

AFFIN BANK BERHAD

(Company no. 25046 T)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 30 June 2018

	Note	< ----- GROUP ----- >		< ----- BANK ----- >	
		30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
ASSETS					
Cash and short-term funds		3,530,250	4,146,815	1,455,713	2,209,948
Deposits and placements with banks and other financial institutions		15,445	464,446	84,350	495,133
Investment accounts due from designated financial institutions		-	-	2,027,905	2,749,067
Financial assets at fair value through profit or loss ("FVTPL")	A9	764,315	105,180	409,082	10,129
Derivative financial assets	A29	155,368	173,125	103,613	120,819
Financial assets at fair value through other comprehensive income ("FVOCI")	A10	14,939,855	-	8,628,026	-
Financial assets at amortised cost	A11	168,423	-	120,119	-
Financial investments available-for-sale	A10	-	14,627,359	-	8,487,818
Financial investments held-to-maturity	A11	-	128,639	-	120,532
Loans, advances and financing	A12	47,203,473	45,722,158	28,415,619	29,143,900
Trade receivables	A13	802,931	550,737	-	-
Commodity Gold at FVTPL		31,584	32,198	-	-
Other assets	A14	130,541	100,503	64,974	50,795
Amount due from subsidiaries		-	-	181,924	2
Amount due from joint ventures		35,994	38,849	-	-
Amount due from associate		82,667	500	81,652	-
Tax recoverable		34,999	21,541	22,286	8,553
Deferred tax assets		96,011	27,185	45,836	-
Statutory deposits with Bank Negara Malaysia		1,874,744	1,772,640	1,165,042	1,203,000
Investment in subsidiaries		-	-	3,053,899	3,063,462
Investment in joint ventures		159,241	160,594	163,640	163,640
Investment in associates		590,068	566,278	548,482	548,482
Property and equipment		465,659	466,082	425,496	425,390
Intangible assets		904,130	903,962	174,222	171,980
TOTAL ASSETS		71,985,698	70,008,791	47,171,880	48,972,650
LIABILITIES AND EQUITY					
Deposits from customers	B7	52,778,021	50,920,229	32,863,171	33,295,153
Investment accounts of customers		1,262	449	-	-
Deposits and placements of banks and other financial institutions	B7	6,586,210	5,706,599	3,944,693	3,980,305
Obligation on securities sold under repurchase agreements		95,476	1,050,935	-	954,922
Derivative financial liabilities	A29	247,431	263,676	201,450	210,877
Bills and acceptances payable		44,614	42,152	44,614	42,152
Trade payables		869,335	677,022	-	-
Other liabilities	A15	938,613	945,372	489,030	482,660
Amount due to subsidiaries		-	-	1,604	448,149
Provision for taxation		11,923	9,560	-	-
Deferred tax liabilities		8,584	27,859	-	17,841
Subordinated medium term notes	B7	2,035,696	2,036,144	2,035,696	2,036,144
TOTAL LIABILITIES		63,617,165	61,679,997	39,580,258	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.

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(Company no. 25046 T)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 30 June 2018

	Note	< ----- GROUP ----- >		< ----- BANK ----- >	
		30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 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		(22,524)	97,596	35,153	121,637
Regulatory reserves		762,246	817,399	634,594	710,743
Foreign exchange reserves		151	151	-	-
Retained profits		2,884,773	2,670,888	2,237,123	1,987,315
Equity attributable to equity holders of the Bank		8,309,398	8,270,786	7,591,622	7,504,447
Non-controlling interest		59,135	58,008	-	-
TOTAL EQUITY		8,368,533	8,328,794	7,591,622	7,504,447
TOTAL LIABILITIES AND EQUITY		71,985,698	70,008,791	47,171,880	48,972,650
COMMITMENTS AND CONTINGENCIES	A28	31,084,626	32,285,564	19,794,808	21,411,929
CAPITAL ADEQUACY RATIOS	A31				
Before deducting proposed dividends :					
CET I capital ratio		11.683%	12.213%	9.142%	10.124%
Tier I capital ratio		11.719%	12.232%	9.142%	10.124%
Total capital ratio		<u>16.814%</u>	<u>17.231%</u>	<u>16.251%</u>	<u>14.862%</u>
After deducting proposed dividends :					
CET I capital ratio		11.683%	12.213%	9.142%	10.124%
Tier I capital ratio		11.719%	12.232%	9.142%	10.124%
Total capital ratio		<u>16.814%</u>	<u>17.231%</u>	<u>16.251%</u>	<u>14.862%</u>
Net assets per share attributable to equity holders of the Bank (RM)		4.28	4.26	3.91	3.86

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 30 June 2018

GROUP	Note	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
		30/6/2018	30/6/2017	30/6/2018	30/6/2017
		RM'000	RM'000	RM'000	RM'000
Interest income	A17	588,152	568,597	1,171,516	1,109,480
Interest expense	A18	(377,638)	(350,540)	(745,195)	(688,098)
Net interest income		210,514	218,057	426,321	421,382
Income from Islamic banking business		104,705	74,242	203,222	151,225
		315,219	292,299	629,543	572,607
Fee and commission income	A19 (a)	160,185	28,095	334,397	55,302
Fee and commission expense	A19 (b)	(42,461)	(1,943)	(99,120)	(4,231)
Net fee and commission income	A19	117,724	26,152	235,277	51,071
Net gains and losses on financial instruments	A20	33,852	45,849	67,085	50,538
Other income	A21	27,383	11,466	38,890	23,582
Net income		494,178	375,766	970,795	697,798
Other operating expenses	A22	(305,926)	(193,647)	(617,501)	(383,627)
Operating profit before allowances		188,252	182,119	353,294	314,171
Allowances for credit impairment losses	A23	(91,872)	(35,663)	(76,188)	(42,383)
Allowances for impairment losses on other assets	A24	(382)	-	(6,382)	-
Operating profit		95,998	146,456	270,724	271,788
Share of results of a joint venture		483	-	(713)	-
Share of results of an associate		17,825	-	31,282	-
Profit before zakat and taxation		114,306	146,456	301,293	271,788
Zakat		(406)	-	(643)	-
Profit before taxation		113,900	146,456	300,650	271,788
Taxation	B5	(34,899)	(28,272)	(75,662)	(63,371)
Net profit for the financial period		79,001	118,184	224,988	208,417
Profit for the financial period attributable to :-					
- Equity holders of the Bank		73,306	118,184	214,773	208,417
- Non-controlling interest		5,695	-	10,215	-
		79,001	118,184	224,988	208,417
Earnings per share attributable to the equity holders of the Bank (sen)					
- Basic	B10	3.8	7.0	11.1	12.3

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 30 June 2018

GROUP	<---Individual Quarter Ended--->		<---Cumulative Quarter Ended--->	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
Profit after zakat and taxation	79,001	118,184	224,988	208,417
Other comprehensive income/(losses)				
Items that may be reclassified subsequently to profit or loss :				
- Net fair value change in financial assets at FVOCI	(61,461)	-	(75,084)	-
- Net fair value change in financial investment available-for-sale	-	48,795	-	77,078
- Net credit impairment losses change in financial assets at FVOCI	(85)	-	(132)	-
- Net losses on financial assets measured at FVOCI reclassified to profit or losses on disposal	(113)	-	(1,032)	-
- Deferred tax on financial assets at FVOCI	15,043	-	18,082	-
- Deferred tax on financial investments available-for-sale	-	(11,711)	-	(18,499)
- Share of other comprehensive losses of a joint venture	(1,013)	-	(640)	-
- Share of other comprehensive losses of an associate	(7,776)	-	(7,492)	-
Other comprehensive (losses)/income for the financial period, net of tax	(55,405)	37,084	(66,298)	58,579
Total comprehensive income for the financial period	23,596	155,268	158,690	266,996
Total comprehensive income for the financial period attributable to :-				
- Equity holders of the Bank	17,901	155,268	148,563	266,996
- Non-controlling interest	5,695	-	10,127	-
	23,596	155,268	158,690	266,996

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 30 June 2018

BANK	Note	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		30/6/2018	30/6/2017	30/6/2018	30/6/2017
		RM'000	RM'000	RM'000	RM'000
Interest income	A17	532,456	565,459	1,058,226	1,106,713
Interest expense	A18	(344,952)	(350,540)	(677,873)	(688,098)
Net interest income		187,504	214,919	380,353	418,615
Fee and commission income	A19 (a)	25,687	28,095	58,456	55,302
Fee and commission expense	A19 (b)	(3,075)	(1,943)	(5,026)	(4,231)
Net fee and commission income	A19	22,612	26,152	53,430	51,071
Net gains and losses on financial instruments	A20	12,228	45,849	19,712	50,538
Other operating income	A21	228,014	11,353	237,967	23,475
Net income		450,358	298,273	691,462	543,699
Other operating expenses	A22	(153,702)	(150,396)	(317,272)	(301,951)
Operating profit before allowances		296,656	147,877	374,190	241,748
Allowances for credit impairment losses	A23	(89,317)	(24,554)	(58,825)	(25,882)
Profit before zakat and taxation		207,339	123,323	315,365	215,866
Zakat		-	-	-	-
Profit before taxation		207,339	123,323	315,365	215,866
Taxation	B5	(13,309)	(24,140)	(39,141)	(50,507)
Net profit for the financial period		194,030	99,183	276,224	165,359

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 30 June 2018

	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	194,030	99,183	276,224	165,359
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss :				
- Net fair value change in financial assets at FVOCI	(24,893)	-	(34,819)	-
- Net fair value change in financial investments available-for-sale	-	37,556	-	57,126
- Net credit impairment losses change in financial assets at FVOCI	109	-	(765)	-
- Deferred tax on financial assets at FVOCI	5,975	-	8,357	-
- Deferred tax on financial investments available-for-sale	-	(9,013)	-	(13,710)
Other comprehensive (losses)/income for the financial period, net of tax	(18,809)	28,543	(27,227)	43,416
Total comprehensive income for the financial period	175,221	127,726	248,997	208,775

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 30 June 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	-	-	-	-	214,773	214,773	10,215	224,988	
Other comprehensive income (net of tax) :									
- Financial assets at FVOCI	-	(66,210)	-	-	-	(66,210)	(88)	(66,298)	
Total comprehensive income for the financial period	-	(66,210)	-	-	214,773	148,563	10,127	158,690	
Effects of predecessor accounting as disclosed in Note B6	-	-	-	-	101,563	101,563	-	101,563	
Transfer to regulatory reserves	-	-	138,097	-	(138,097)	-	-	-	
Dividend declared and paid during the financial period	-	-	-	-	-	-	(9,000)	(9,000)	
At 30 June 2018	4,684,752	(22,524)	762,246	151	2,884,773	8,309,398	59,135	8,368,533	

