,861</u>	<u>3,980,305</u>
<u>By Maturity Structure:-</u>				
Due within six months	6,823,327	5,706,599	3,285,861	3,980,305

(iii) Borrowings

Unsecured :-

More than one year (long-term)

	Group and Bank	
	31/3/2018 RM'000	31/12/2017 RM'000
Tier-2 Subordinated Medium Term Notes ("Subordinated MTNs")	2,009,567	2,036,144

The above borrowings are denominated in Ringgit Malaysia.

The movement of the Group's borrowings and debt securities during the period are summarised below:-

Tier-2 Subordinated MTNs

The Bank had on 7 February 2017 and 20 September 2017 issued 2 tranches of Tier-2 Subordinated MTNs of RM1.0 billion each out of its approved BASEL III Compliant MTN programme of up to RM6.0 billion in nominal value. The Subordinated MTNs were issued for a tenure of 10 years from the issue date on a 10-year non-callable 5 basis, at a coupon rate of 5.45% and 5.03% respectively. The MTNs were issued for the purpose of general banking business and working capital requirements of the Bank.

B8. MATERIAL LITIGATION

A claim by the Plaintiff against the Bank vide Write of Summons and Statement of Claim dated 22 January 2016 ("Writ") for the following:-

- i) RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
- ii) SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
- iii) RM776,331.00 being alleged losses of Plaintiff's shares in Berlian Ferries Pte. Ltd which was transferred out as a result of his bankruptcy in 2013 with interest at 5% per annum from 2013 till full settlement as alleged losses;
- iv) RM500,000 as cost in respect of legal proceedings in Singapore.

The Bank had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ("Suria") a credit facility of RM21.6 million ("Facility") against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Puan Norashikin Binti Abdul Latiff ("Guarantor").

Suria, the Plaintiff and the Guarantor ("All") defaulted in the Facility which led to the Bank filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ("Chenet") being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ("DGI") as receiver of Plaintiff's Estate. The Bank has appealed and hearing of appeal is fixed on 2 April 2018 at the Federal Court.

The Plaintiff's claim ("Claim") is premised on alleged wrongful acts by the Bank as follows:-

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ("NDSB shares") which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, Plaintiff claims damages under (i) above;
- allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- the Bank had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between the Bank and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- the Bank had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- The Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

The Bank has a good defence ("Defence") on the merits with regard to each of the alleged wrongful act as follows:-

- the sale of NDSB Shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of the Bank pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- the Bank's legal firm has corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied;
- The Claim for cost is unreasonable as the Bank was not in any way involved in the Singapore proceedings.

The above Claim against the Bank by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of the Bank are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will only materialize if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material, financial and operational impact on the Bank for the current financial quarter ended 31 March 2018.

B9. DIVIDENDS

No dividend has been proposed for the quarter under review.

B10. EARNINGS PER SHARE

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
Net profit attributable to equity holders of the Bank (RM'000)	141,467	90,233	141,467	90,233
Weighted average number of ordinary shares in issue	1,942,948,547	1,688,769,616	1,942,948,547	1,688,769,616
Basic earnings per share (sen)	7.3	5.3	7.3	5.3

The basic earnings per share of the Group for the current and cumulative financial quarter ended 31 March 2018 has been calculated based on the net profit attributable to the equity holders of the Bank of RM141,467,000 (2017: RM90,233,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2017: 1,688,769,616).