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 30 June 2018

GROUP	-----Attributable to Equity Holders of the Bank----->							Total shareholders' equity RM'000
	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	
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	-	-	-	-	-	-	208,417	208,417
Other comprehensive income (net of tax) :								
- Financial assets at FVOCI	-	-	-	58,579	-	-	-	58,579
Total comprehensive income for the financial period	-	-	-	58,579	-	-	208,417	266,996
Transfer of share premium to share capital pursuant to the Companies Act 2016	858,904	(858,904)	-	-	-	-	-	-
Transfer of statutory reserves to retained profits pursuant to the Policy Documents on "Capital Funds" and "Capital Funds for Islamic Banks" issued by BNM on 3 May 2017	-	-	(1,721,637)	-	-	-	1,721,637	-
Transfer to regulatory reserves	-	-	-	-	309,137	-	(309,137)	-
Dividends declared and paid during the financial period	-	-	-	-	-	-	(76,300)	(76,300)
At 30 June 2017	2,547,674	-	-	133,808	589,341	-	2,723,579	5,994,402

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 30 June 2018

BANK	<-----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	-	-	-	276,224		276,224
Other comprehensive income (net of tax) :						
- Financial assets at FVOCI	-	(27,227)	-	-		(27,227)
Total comprehensive income for the financial period	-	(27,227)	-	276,224		248,997
Transfer to regulatory reserves	-	-	111,221	(111,221)		-
At 30 June 2018	4,684,752	35,153	634,594	2,237,123		7,591,622

BANK	<-----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	-	-	-	-	-	165,359	165,359
Other comprehensive income (net of tax) :							
- Financial assets at FVOCI	-	-	-	43,416	-	-	43,416
Total comprehensive income for the financial period	-	-	-	43,416	-	165,359	208,775
Transfer of share premium to share capital pursuant to the Companies Act 2016	858,904	(858,904)	-	-	-	-	-
Transfer of statutory reserves to retained profits pursuant to the Policy Documents on "Capital Funds" and "Capital Funds for Islamic Banks" issued by BNM on 3 May 2017	-	-	(1,416,621)	-	-	1,416,621	-
Transfer to regulatory reserves	-	-	-	-	299,310	(299,310)	-
Dividends declared and paid during the financial period	-	-	-	-	-	(76,300)	(76,300)
At 30 June 2017	2,547,674	-	-	136,708	506,336	2,119,729	5,310,447

AFFIN BANK BERHAD
(Company no. 25046 T)

Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 30 June 2018

	<----- GROUP ----->		<----- BANK ----->	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	300,650	271,788	315,365	215,866
Adjustment for items not involving the movement of cash and cash equivalents	(137,027)	(178,889)	(240,480)	(196,449)
Operating profit before changes in working capital	163,623	92,899	74,885	19,417
Net changes in operating assets	(2,464,243)	(1,305,422)	457,049	73,289
Net changes in operating liabilities	1,917,817	1,931,108	(1,445,047)	(415,694)
Tax and zakat paid	(62,797)	(49,281)	(56,020)	(31,665)
Net cash (used in)/generated from operating activities	(445,600)	669,304	(969,133)	(354,653)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received :				
- financial assets at FVOCI	236,155	-	166,261	-
- financial assets at amortised cost	4,136	-	2,839	-
- financial investments available-for-sale	-	152,331	-	152,331
- financial investments held-to-maturity	-	19,184	-	19,184
Dividend income :				
- financial assets at FVTPL	2,217	-	-	-
- financial assets at FVOCI	2,537	-	595	-
- financial investments available-for-sale	-	890	-	890
Net disposal/(purchase) of :				
- financial assets at FVOCI	(496,088)	-	(262,750)	-
- financial assets at amortised cost	(39,784)	-	413	-
- financial investments available-for-sale	-	(403,058)	-	(121,218)
- financial investments held-to-maturity	-	226,709	-	220,685
Purchase of :				
- property and equipment	(57,831)	(25,454)	(53,178)	(25,134)
- intangible assets	(1,075)	(976)	(256)	(976)
Proceeds from disposal of :				
- property and equipment	41,915	2,487	41,752	2,487
- foreclosed properties	307	-	-	-
Capital injection into subsidiary	-	-	-	200,000
Cash flow arising from Group Reorganisation [Note B6]	15,545	-	-	-
Dividend received from subsidiaries	-	-	178,000	-
Net cash (used in)/generated from investing activities	(291,966)	(27,887)	73,676	448,249
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of subordinated term loan	-	(300,000)	-	(300,000)
Payment for interest on subordinated term loan/medium term notes	(109,837)	(25,385)	(52,417)	(25,385)
Drawdown of subordinated medium term notes	-	1,000,000	-	1,000,000
Payment of dividend to the shareholder of the Bank	-	(76,300)	-	(76,300)
Payment of dividend to non-controlling interest	(9,000)	-	-	-
Proceeds from disposal of subsidiary	-	-	-	662
Net cash (used in)/generated from financing activities	(118,837)	598,315	(52,417)	598,977
Net (decrease)/increase in cash and cash equivalents	(856,403)	1,239,732	(947,874)	692,573
Effect of exchange rate changes on cash and cash equivalents	(9,592)	78,656	(6,979)	78,656
Cash and cash equivalents at beginning of the financial period/year	4,347,433	4,364,490	2,410,566	3,391,038
Cash and cash equivalents at end of the period/year	3,481,438	5,682,878	1,455,713	4,162,267
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	3,530,250	5,682,878	1,455,713	4,162,267
Deposits and placements of banks and other financial institutions	15,445	202,882	84,350	253,816
	3,545,695	5,885,760	1,540,063	4,416,083
Less:				
Amount held on behalf of commissioned dealer's representatives	(48,812)	-	-	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(15,445)	(202,882)	(84,350)	(253,816)
	3,481,438	5,682,878	1,455,713	4,162,267

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 issued by 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 at fair value through profit or loss ("FVTPL"),
- (ii) financial assets at fair value through other comprehensive income ("FVOCI"), 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 ("BNM").

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 losses 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 losses 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 losses.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or losses, 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 losses.

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 losses ("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.

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

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 losses 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 losses 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 losses 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 losses, 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 amount 31 December 2017 RM'000	RM'000	RM'000	carrying amount 1 January 2018 RM'000
<u>Financial assets at amortised cost</u>				
Deposits and placements with banks and other financial institutions				
Opening balance	464,446	-	-	464,446
To financial assets at FVTPL	-	(263,828)	-	(263,828)
Remeasurement - expected credit losses ("ECL")	-	-	(116)	(116)
	<u>464,446</u>	<u>(263,828)</u>	<u>(116)</u>	<u>200,502</u>
Financial assets at amortised cost				
From loans, advances and financing	-	40,497	-	40,497
From financial investments held-to-maturity	-	128,639	-	128,639
Remeasurement - ECL	-	-	(820)	(820)
Closing balance	-	<u>169,136</u>	<u>(820)</u>	<u>168,316</u>
Financial investments held-to-maturity				
Opening balance	128,639	-	-	128,639
To financial assets at amortised cost	-	(128,639)	-	(128,639)
Closing balance	<u>128,639</u>	<u>(128,639)</u>	-	<u>-</u>
Loans, advances and financing				
Opening balance	45,722,158	-	-	45,722,158
To financial assets at amortised cost	-	(40,497)	-	(40,497)
Remeasurement - unwinding of discount	-	-	(1,426)	(1,426)
Remeasurement - ECL	-	-	(223,604)	(223,604)
Closing balance	<u>45,722,158</u>	<u>(40,497)</u>	<u>(225,030)</u>	<u>45,456,631</u>

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

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 : (continued)

Group	MFRS 139	Reclassification Remeasurement		MFRS 9 carrying
	carrying amount 31 December 2017 RM'000	RM'000	RM'000	amount 1 January 2018 RM'000
<u>Financial assets at amortised cost</u> (continued)				
Trade receivables				
Opening balance	550,737	-	-	550,737
Remeasurement - ECL	-	-	(105)	(105)
Closing balance	550,737	-	(105)	550,632
Other assets				
Opening balance	100,503	-	-	100,503
Remeasurement - ECL	-	-	(12)	(12)
Closing balance	100,503	-	(12)	100,491
Total financial assets at amortised cost	46,966,483	(263,828)	(226,083)	46,476,572
<u>Financial assets at FVOCI</u>				
Financial investments available-for-sale ("AFS")				
Opening balance	14,627,359	-	-	14,627,359
To financial assets at FVOCI - debt	-	(14,030,992)	-	(14,030,992)
To financial assets at FVOCI - equity	-	(264,397)	-	(264,397)
To financial assets at FVTPL	-	(331,970)	-	(331,970)
Closing balance	14,627,359	(14,627,359)	-	-
Financial assets at FVOCI - debt				
From financial investments available-for-sale	-	14,030,992	-	14,030,992
Closing balance	-	14,030,992	-	14,030,992
Financial assets at FVOCI - equity				
From financial investments available-for-sale	-	264,397	-	264,397
Closing balance	-	264,397	-	264,397
Total financial assets at FVOCI	14,627,359	(331,970)	-	14,295,389
<u>Financial assets at FVTPL</u>				
Opening balance	105,180	-	-	105,180
From financial assets at amortised cost	-	263,828	-	263,828
From financial investments available-for-sale	-	331,970	-	331,970
Remeasurement	-	-	(3,936)	(3,936)
Total financial assets at FVTPL	105,180	595,798	(3,936)	697,042
<u>Other liabilities</u>				
Opening balance	945,372	-	-	945,372
Remeasurement - ECL	-	-	48,218	48,218
Closing balance	945,372	-	48,218	993,590
<u>Net deferred tax assets/(liabilities)</u>				
Opening balance	(674)	-	-	(674)
Remeasurement - tax effect arising from MFRS 9	-	-	67,751	67,751
Closing balance	(674)	-	67,751	67,077

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

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

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

The following table analyses the impact, net of tax, of transition to MFRS 9 on the Group's 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
FVOCI Revaluation Reserves	
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)
Opening balance under MFRS 9 (1 January 2018)	43,686
Regulatory Reserves ("RR") - 1.2%	
Closing balance under MFRS 139 (31 December 2017)	817,399
Reserve to retained earnings on adoption of MFRS 9	(817,399)
Opening balance under MFRS 9 (1 January 2018)	-
Regulatory Reserves ("RR") - 1%	
Transfer from retained earnings	624,149
Retained earnings	
Closing balance under MFRS 139 (31 December 2017)	2,670,888
Reclassification under MFRS 9	61,188
Recognition of expected credit losses under MFRS 9 (loans and advances including loan commitments)	(604,222)
Recognition of expected credit losses under MFRS 9 (FVOCI and amortised cost)	(9,846)
Unrealised losses on financial assets at FVTPL	(3,936)
BNM 1% Regulatory Reserve	(624,148)
Reversal of 1.2% Regulatory Reserve	817,399
Reversal of Collective Allowance and Individual Allowance under MFRS 139	332,400
Deferred Tax	67,751
Opening balance under MFRS 9 (1 January 2018)	2,707,474

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 amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount 1 January 2018 RM'000
<u>Reconciliation of impairment allowance</u> <u>balance from MFRS 139 to MFRS 9</u>				
Loans, advances and financing	332,400	-	223,604	556,004
Loans/financing commitments	-	-	48,218	48,218
Financial assets at FVOCI and financial assets at amortised cost	20,402	(7,818)	9,846	22,430
	352,802	(7,818)	281,668	626,652

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

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 Bank's financial assets and financial liabilities as at 1 January 2018 :

	MFRS 139 carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount 1 January 2018 RM'000
Bank				
<u>Financial assets at amortised cost</u>				
Deposits and placements with banks and other financial institutions				
Opening balance	495,133	-	-	495,133
To financial assets at FVTPL	-	(253,515)	-	(253,515)
Remeasurement - ECL	-	-	(116)	(116)
Closing balance	495,133	(253,515)	(116)	241,502
Investment accounts due from designated financial institutions				
Opening balance	2,749,067	-	-	2,749,067
Remeasurement - ECL	-	-	(88)	(88)
Closing balance	2,749,067	-	(88)	2,748,979
Financial assets at amortised cost				
From financial investments held-to-maturity	-	120,532	-	120,532
Remeasurement - ECL	-	-	(584)	(584)
Closing balance	-	120,532	(584)	119,948
Financial investments held-to-maturity				
Opening balance	120,532	-	-	120,532
To financial assets at amortised cost	-	(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 - ECL	-	-	(177,282)	(177,282)
Closing balance	29,143,900	-	(178,114)	28,965,786
Total financial assets at amortised cost	32,508,632	(253,515)	(178,902)	32,076,215
<u>Financial assets at FVOCI</u>				
Financial investments available-for-sale				
Opening balance	8,487,818	-	-	8,487,818
To financial assets at FVOCI - debt	-	(8,228,576)	-	(8,228,576)
To financial assets at FVOCI - equity	-	(145,550)	-	(145,550)
To financial assets at FVTPL	-	(113,692)	-	(113,692)
Closing balance	8,487,818	(8,487,818)	-	-
Financial assets at FVOCI - debt				
From financial investments available-for-sale	-	8,228,576	-	8,228,576
Closing balance	-	8,228,576	-	8,228,576
Financial assets at FVOCI - equity				
From financial investments available-for-sale	-	145,550	-	145,550
Closing balance	-	145,550	-	145,550
Total financial assets at FVOCI	8,487,818	(113,692)	-	8,374,126

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

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 Bank's financial assets and financial liabilities as at 1 January 2018 : (continued)

	MFRS 139 carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount 1 January 2018 RM'000
Bank				
<u>Financial assets at FVTPL</u>				
Opening balance	10,129	-	-	10,129
From deposits and placements with banks and other financial institutions	-	253,515	-	253,515
From financial investments available-for-sale	-	113,692	-	113,692
Remeasurement	-	-	(3,936)	(3,936)
Total financial assets at FVTPL	10,129	367,207	(3,936)	373,400
<u>Other liabilities</u>				
Opening balance	482,660	-	-	482,660
Remeasurement - ECL	-	-	31,159	31,159
Closing balance	482,660	-	31,159	513,819
<u>Net deferred tax assets/(liabilities)</u>				
Opening balance	17,841	-	-	17,841
Remeasurement - tax effect arising from MFRS 9	-	-	(52,175)	(52,175)
Closing balance	17,841	-	(52,175)	(34,334)

The following table analyses the impact, net of tax, of transition to MFRS 9 on the Bank's 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
Bank	
<u>FVOCI Revaluation Reserves</u>	
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
<u>Regulatory Reserves ("RR") - 1.2%</u>	
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)	-
<u>Regulatory Reserves ("RR") - 1%</u>	
Transfer from retained earnings	523,373
<u>Retained earnings</u>	
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 (loans and advances including loan commitments)	(456,785)
Recognition of expected credit losses under MFRS 9 (FVOCI and amortised cost)	(4,187)
Unrealised losses on financial assets at FVTPL	(3,936)
BNM 1% Regulatory Reserve	(523,373)
Reversal of 1.2% Regulatory 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

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

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 amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount 1 January 2018 RM'000
<u>Reconciliation of impairment allowance</u>				
<u>balance from MFRS 139 to MFRS 9</u>				
Loans, advances and financing	248,344	-	177,282	425,626
Loans/financing commitments	-	-	31,159	31,159
Financial assets at FVOCI and financial assets at amortised cost	3,893	-	4,187	8,080
	<u>252,237</u>	<u>-</u>	<u>212,628</u>	<u>464,865</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.

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:

	As at 1 January 2018		
Group	Gross fees DR/(CR) RM'000	Tax effect DR/(CR) RM'000	Net impact DR/(CR) RM'000
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 January 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 30 June 2018.

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

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

(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 A20 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 A20 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.

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

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
At fair value				
Money market instruments				
Malaysian Government Securities	158,012	20,349	40,604	-
Malaysian Government Investment Issues	40,279	10,129	-	10,129
Malaysian Government Islamic Investment Issues	-	10,224	-	-
Negotiable Instruments of Deposit	259,297	-	249,315	-
	<u>457,588</u>	<u>40,702</u>	<u>289,919</u>	<u>10,129</u>
Quoted Securities :				
- Shares in Malaysia	31,521	38,696	-	-
- Unit Trusts in Malaysia	130,465	6,979	-	-
- REITs in Malaysia	5,767	-	-	-
Unquoted Securities :				
- Shares in Malaysia	88,928	-	88,928	-
- Corporate Bonds/Sukuk in Malaysia	33,018	1,775	30,235	-
- Corporate Bonds/Sukuk outside Malaysia	17,028	17,028	-	-
	<u>764,315</u>	<u>105,180</u>	<u>409,082</u>	<u>10,129</u>

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

**A10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")/
 FINANCIAL INVESTMENTS AVAILABLE -FOR-SALE**

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
At fair value				
Money market instruments				
Malaysian Government Securities	567,940	262,298	294,629	111,019
Malaysian Government Investment Issues	2,624,089	2,398,206	1,231,922	1,185,300
Malaysian Government Treasury Bills	78,379	12,517	-	-
Khazanah Bonds/Sukuk	390,376	384,575	231,606	228,326
Cagamas Bonds/Sukuk	227,728	137,598	121,233	70,980
Sukuk Perumahan Kerajaan	449,429	450,475	279,050	279,963
Negotiable Instruments of Deposit and Islamic Debt Certificates	554,979	760,323	1,563,993	1,772,500
	4,892,920	4,405,992	3,722,433	3,648,088
Quoted Securities :				
- Shares in Malaysia	61	6,296	-	-
- Unit Trusts in Malaysia	-	208,907	-	-
- REITs in Malaysia	14,920	13,083	-	-
- REITs outside Malaysia	33,831	10,977	-	-
Unquoted Securities :				
- Shares in Malaysia	166,505	252,432	144,696	229,568
- Corporate Bonds/Sukuk in Malaysia	9,365,752	9,230,824	4,448,434	4,309,562
- Corporate Bonds/Sukuk outside Malaysia	465,866	507,022	312,463	300,956
	14,939,855	14,635,533	8,628,026	8,488,174
Allowance for impairment losses	-	(8,174)	-	(356)
	14,939,855	14,627,359	8,628,026	8,487,818

Movement in allowances for impairment losses are as follows :

At beginning of the financial period/year	8,174	11,822	356	269
Effect of adoption of MFRS 9	(8,174)	-	(356)	-
Allowance made during the financial period/year	-	1,287	-	318
Amount written-off	-	(4,935)	-	(231)
At end of the financial period/year	-	8,174	-	356

Movement in allowances for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows :

	12 - Month ECL Stage 1 RM'000	Lifetime ECL Stage 2 RM'000	Lifetime ECL Stage 3 RM'000	Total RM'000
Group				
At 1 January 2018, on adoption of MFRS 9	4,525	4,180	-	8,705
Allowance (written-back)/made due to changes in credit risk	(860)	49	-	(811)
Exchange differences	(2)	(90)	-	(92)
At end of the financial period	3,663	4,139	-	7,802
Bank				
At 1 January 2018, on adoption of MFRS 9	3,398	-	-	3,398
Allowance written-back due to changes in credit risk	(764)	-	-	(764)
At end of the financial period	2,634	-	-	2,634

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

**A11. FINANCIAL ASSETS AT AMORTISED COST/
 FINANCIAL INVESTMENT HELD-TO-MATURITY**

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
At amortised cost				
Unquoted Securities :				
- Corporate Bonds/Sukuk in Malaysia	164,543	124,085	124,053	124,069
- Redeemable secured Loan Stock in Malaysia	15,041	15,041	-	-
	<u>179,584</u>	<u>139,126</u>	<u>124,053</u>	<u>124,069</u>
ECL/Allowance for impairment losses	(11,161)	(10,487)	(3,934)	(3,537)
	<u>168,423</u>	<u>128,639</u>	<u>120,119</u>	<u>120,532</u>

Movement in allowances for impairment losses are as follows :

At 1 January 2018	10,487	10,487	3,537	3,537
Effect of adoption of MFRS 9	(10,487)	-	(3,537)	-
At end of the financial period/year	<u>-</u>	<u>10,487</u>	<u>-</u>	<u>3,537</u>

Movement in allowances for impairment which reflect the ECL model on impairment are as follows :

Group	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2018, on adoption of MFRS 9	819	-	10,487	11,306
Allowance written-back due to changes in credit risk	(145)	-	-	(145)
At end of the financial period	<u>674</u>	<u>-</u>	<u>10,487</u>	<u>11,161</u>
Bank	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2018, on adoption of MFRS 9	584	-	3,537	4,121
Allowance written-back due to changes in credit risk	(187)	-	-	(187)
At end of the financial period	<u>397</u>	<u>-</u>	<u>3,537</u>	<u>3,934</u>

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A12. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
(a) BY TYPE				
Overdrafts	2,006,492	1,867,780	1,589,236	1,554,785
Term loans / financing :				
- Housing loans/financing	9,511,456	8,486,642	4,052,381	4,086,865
- Syndicated financing	1,752,186	2,634,929	967,357	1,227,635
- Hire purchase receivables	12,369,095	12,365,906	8,290,301	8,501,399
- Business term loans/financing	15,008,860	13,699,795	9,298,082	9,399,271
- Other term loans/financing	706,850	412,788	-	-
Bills receivables	41,813	27,811	31,111	19,583
Trust receipts	205,597	222,179	195,522	207,462
Claims on customers under acceptances credits	1,380,784	1,260,155	1,050,328	1,009,909
Staff loans/financing of which :				
RM NIL to Directors (2017: RM NIL)	170,305	167,350	128,624	133,194
Credit cards	119,368	111,414	117,721	111,402
Revolving credits	4,146,380	4,395,924	3,148,336	3,136,532
Margin financing	374,191	357,181	-	-
Factoring	7,338	4,207	7,338	4,207
Other receivables	-	40,497	-	-
Gross loans, advances and financing	47,800,715	46,054,558	28,876,337	29,392,244
Less: Allowance for impairment losses :				
- Individual impairment	-	(93,885)	-	(69,836)
- Collective impairment	-	(238,515)	-	(178,508)
- ECL	(597,242)	-	(460,718)	-
Total net loans, advances and financing	47,203,473	45,722,158	28,415,619	29,143,900
(b) BY MATURITY STRUCTURE				
Maturing within one year	7,987,050	8,636,523	5,663,542	6,092,359
One year to three years	2,473,636	4,823,382	1,442,852	3,719,003
Three years to five years	5,385,822	6,805,424	4,104,988	4,988,404
Over five years	31,954,207	25,789,229	17,664,955	14,592,478
	47,800,715	46,054,558	28,876,337	29,392,244
(c) BY TYPE OF CUSTOMER				
Domestic non-banking institutions :				
- Others	585,662	774,836	366,075	553,756
Domestic business enterprises :				
- Small medium enterprises	11,838,537	12,511,252	9,263,415	9,988,662
- Others	12,109,473	10,842,187	7,377,931	6,878,274
Government and statutory bodies	1,227,155	1,104,981	58,786	58,657
Individuals	21,321,222	20,042,711	11,501,244	11,602,284
Other domestic entities	12,192	13,189	3,440	4,160
Foreign entities	706,474	765,402	305,446	306,451
	47,800,715	46,054,558	28,876,337	29,392,244

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>				
Fixed rate :				
- Housing loans/financing	370,508	384,844	323,153	337,989
- Hire purchase receivables	12,371,363	12,368,159	8,290,301	8,501,399
- Other fixed rate loans/financing	2,980,255	3,092,517	1,465,536	1,551,713
- Margin financing	374,191	357,181	-	-
Variable rate :				
- BLR plus	20,397,605	19,131,797	11,460,446	11,372,025
- Cost plus	11,186,037	10,682,080	7,336,901	7,629,118
- Other variable rates	120,756	37,980	-	-
	47,800,715	46,054,558	28,876,337	29,392,244
(e) <u>BY ECONOMIC PURPOSE</u>				
Construction	3,564,454	3,451,504	2,270,194	2,328,238
Purchase of landed property of which :				
- Residential	9,514,783	8,465,547	3,866,132	3,928,963
- Non-residential	6,585,962	6,383,585	4,463,728	4,821,020
Purchase of securities	1,638,833	1,448,427	747,135	480,252
Purchase of transport vehicles	12,696,272	12,689,074	8,506,527	8,702,450
Fixed assets other than land and building	282,129	275,714	186,081	175,731
Personal use	766,853	702,599	703,460	661,340
Credit card	119,368	111,414	117,721	111,402
Consumer durable	415	582	411	577
Merger and acquisition	79,229	89,071	79,229	89,071
Working capital	11,438,277	11,402,100	7,634,501	7,666,531
Others	1,114,140	1,034,941	301,218	426,669
	47,800,715	46,054,558	28,876,337	29,392,244
(f) <u>BY ECONOMIC SECTORS</u>				
Primary agriculture	1,472,173	859,639	534,457	524,490
Mining and quarrying	548,796	638,033	228,626	263,840
Manufacturing	2,664,035	2,085,077	1,749,029	1,561,820
Electricity, gas and water supply	409,791	179,040	94,414	66,646
Construction	2,584,699	2,621,265	1,640,050	1,705,228
Real estate	8,113,098	8,373,983	6,053,967	6,375,208
Wholesale and retail trade and restaurants and hotels	3,062,326	2,782,437	2,313,316	2,283,708
Transport, storage and communication	1,585,629	2,421,243	1,264,194	1,514,303
Finance, insurance and business services	2,938,020	3,022,240	2,245,405	2,240,310
Education, health and others	2,954,942	2,783,211	1,166,264	1,163,623
Household	21,459,911	20,240,269	11,585,242	11,691,226
Others	7,295	48,121	1,373	1,842
	47,800,715	46,054,558	28,876,337	29,392,244

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
(g) BY GEOGRAPHICAL DISTRIBUTION				
Perlis	224,187	231,679	22,303	28,931
Kedah	1,519,697	1,464,362	782,001	786,429
Pulau Pinang	2,582,181	2,660,130	1,885,568	2,088,712
Perak	1,672,159	1,595,065	955,659	962,749
Selangor	14,290,206	13,075,574	8,406,796	8,305,353
Wilayah Persekutuan	12,546,038	13,283,748	7,481,835	7,847,522
Negeri Sembilan	1,432,016	1,309,232	613,621	647,921
Melaka	1,022,128	1,036,264	756,235	788,511
Johor	5,489,478	5,134,735	3,415,774	3,401,016
Pahang	1,265,378	1,035,997	715,673	652,916
Terengganu	822,222	818,457	436,214	438,849
Kelantan	237,788	229,318	64,508	62,062
Sarawak	2,187,687	2,137,082	1,718,584	1,792,876
Sabah	2,229,778	1,749,113	1,466,584	1,432,806
Labuan	183,030	206,288	127,152	137,294
Outside Malaysia	96,742	87,514	27,830	18,297
	47,800,715	46,054,558	28,876,337	29,392,244
(h) IMPAIRED LOANS, ADVANCES AND FINANCING				
(i) Movements of impaired loans, advances and financing				
At 1 January, as previously stated	1,167,306	717,865	959,086	590,447
Effect of adoption of MFRS 9	(1,425)	-	(832)	-
At 1 January, as restated	1,165,881	717,865	958,254	590,447
Classified as impaired during the financial period/year	533,619	1,445,665	449,332	989,469
Reclassified as non-impaired during the financial period/year	(173,299)	(676,240)	(127,455)	(338,471)
Amount recovered during the financial period/year	(128,661)	(156,769)	(119,630)	(127,510)
Amount written-off during the financial period/year	(55,213)	(163,215)	(44,149)	(154,849)
	1,342,327	1,167,306	1,116,352	959,086
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing (*)	2.81%	2.53%	3.61%	2.98%
(*) For the Bank, restricted investment accounts included in the ratio calculation amounting to RM2,031.5 million (2017 : RM2,749.0 million).				
(ii) Impaired loans, advances and financing by economic purpose				
Construction	289,412	164,218	281,437	156,243
Purchase of landed property of which :				
- Residential	228,485	207,849	140,211	137,494
- Non-residential	262,625	272,499	238,129	247,641
Purchase of securities	56	51	56	51
Purchase of transport vehicles	218,401	235,606	196,615	213,673
Fixed assets other than land and building	775	984	529	749
Personal use	18,559	17,203	17,504	16,393
Credit card	844	622	844	622
Consumer durable	13	16	13	16
Working capital	305,713	256,643	233,461	184,515
Others	17,444	11,615	7,553	1,689
	1,342,327	1,167,306	1,116,352	959,086

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A12. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING (Cont.)

(iii) Impaired loans, advances and financing by sector

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
Primary agriculture	14,068	14,055	14,031	13,980
Mining and quarrying	16,029	13,615	13,448	13,552
Manufacturing	23,068	24,569	21,999	23,477
Electricity, gas and water supply	232	288	-	53
Construction	131,096	144,542	74,280	88,388
Real estate	308,500	252,055	262,640	207,512
Wholesale and retail trade and restaurants and hotels	48,470	41,691	43,768	36,564
Transport, storage and communication	407,893	292,658	407,699	292,478
Finance, insurance and business services	73,084	76,650	58,232	60,756
Education, health and others	546	730	457	605
Household	319,341	306,453	219,798	221,721
	1,342,327	1,167,306	1,116,352	959,086

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

	30/6/2018	31/12/2017	30/6/2018	31/12/2017
Perlis	2,698	2,627	607	505
Kedah	53,918	55,385	40,103	41,964
Pulau Pinang	107,287	26,769	105,742	25,156
Perak	15,655	16,023	10,019	10,252
Selangor	253,681	264,602	162,696	177,166
Wilayah Persekutuan	252,045	232,178	230,713	222,501
Negeri Sembilan	79,641	79,958	68,966	73,650
Melaka	8,977	6,604	7,509	4,527
Johor	40,421	34,040	35,089	30,216
Pahang	19,178	18,715	18,362	17,615
Terengganu	397,866	296,647	393,299	290,641
Kelantan	3,798	4,925	1,456	1,437
Sarawak	57,696	58,261	20,848	21,545
Sabah	21,316	42,307	20,943	41,911
Outside Malaysia	28,150	28,265	-	-
	1,342,327	1,167,306	1,116,352	959,086

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

Individual impairment

	30/6/2018	31/12/2017	30/6/2018	31/12/2017
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 1 January, as restated	-	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

	30/6/2018	31/12/2017	30/6/2018	31/12/2017
At 1 January, as previously stated	238,515	237,165	178,508	189,637
Effect of adoption of MFRS 9	(238,515)	-	(178,508)	-
At 1 January, as restated	-	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

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A12. LOANS, ADVANCES AND FINANCING (Cont.)

(vi) Movement in expected credit losses for loans, advances and financing

Group	12 months	Lifetime ECL	Lifetime ECL	Total
	ECL	not Credit	Credit	
	(Stage 1)	Impaired	Impaired	
	30/6/2018	(Stage 2)	(Stage 3)	30/6/2018
	RM'000	30/6/2018	30/6/2018	RM'000
		RM'000	RM'000	RM'000
At 1 January 2018, on adoption of MFRS 9	219,161	104,545	232,298	556,004
Total transfer between stages	35,355	(3,041)	(32,314)	-
Changes due to change in credit risk :				
- Transfer to 12-month ECL (Stage 1)	55,296	(53,074)	(2,222)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(16,857)	65,216	(48,359)	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	(3,084)	(15,183)	18,267	-
Loans/Financing derecognised during the period (other than write-offs)	(39,712)	(9,396)	(1,741)	(50,849)
New loans/financing originated or purchased	50,253	3,891	1,102	55,246
Changes due to change in credit risk	(53,237)	(5,812)	157,925	98,876
Write-offs	-	-	(54,392)	(54,392)
Other adjustments :				
- Unwind of discount #	-	-	(7,591)	(7,591)
- Foreign exchange and other movements	-	-	(52)	(52)
At the end of financial period	211,820	90,187	295,235	597,242

Bank	12 months	Lifetime ECL	Lifetime ECL	Total
	ECL	not Credit	Credit	
	(Stage 1)	Impaired	Impaired	
	30/6/2018	(Stage 2)	(Stage 3)	30/6/2018
	RM'000	30/6/2018	30/6/2018	RM'000
		RM'000	RM'000	RM'000
At 1 January 2018, on adoption of MFRS 9	158,876	92,796	173,954	425,626
Total transfer between stages	34,523	(14,914)	(19,609)	-
Changes due to change in credit risk :				
- Transfer to 12-month ECL (Stage 1)	51,860	(49,752)	(2,108)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(14,254)	48,919	(34,665)	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	(3,083)	(14,081)	17,164	-
Loans derecognised during the period (other than write-offs)	(24,212)	(8,193)	(1,598)	(34,003)
New loans originated or purchased	27,165	3,057	1,097	31,319
Changes due to change in credit risk	(45,528)	(4,982)	138,408	87,898
Write-offs	-	-	(43,331)	(43,331)
Other adjustments :				
- Unwind of discount #	-	-	(6,791)	(6,791)
At the end of financial period	150,824	67,764	242,130	460,718

Unwind of discount on Stage 3 financial assets is the interest/finance income recognised on amortised cost (after deducting the ECL allowance)

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A13. TRADE RECEIVABLES

	Group	
	30/6/2018 RM'000	31/12/2017 RM'000
Amount due from stock-broking clients :		
- performing accounts	624,564	265,799
- impaired accounts (a)	871	1,366
Amount due from brokers	104,994	72,708
Amount due from Bursa Securities Clearing Sdn Bhd	-	83,281
Management fees receivable on fund management	73,426	128,612
	<u>803,855</u>	<u>551,766</u>
Less Allowance for impairment :		
- Individual impairment (b)	-	(1,029)
- ECL	(924)	-
	<u>802,931</u>	<u>550,737</u>
(a) Movements of impaired trade receivables		
At 1 January	1,366	1,742
Classified as impaired	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 MFRS 9	(1,029)	-
At 1 January, as restated	-	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 1 January 2018, on adoption of MFRS 9	1,134	-
Allowance made during the financial period/year	15	-
Amount written-back during the financial period/year	(225)	-
At end of financial period/year	<u>924</u>	<u>-</u>

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A14. OTHER ASSETS

	Group		Bank	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Other debtors (a)	74,380	43,021	17,793	4,943
Prepayments and deposits	27,078	19,867	25,170	19,088
Cheque clearing accounts	9,794	17,535	4,049	9,493
Foreclosed properties (b)	20,407	19,912	17,962	17,271
Collaterals pledged for derivative transactions	-	168	-	-
ECL - fees	(1,118)	-	-	-
	130,541	100,503	64,974	50,795
(a) Other debtors				
Other debtors	75,498	43,733	17,793	4,943
Less: - Individual impairment (i)	-	(712)	-	-
- ECL (ii)	(1,118)	-	-	-
	74,380	43,021	17,793	4,943
(i) Movement in individual allowances				
At 1 January, as previously stated	712	781	-	-
Effect of adoption of MFRS 9	(712)	-	-	-
At 1 January, as restated	-	781	-	-
Allowance made during the financial period/year	-	403	-	-
Amount written off during the financial period/year	-	(472)	-	-
At end of financial period/year	-	712	-	-
(ii) Movement in ECL				
At 1 January 2018, on adoption of MFRS 9	724	-	-	-
Allowance made during the financial period/year	394	-	-	-
At end of financial period/year	1,118	-	-	-
(b) Foreclosed properties				
At 1 January	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	20,407	19,912	17,962	17,271

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A15. OTHER LIABILITIES

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
BNM and CGC Funding programmes	37,136	37,944	36,136	37,944
Margin and collateral deposits	131,180	131,494	114,339	114,402
Trust accounts for remisers	48,812	49,119	-	-
Defined contribution plan	15,856	18,111	14,847	16,737
Collaterals pledged for derivative transactions	-	29	-	-
Other creditors and accruals	186,645	190,253	75,319	53,153
Accrued employee benefits	104,228	129,887	33,459	36,969
Amounts payable to commissioned and salaried dealer's representatives	43,765	39,505	-	-
Cheque clearing accounts	9,593	34,112	9,593	34,112
Provision for zakat	642	3,223	-	-
Sundry creditors	226,558	175,693	155,093	156,128
Securities borrowings and lending - borrow	62,013	82,030	-	-
Unearned income	33,981	53,972	29,203	33,215
Expected credit losses (a) : -loan/financing commitments and financial guarantees	38,204	-	21,041	-
	938,613	945,372	489,030	482,660

(a) ECL

At 1 January 2018, on adoption of MFRS 9	48,218	-	31,159	-
Net remeasurement of loss allowance	(18,361)	-	(16,431)	-
Net loan/financing commitments and financial guarantees issued during the financial period/year	8,347	-	6,313	-
At end of financial period/year	38,204	-	21,041	-

A16. RESERVES

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
FVOCI revaluation reserves/AFS revaluation reserves (a)	(22,524)	97,596	35,153	121,637
Regulatory reserves (b)	762,246	817,399	634,594	710,743
Foreign exchange reserves	151	151	-	-
Retained profits	2,884,773	2,670,888	2,237,123	1,987,315
	3,624,646	3,586,034	2,906,870	2,819,695

(a) FVOCI/AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial assets at FVOCI/financial investment AFS. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.

(b) Pursuant to BNM letter dated 1 November 2017. Effective 1 January 2018, the banking institution 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 MFRS 9 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 institution 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.

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

A17. INTEREST INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	449,147	439,928	893,810	877,277
Money at call and deposits placements with financial institutions	8,444	33,964	23,993	60,320
Reverse repurchase agreements with financial institutions	-	368	-	368
Financial assets at FVOCI	121,766	-	236,155	-
Financial assets at amortised cost	2,084	-	4,136	-
Financial investments available-for-sale	-	78,099	-	152,331
Financial investments held-to-maturity	-	16,238	-	19,184
Others	6,711	-	13,422	-
	588,152	568,597	1,171,516	1,109,480
of which :-				
Interest income earned on impaired loans, advances and financing	6,696	370	9,120	148
Bank				
Loan, advances and financing	407,227	411,504	809,017	821,134
Money at call and deposits placements with financial institutions	37,836	59,250	80,075	113,696
Reverse repurchase agreements with financial institutions	-	368	-	368
Financial assets at FVOCI	85,932	-	166,261	-
Financial assets at amortised cost	1,427	-	2,839	-
Financial investments available-for-sale	-	78,099	-	152,331
Financial investments held-to-maturity	-	16,238	-	19,184
Others	34	-	34	-
	532,456	565,459	1,058,226	1,106,713
of which :-				
Interest income earned on impaired loans, advances and financing	5,767	370	7,341	148

A18. INTEREST EXPENSE

Group				
Deposits from customers	330,715	287,926	647,366	577,408
Deposits and placements of banks and other financial institutions	18,339	31,697	39,744	55,201
Securities sold under repurchase agreements	890	6,038	2,751	11,025
Subordinated term loan	-	11,145	-	22,675
Subordinated medium term notes	26,128	13,587	51,969	21,501
Others	1,566	147	3,365	288
	377,638	350,540	745,195	688,098
Bank				
Deposits from customers	287,629	287,926	566,541	577,408
Deposits and placements of banks and other financial institutions	31,059	31,697	56,337	55,201
Securities sold under repurchase agreements	-	6,038	2,751	11,025
Subordinated term loan	-	11,145	-	22,675
Subordinated medium term notes	26,128	13,587	51,969	21,501
Others	136	147	275	288
	344,952	350,540	677,873	688,098

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

A19. NET FEE AND COMMISSION INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income :				
Net brokerage	19,737	-	42,167	-
Portfolio management fees	77,516	-	151,639	-
Corporate advisory fees	3,418	-	5,292	-
Commission	7,256	5,127	13,580	10,174
Service charges and fees	15,316	17,512	36,886	33,819
Guarantee fees	5,408	5,456	11,392	11,309
Arrangement fees	575	-	1,425	-
Agency fees	249	-	2,014	-
Initial service charges	23,926	-	61,699	-
Other fee income	6,784	-	8,303	-
	160,185	28,095	334,397	55,302
(b) Fee and commission expense :				
Commission and referral expense	(42,461)	(1,943)	(99,120)	(4,231)
Net fee and commission income	117,724	26,152	235,277	51,071
Bank				
(a) Fee and commission income :				
Commission	5,144	5,127	11,218	10,174
Service charges and fees	15,135	17,512	36,407	33,819
Guarantee fees	5,408	5,456	10,831	11,309
	25,687	28,095	58,456	55,302
(b) Fee and commission expense :				
Commission and referral expense	(3,075)	(1,943)	(5,026)	(4,231)
Net fee and commission income	22,612	26,152	53,430	51,071

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

A20. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Income from financial instruments:				
Gains arising on financial assets at FVTPL :				
- net gain on disposal	15,513	-	33,507	135
- unrealised gains	3,832	-	3,123	-
- interest income	9,516	-	18,368	-
- gross dividend income	550	-	2,217	-
Gains/(losses) on derivatives instruments :				
- realised	16	419	113	522
- unrealised	2,214	(351)	4,729	(65)
- interest (expenses)/income	(22)	882	167	1,848
Gains arising on financial investments available-for-sale :				
- net gains on disposal	-	4,329	-	7,424
- gross dividend income	-	786	-	890
Gains arising on financial assets at FVOCI :				
- net gains on disposal	116	-	2,324	-
- gross dividend income	2,117	-	2,537	-
Gains arising on financial investments held-to-maturity :				
- net gain on redemption	-	39,784	-	39,784
	33,852	45,849	67,085	50,538
Bank				
Income from financial instruments				
Gains/(losses) arising on financial assets at FVTPL :				
- net (losses)/gain on disposal	-	-	(15)	135
- unrealised gains	5,810	-	5,228	-
- interest income	4,322	-	8,499	-
Gains/(losses) on derivatives instruments :				
- realised	70	419	167	522
- unrealised	1,428	(351)	3,990	(65)
- interest (expenses)/income	(2)	882	24	1,848
Gains arising on financial investments available-for-sale :				
- net gains on disposal	-	4,329	-	7,424
- gross dividend income	-	786	-	890
Gains arising on financial assets at FVOCI :				
- net gains on disposal	5	-	1,224	-
- gross dividend income	595	-	595	-
Gains arising on financial investments held-to-maturity :				
- net gain on redemption	-	39,784	-	39,784
	12,228	45,849	19,712	50,538

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

A21. OTHER INCOME

	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
Group	RM'000	RM'000	RM'000	RM'000
Foreign exchange gains/(losses) :				
- realised	22,925	(50,039)	34,010	(60,921)
- unrealised	(6,275)	59,546	(9,592)	78,656
Rental income	(27)	527	-	1,155
Gain on disposal of property and equipment	4,624	752	4,723	752
Gain on disposal of foreclosed properties	-	-	111	-
Other non-operating income	6,136	680	9,638	3,940
Total other income	27,383	11,466	38,890	23,582
Bank				
Foreign exchange gains/(losses) :				
- realised	19,377	(50,039)	26,709	(60,921)
- unrealised	(6,749)	59,546	(6,979)	78,656
Rental income	26	527	53	1,155
Gain on winding-up of a subsidiary	31,031	-	31,031	162
Gain on disposal of property and equipment	4,602	752	4,602	752
Gross dividend received from subsidiaries	178,000	-	178,000	-
Other non-operating income	1,727	567	4,551	3,671
Total other income	228,014	11,353	237,967	23,475

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

A22. OTHER OPERATING EXPENSES

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	147,511	86,825	298,938	169,971
Defined contribution plan	24,610	14,305	48,444	28,163
Other personnel costs	28,839	14,429	55,841	26,762
	200,960	115,559	403,223	224,896
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,951	4,578	10,723	5,736
Entertainment	1,689	583	3,484	1,095
Travelling and accommodation	2,805	1,339	5,058	2,478
Dealers' handling fees	300	-	600	-
Commission and brokerage expenses	3,976	3,192	7,109	5,795
Others marketing expenses	1,177	360	3,145	964
	14,898	10,052	30,119	16,068
<u>Establishment-related expenses</u>				
Rental of premises	9,872	5,939	19,747	12,462
Equipment rental	945	348	1,714	473
Repair and maintenance	9,567	9,774	23,006	19,765
Depreciation of property and equipment	5,875	3,736	12,239	7,465
Amortisation of intangible assets	6,767	2,591	13,472	5,044
IT consultancy fee	9,673	18,612	19,519	33,877
Dataline rental	4,219	2,113	7,071	3,920
Security services	3,955	4,317	8,205	8,813
Electricity, water and sewerage	2,981	2,805	6,345	5,271
Insurance/Takaful and indemnities	7,153	5,784	14,349	11,438
Other establishment costs	1,827	874	3,168	2,124
	62,834	56,893	128,835	110,652
<u>General and administrative expenses</u>				
Telecommunication expenses	3,459	1,048	7,780	2,132
Auditors' remuneration :				
(i) Statutory audit fees	602	435	1,199	870
(ii) Regulatory related fees	14	-	31	-
(iii) Tax fees	3	13	6	31
(iv) Non-audit fees	120	-	163	318
Professional fees	4,660	4	8,220	8,968
Property and equipment written-off	13	14	150	35
Mail and courier charges	705	911	1,760	1,498
Stationery and consumables	4,313	2,093	8,407	4,106
Directors' fees and allowances	753	425	1,661	1,075
Donations	856	613	1,423	1,269
Settlement, clearing and bank charges	2,978	2,539	6,803	5,452
Stamp duties	42	50	638	91
Subscription fees	2,668	-	4,613	-
GST input tax-non recoverable	2,929	2,702	6,280	5,147
Other administration and general expenses	3,119	296	6,190	1,019
	27,234	11,143	55,324	32,011
Total other operating expenses	305,926	193,647	617,501	383,627

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

A22. OTHER OPERATING EXPENSES (Cont.)

Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	67,483	66,407	138,463	130,839
Defined contribution plan	11,409	10,959	22,411	21,595
Other personnel costs	14,052	11,848	27,692	21,609
	<u>92,944</u>	<u>89,214</u>	<u>188,566</u>	<u>174,043</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	2,439	4,097	5,810	5,007
Entertainment	789	511	1,858	957
Travelling and accommodation	1,313	1,039	2,384	1,934
Commission and brokerage expenses	3,184	2,564	5,698	4,704
Others marketing expenses	358	242	911	639
	<u>8,083</u>	<u>8,453</u>	<u>16,661</u>	<u>13,241</u>
<u>Establishment-related expenses</u>				
Rental of premises	4,551	4,540	9,212	9,464
Equipment rental	460	307	865	393
Repair and maintenance	5,442	7,328	15,350	15,830
Depreciation of property and equipment	3,374	3,516	7,225	7,007
Amortisation of intangible assets	3,149	2,591	6,262	5,044
IT consultancy fee	7,150	14,263	14,539	26,723
Dataline rental	3,151	1,781	5,592	3,296
Security services	2,640	3,276	5,884	6,742
Electricity, water and sewerage	1,747	2,308	3,662	4,305
Insurance/Takaful and indemnities	6,503	4,974	12,409	10,277
	<u>38,167</u>	<u>44,884</u>	<u>81,000</u>	<u>89,081</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	738	820	2,331	1,643
Auditors' remuneration :				
(i) Statutory audit fees	330	330	660	660
(ii) Tax fees	-	8	-	19
(iii) Non-audit fees	80	-	113	318
Professional fees	3,839	(356)	6,992	8,281
Property and equipment written-off	1	15	135	34
Mail and courier charges	558	725	1,620	1,206
Stationery and consumables	2,635	1,525	5,642	2,842
Directors' fees and allowances	718	44	1,279	527
Donations	661	559	1,218	1,188
Settlement, clearing and bank charges	2,209	2,238	5,212	4,875
Stamp duties	38	50	630	88
GST input tax-non recoverable	1,371	1,463	3,477	3,006
Other administration and general expenses	1,330	424	1,736	899
	<u>14,508</u>	<u>7,845</u>	<u>31,045</u>	<u>25,586</u>
Total other operating expenses	153,702	150,396	317,272	301,951

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

A23. ALLOWANCES FOR CREDIT IMPAIRMENT LOSSES

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment :				
- Made during the financial period	-	26,764	-	46,888
- Written-back during the financial period	-	(4,646)	-	(17,214)
Collective impairment :				
- Made during the financial period	-	23,888	-	33,302
ECL made/(write-back) on :				
- loans, advances and financing and trade receivables	103,908	-	103,063	-
- securities and placements	90	-	(1,019)	-
- loan and financing commitments and contingencies	(4,391)	-	(10,013)	-
Bad debts and financing :				
- recovered	(8,689)	(10,556)	(17,187)	(21,099)
- written-off	954	213	1,344	506
	91,872	35,663	76,188	42,383
Bank				
Individual impairment :				
- Made during the financial period	-	25,026	-	39,403
- Written-back during the financial period	-	(3,896)	-	(12,634)
Collective impairment :				
- Made during the financial period	-	13,595	-	19,269
ECL made/(write-back) on :				
- loans, advances and financing and trade receivables	102,273	-	85,214	-
- securities and placements	224	-	(935)	-
- loan and financing commitments and financial guarantee	(5,597)	-	(10,118)	-
Bad debts and financing :				
- recovered	(8,511)	(10,383)	(16,652)	(20,661)
- written-off	928	212	1,316	505
	89,317	24,554	58,825	25,882

A24. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

Group				
Allowance made for impairment losses :				
- Other debtors	382	-	382	-
- Advances to joint ventures	-	-	6,000	-
	382	-	6,382	-

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

A25. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2018 and 30 June 2017 are as follows :

	<----- Current year's individual quarter ended 30 June 2018 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	356,373	140,280	-	(2,475)	-	494,178
Intersegment revenue	174,133	(2,256)	-	6,994	(178,871)	-
Segment revenue	<u>530,506</u>	<u>138,024</u>	<u>-</u>	<u>4,519</u>	<u>(178,871)</u>	<u>494,178</u>
Operating expenses of which :-	(208,811)	(95,344)	-	(2,642)	871	(305,926)
Depreciation of property and equipment	(3,564)	(2,269)	-	(42)	-	(5,875)
Amortisation of intangible assets	(3,170)	(3,582)	-	(15)	-	(6,767)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(88,045)	(4,209)	-	-	-	(92,254)
Segment results	<u>233,650</u>	<u>38,471</u>	<u>-</u>	<u>1,877</u>	<u>(178,000)</u>	<u>95,998</u>
Share of results of a joint venture (net of tax)	-	-	483	-	-	483
Share of results of an associate (net of tax)	-	-	17,825	-	-	17,825
Profit before zakat and taxation	<u>233,650</u>	<u>38,471</u>	<u>18,308</u>	<u>1,877</u>	<u>(178,000)</u>	<u>114,306</u>
Zakat	-	(406)	-	-	-	(406)
Profit before taxation	<u>233,650</u>	<u>38,065</u>	<u>18,308</u>	<u>1,877</u>	<u>(178,000)</u>	<u>113,900</u>
Taxation						<u>(34,899)</u>
Net profit for the individual quarter						<u>79,001</u>
	<----- Preceding year's individual quarter ended 30 June 2017 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	375,766	-	-	-	-	375,766
Intersegment revenue	-	-	-	-	-	-
Segment revenue	<u>375,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,766</u>
Operating expenses of which :-	(193,647)	-	-	-	-	(193,647)
Depreciation of property and equipment	(3,736)	-	-	-	-	(3,736)
Amortisation of intangible assets	(2,591)	-	-	-	-	(2,591)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(35,663)	-	-	-	-	(35,663)
Segment results	<u>146,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,456</u>
Share of results of a joint venture (net of tax)	-	-	-	-	-	-
Share of results of an associate (net of tax)	-	-	-	-	-	-
Profit before zakat and taxation	<u>146,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,456</u>
Zakat	-	-	-	-	-	-
Profit before taxation	<u>146,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,456</u>
Taxation						<u>(28,272)</u>
Net profit for the individual quarter						<u>118,184</u>

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

A25. SEGMENTAL INFORMATION ON REVENUE AND PROFIT (Cont.)

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2018 and 30 June 2017 are as follows : (Cont.)

	<----- Current year's cumulative quarter ended 30 June 2018 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	694,599	275,507	-	689	-	970,795
Intersegment revenue	178,445	(4,910)	-	7,790	(181,325)	-
Segment revenue	873,044	270,597	-	8,479	(181,325)	970,795
Operating expenses of which :-	(426,258)	(188,834)	-	(5,734)	3,325	(617,501)
Depreciation of property and equipment	(7,612)	(4,541)	-	(86)	-	(12,239)
Amortisation of intangible assets	(6,295)	(7,147)	-	(30)	-	(13,472)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(78,489)	(4,081)	-	-	-	(82,570)
Segment results	368,297	77,682	-	2,745	(178,000)	270,724
Share of results of a joint venture (net of tax)	-	-	(713)	-	-	(713)
Share of results of an associate (net of tax)	-	-	31,282	-	-	31,282
Profit before zakat and taxation	368,297	77,682	30,569	2,745	(178,000)	301,293
Zakat	-	(643)	-	-	-	(643)
Profit before taxation	368,297	77,039	30,569	2,745	(178,000)	300,650
Taxation						(75,662)
Net profit for the cumulative quarter						224,988
	<----- Preceding year's cumulative quarter ended 30 June 2017 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	697,798	-	-	-	-	697,798
Intersegment revenue	-	-	-	-	-	-
Segment revenue	697,798	-	-	-	-	697,798
Operating expenses of which :-	(383,627)	-	-	-	-	(383,627)
Depreciation of property and equipment	(7,465)	-	-	-	-	(7,465)
Amortisation of intangible assets	(5,044)	-	-	-	-	(5,044)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(42,383)	-	-	-	-	(42,383)
Segment results	271,788	-	-	-	-	271,788
Share of results of a joint venture (net of tax)	-	-	-	-	-	-
Share of results of an associate (net of tax)	-	-	-	-	-	-
Profit before zakat and taxation	271,788	-	-	-	-	271,788
Zakat	-	-	-	-	-	-
Profit before taxation	271,788	-	-	-	-	271,788
Taxation						(63,371)
Net profit for the cumulative quarter						208,417

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

A26. 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.

A27. 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.

A28. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank 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 and the Bank.

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

	←-----Group-----→		←-----Bank-----→	
	Principal Amount		Principal Amount	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
Direct credit substitutes	666,057	573,469	408,848	376,301
Transaction-related contingent items	2,078,368	2,091,113	1,752,683	1,797,759
Short-term self-liquidating trade-related contingencies	354,321	431,400	113,648	151,867
Foreign exchange related contracts #				
- Less than one year	11,058,893	12,007,480	7,358,526	7,587,059
- One year to less than five years	239,747	380,815	96,030	97,051
- Five years and above	-	42,485	-	42,485
Interest rate related contracts #				
- Less than one year	966,000	886,000	766,000	736,000
- One year to less than five years	2,886,148	2,216,148	631,148	701,148
- Five years and above	1,145,000	1,115,000	1,115,000	1,115,000
Irrevocable commitments to extend credit				
- Maturity less than one year	7,641,531	8,349,806	6,097,997	6,707,971
- Maturity more than one year	2,947,061	3,255,925	781,114	1,598,619
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrowers' creditworthiness	664,977	571,760	276,185	136,844
Unutilised credit card lines	436,523	364,163	397,629	363,825
	31,084,626	32,285,564	19,794,808	21,411,929

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

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

A29. 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 30 June 2018												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	3,390,446	50,655	42,422	3,483,523	28,186	1,876	570	30,632	70,028	2,895	4,244	77,167
- Cross currency swaps	5,438,879	96,030	-	5,534,909	73,982	349	-	74,331	105,250	27,005	-	132,255
- Currency swaps	2,217,523	17,193	33,447	2,268,163	24,780	1,884	3,991	30,655	22,801	-	-	22,801
- Currency options	12,045	-	-	12,045	(7)	-	-	(7)	-	-	-	-
Interest rate contracts :												
- Interest rate swaps	966,000	989,148	3,042,000	4,997,148	1,864	436	17,457	19,757	2,852	1,555	10,801	15,208
	12,024,893	1,153,026	3,117,869	16,295,788	128,805	4,545	22,018	155,368	200,931	31,455	15,045	247,431
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

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

A29. 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: (continued)

	< ----- 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
BANK												
As at 30 June 2018												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	1,588,635	-	-	1,588,635	8,496	-	-	8,496	51,161	-	-	51,161
- Cross currency swaps	5,757,846	96,030	-	5,853,876	76,949	349	-	77,298	109,639	27,005	-	136,644
- Currency options	12,045	-	-	12,045	(7)	-	-	(7)	-	-	-	-
Interest rate contracts :												
- Interest rate swaps	766,000	84,148	1,662,000	2,512,148	1,814	393	15,619	17,826	2,152	760	10,733	13,645
	8,124,526	180,178	1,662,000	9,966,704	87,252	742	15,619	103,613	162,952	27,765	10,733	201,450
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

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

A29. 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 RM129.4 million (FYE 31/12/2017: RM64.5 million), while the notional amount of interest rate contract was RM550.1 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 RM334.0 million (FYE 31/12/2017: RM363.7 million) and RM137.6 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.

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

A30. 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
30 June 2018				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	457,588	-	457,588
- Shares, unit trusts and REITs	167,753	-	88,928	256,681
- Corporate bonds/Sukuk	-	19,811	30,235	50,046
Derivative financial assets	-	155,368	-	155,368
Financial assets at FVOCI* :				
- Money market instruments	-	4,892,920	-	4,892,920
- Shares and REITs	48,751	61	166,505	215,317
- Corporate bonds/Sukuk	-	9,831,618	-	9,831,618
	216,504	15,357,366	285,668	15,859,538
Liabilities				
Derivative financial liabilities	-	247,431	-	247,431
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

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

A30. FAIR VALUE MEASUREMENTS (Cont.)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2018				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	289,919	-	289,919
- Shares, unit trusts and REITs	-	-	88,928	88,928
- Corporate bonds/Sukuk	-	-	30,235	30,235
Derivative financial assets	-	103,613	-	103,613
Financial assets at FVOCI* :				
- Money market instruments	-	3,722,433	-	3,722,433
- Shares, unit trusts and REITs	-	-	144,696	144,696
- Corporate bonds/Sukuk	-	4,760,897	-	4,760,897
	-	8,876,862	263,859	9,140,721
Liabilities				
Derivative financial liabilities	-	201,450	-	201,450
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 and the Bank 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.

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

A30. 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's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank'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 and the Bank 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----->	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
At 1 January	279,853	266,501	259,242	246,637
Purchases	-	22,724	-	22,724
Sales	-	(4,159)	-	(4,159)
Net changes in income accrued	-	(15)	-	(15)
Total (losses)/gains recognised in other comprehensive income	5,815	(5,198)	4,617	(5,945)
Allowance for impairment losses	-	-	-	-
At end of the financial period/year	285,668	279,853	263,859	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.

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

A31. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) which the latest revision was issued on 2 February 2018. 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 BNM'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	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
a) The components of CET I, Tier I and Tier II capital :				
<u>CET I</u>				
Paid-up share capital	4,684,752	4,684,752	4,684,752	4,684,752
Retained profits	2,785,538	2,670,888	2,237,123	1,987,315
Unrealised gains/(losses) on FVOCI instruments/AFS instruments	(22,254)	97,596	35,153	121,638
Foreign exchange reserves	151	151	-	-
	7,448,187	7,453,387	6,957,028	6,793,705
Less: Regulatory adjustments :				
- Goodwill and other intangibles	(904,130)	(903,962)	(174,222)	(171,980)
- Deferred tax assets	(87,427)	-	(45,836)	-
- 55% of cumulative gains on FVOCI instruments/AFS instruments	-	(53,678)	(19,334)	(66,901)
- Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(749,309)	(581,498)	(3,766,021)	(3,020,467)
Total CET I Capital	5,707,321	5,914,249	2,951,615	3,534,357
<u>Additional Tier 1 Capital</u>				
Qualifying capital instruments held by third parties	17,620	9,213	-	-
Additional Tier 1 Capital	17,620	9,213	-	-
Total Tier I Capital (a)	5,724,941	5,923,462	2,951,615	3,534,357
<u>Tier II capital</u>				
Subordinated MTNs	1,918,274	2,000,000	1,918,274	2,000,000
Loss provision	570,583	565,942	377,133	409,402
Less: Regulatory adjustments :				
- Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-	(145,374)	-	(755,117)
Total Tier II Capital (b)	2,488,857	2,420,568	2,295,407	1,654,285
Total Tier I & II Capital (a) + (b)	8,213,798	8,344,030	5,247,022	5,188,642
Capital base before proposed dividends	8,213,798	8,344,030	5,247,022	5,188,642
Proposed dividends	-	-	-	-
Capital base after proposed dividends	8,213,798	8,344,030	5,247,022	5,188,642
b) The breakdown of risk-weighted assets :				
Credit risk	45,646,637	45,275,347	30,170,624	32,752,159
Market risk	427,711	604,034	201,783	242,490
Operational risk	2,777,063	2,544,825	1,914,896	1,916,984
Total risk-weighted assets	48,851,411	48,424,206	32,287,303	34,911,633
c) Capital adequacy ratios :				
<u>Before deducting proposed dividends :</u>				
CET I capital ratio	11.683%	12.213%	9.142%	10.124%
Tier I capital ratio	11.719%	12.232%	9.142%	10.124%
Total capital ratio	16.814%	17.231%	16.251%	14.862%
<u>After deducting proposed dividends :</u>				
CET I capital ratio	11.683%	12.213%	9.142%	10.124%
Tier I capital ratio	11.719%	12.232%	9.142%	10.124%
Total capital ratio	16.814%	17.231%	16.251%	14.862%

The group comprises banking and non-banking subsidiaries.

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

A31. 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 30 June 2018, RIA are included in calculation of capital adequacy for the Bank. As at 30 June 2018, RIA assets included in the Total Capital Ratio calculation amounted to RM2,031.5 million (2017: RM2,749.8 million).

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

	Economic Entity		Bank	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
(Before and after deducting proposed dividend)				
CET 1 capital ratio	11.137%	15.086%	11.137%	15.087%
Tier 1 capital ratio	11.137%	15.086%	11.137%	15.087%
Total Capital Ratio	12.333%	16.251%	12.333%	16.251%

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

	The Group		Bank	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
(Before deducting proposed dividend)				
CET 1 capital ratio	31.658%	34.806%	34.296%	40.546%
Tier 1 capital ratio	32.137%	35.064%	34.296%	40.546%
Total Capital Ratio	32.971%	35.442%	35.225%	40.546%
(After deducting proposed dividend)				
CET 1 capital ratio	30.435%	32.346%	32.827%	37.449%
Tier 1 capital ratio	30.914%	32.604%	32.827%	37.449%
Total Capital Ratio	31.748%	32.982%	33.756%	37.449%

A32. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

The following credit exposures are based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with the Connected Parties, which are effective 1 January 2008.

	The Group		Bank	
	30/6/2018	31/12/2017	30/6/2018	31/12/2017
The aggregate value of outstanding credit exposures with connected parties (RM'000)	5,521,035	4,245,731	3,758,711	3,271,199
The percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.65%	5.28%	7.45%	6.00%
The percentage of outstanding credit exposures with connected parties which is impaired or in default	Nil	Nil	Nil	Nil

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD

(i) Unaudited Statements of Financial Position

	Group	
	30/6/2018 RM'000	31/12/2017 RM'000
ASSETS		
Cash and short-term funds	1,644,520	1,423,594
Derivative financial assets	5,041	2,623
Financial assets at fair value through other comprehensive income ("FVOCI")	2,561,887	-
Financial investments available-for-sale	-	2,377,724
Financing, advances and other financing	17,403,523	15,369,747
Other assets	11,342	17,833
Amount due from holding company	-	406,523
Amount due from joint venture	35,994	32,849
Amount due from associate	500	500
Deferred tax assets	21,819	5,020
Statutory deposit with BNM	521,000	400,640
Investment in associate	750	750
Property and equipment	2,618	2,411
Intangible assets	392	-
TOTAL ASSETS	22,209,386	20,040,214
LIABILITIES, ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers	15,944,682	14,199,332
Investment accounts of customers	1,262	449
Deposits and placements of banks and other financial institutions	2,161,752	1,261,400
Investment accounts due to designated financial institutions	2,028,621	2,749,016
Derivative financial liabilities	4,053	3,258
Other liabilities	294,099	67,456
Provision for taxation	6,163	1,150
Total Liabilities	20,440,632	18,282,061
ISLAMIC BANKING CAPITAL FUNDS		
Share capital	1,060,000	1,060,000
Reserves	708,754	698,153
Total Islamic Banking Capital Funds	1,768,754	1,758,153
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	22,209,386	20,040,214
COMMITMENTS AND CONTINGENCIES	4,716,132	4,734,028

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(ii) Unaudited Income Statements

	<-----Group----->			
	Individual Quarter Ended 30/6/2018 RM'000	30/6/2017 RM'000	Cumulative Quarter Ended 30/6/2018 RM'000	30/6/2017 RM'000
Income derived from investment of depositors' funds and others	234,419	166,753	445,034	314,835
Income derived from investment of investment account funds	22,399	25,369	45,949	53,763
Income derived from investment of shareholders' funds	23,027	16,981	44,557	32,619
Allowances for credit impairment losses	1,272	(11,110)	(13,664)	(16,502)
Total distributable income	281,117	197,993	521,876	384,715
Income attributable to the depositors	(172,625)	(131,724)	(327,173)	(247,226)
Total net income	108,492	66,269	194,703	137,489
Other operating expenses	(55,144)	(43,283)	(109,082)	(81,753)
Profit before zakat and taxation	53,348	22,986	85,621	55,736
Zakat	-	-	-	-
Profit before taxation	53,348	22,986	85,621	55,736
Taxation	(12,815)	(4,092)	(20,497)	(12,773)
Net profit for the financial period	40,533	18,894	65,124	42,963

(iii) Unaudited Statements of Comprehensive Income

	<-----Group----->			
	Individual Quarter Ended 30/6/2018 RM'000	30/6/2017 RM'000	Cumulative Quarter Ended 30/6/2018 RM'000	30/6/2017 RM'000
Profit after zakat and taxation	40,533	18,894	65,124	42,963
Other comprehensive income :				
Items that may be reclassified subsequently to profit and loss :				
- Net fair value change in financial assets at FVOCI	(11,732)	-	(12,207)	-
- Net credit impairment losses change in financial assets at FVOCI	(6)	-	(6)	-
- Net fair value change in financial investments available-for-sale	-	11,238	-	19,952
- Deferred tax on financial assets at FVOCI	2,816	-	2,930	-
- Deferred tax on financial investments available-for-sale	-	(2,698)	-	(4,789)
Other comprehensive (losses)/income for the financial period, net of tax	(8,922)	8,540	(9,283)	15,163
Total comprehensive income for the financial period	31,611	27,434	55,841	58,126

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(iv) Unaudited Condensed Statement Of Changes In Equity

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

<u>Economic Entity</u>	Share capital RM'000	Statutory reserves RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total 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	(19,067)	(26,388)	(45,240)
At 1 January 2018, as restated	1,060,000	-	(6,700)	75,799	583,814	1,712,913
Comprehensive income :						
- Net profit for the financial period	-	-	-	-	65,124	65,124
Other comprehensive income (net of tax) :						
- Financial assets at FVOCI	-	-	(9,283)	-	-	(9,283)
Total comprehensive income for the	-	-	(9,283)	-	65,124	55,841
Transfer to regulatory reserves	-	-	-	25,751	(25,751)	-
At 30 June 2018	1,060,000	-	(15,983)	101,550	623,187	1,768,754

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

	Share capital RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total 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	-	-	-	-	42,963	42,963
Other comprehensive income (net of tax) :						
- Financial investments available-for-sale	-	-	15,163	-	-	15,163
Total comprehensive income for the	-	-	15,163	-	42,963	58,126
Issued during the financial period	200,000	-	-	-	-	200,000
Transfer to regulatory reserves	-	-	-	8,518	(8,518)	-
At 30 June 2017	760,000	305,016	(2,901)	81,696	271,572	1,415,383

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(v) Financing

By type	Group	
	30/6/2018 RM'000	31/12/2017 RM'000
Cash line	417,257	312,995
Term financing		
- Housing financing	5,459,074	4,399,777
- Syndicated financing	531,966	1,065,163
- Hire purchase receivables	4,078,794	3,864,507
- Business term financing	5,710,778	4,300,525
Bills receivables	10,702	8,228
Trust receipts	10,076	14,717
Interest-free accepted bills	330,455	250,246
Staff financing	36,578	28,931
Credit/charge cards	1,647	12
Revolving credit	942,122	1,205,946
	17,529,449	15,451,047
Less : Allowance for impairment losses		
- Individual impairment	-	(24,039)
- Collective impairment	-	(57,261)
- ECL	(125,926)	-
Total net financing	17,403,523	15,369,747

(vi) Impaired financing

(a) Movements of impaired financing

At 1 January, as previously stated	142,310	97,498
Effect of adoption of MFRS 9	(593)	-
At 1 January, as restated	141,717	97,498
Classified as impaired during the financial period/year	81,706	419,647
Reclassified as non-impaired during the financial period/year	(45,844)	(337,769)
Amount recovered during the financial period/year	(7,964)	(28,700)
Amount written-off during the financial period/year	(11,064)	(8,366)
Balance at the end of financial period/year	158,551	142,310
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing (*)	1.02%	1.12%

* RIA financing excluded in the ratio calculation

(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)	-
At 1 January, as restated	-	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)	-
At 1 January, as restated	-	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

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(vii) Movement in expected credit losses for financing, advances and other financing

Bank	12 months	Lifetime	Lifetime	Total
	ECL	ECL not	ECL Credit	
	(Stage 1)	Credit	Impaired	
	30/6/2018	(Stage 2)	(Stage 3)	30/6/2018
	RM'000	30/6/2018	30/6/2018	30/6/2018
		RM'000	RM'000	RM'000
At 1 January 2018, on adoption of MFRS 9	54,528	10,975	58,334	123,837
Total transfer between stages	1,590	11,293	(12,883)	-
Changes due to change in credit risk :				
- Transfer to 12-month ECL (Stage 1)	3,436	(3,322)	(114)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,845)	15,539	(13,694)	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	(1)	(924)	925	-
Financing, advances and other financing derecognised during the period (other than write-offs)	(13,886)	(765)	(143)	(14,794)
New financing, advances and other financing originated or purchased	21,115	732	5	21,852
Changes due to change in credit risk	(8,114)	(3,982)	19,038	6,942
Write-offs	-	-	(11,061)	(11,061)
Other adjustments				
- Unwind of discount #	-	-	(798)	(798)
- Foreign exchange and other movements	-	-	(52)	(52)
At the end of financial period	55,233	18,253	52,440	125,926

Unwind of discount on Stage 3 financial assets is the interest/finance income recognised on amortised cost (after deducting the ECL allowance)

(viii) Deposits from customers

	Group	
	30/6/2018	31/12/2017
	RM'000	RM'000
<u>Qard</u>		
Demand deposits	2,311,526	3,071,743
Savings deposits	575,915	539,826
	2,887,441	3,611,569
<u>Mudarabah</u>		
General investment deposits	76,571	76,332
<u>Tawarruq</u>		
Murabahah term deposits	12,207,962	9,925,402
Commodity Murabahah Deposit (CMD)	772,708	586,029
	12,980,670	10,511,431
Total deposits from customers	15,944,682	14,199,332

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 30/6/2018 against preceding year's corresponding quarter ended 30/6/2017

	Individual Quarter ended		Changes		Cumulative Quarter ended		Changes	
	30/6/2018 RM'000	30/6/2017 RM'000	RM'000	%	30/6/2018 RM'000	30/6/2017 RM'000	RM'000	%
Revenue	494,178	375,766	118,412	31.51	970,795	697,798	272,997	39.12
Operating Profit	95,998	146,456	(50,458)	(34.45)	270,724	271,788	(1,064)	(0.39)
Profit Before Zakat and Tax	114,306	146,456	(32,150)	(21.95)	301,293	271,788	29,505	10.86
Profit Before Tax	113,900	146,456	(32,556)	(22.23)	300,650	271,788	28,862	10.62
Profit After Tax	79,001	118,184	(39,183)	(33.15)	224,988	208,417	16,571	7.95
Profit attributable to equity holders of the Bank	73,306	118,184	(44,878)	(37.97)	214,773	208,417	6,356	3.05

The Group reported a profit before taxation ("PBT") of RM113.9 million for the current financial quarter as compared to RM146.5 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2018, the Group reported a PBT of RM300.7 million as compared to RM271.8 million for the corresponding half-year ended 30 June 2017. The improved performance was mainly due to the increase in net fee and commission income, Islamic banking income, net gain and losses on financial instruments and other operating income of RM184.2 million, RM52.0 million, RM16.5 million and RM15.3 million respectively. These were partially offset by the increase in overhead expenses, allowance for credit impairment losses and allowance for impairment loss on other assets of RM233.9 million, RM33.8 million and RM6.4 million respectively, cushioned by share of profit in associate of RM31.3 million.

Commercial Banking

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

ABB reported a higher PBT of RM207.3 million for the current financial quarter as compared to RM123.3 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2018, ABB also reported a higher PBT of RM315.4 million as compared to RM215.9 million achieved in the same period previous year, mainly due to dividend income of RM178.0 million received from subsidiaries and gain of RM31.0 million on winding-up of AFFIN Recoveries, net of the reduction in interest income and net gain and losses on financial instruments of RM38.3 million and RM30.8 million. These were further offset by the increase in allowance for credit impairment losses and overhead expenses of RM32.9 million and RM15.3 million respectively. The increase in overhead expenses was attributable to higher personnel cost of RM14.5 million.

AFFIN Islamic Bank (AiBB) registered a higher PBT of RM53.3 million for the current financial quarter as compared to RM23.0 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2018, AiBB registered a higher PBT of RM85.6 million as compared to RM55.7 million achieved in the same period previous year. The improved performance was mainly due to the increase in operating income of RM54.4 million in line with the financing growth of 13.5% and lower allowance for financing impairment of RM2.8 million, net of higher overhead expenses of RM27.3 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 Hwang IB Group reported a PBT of RM77.0 million for the 6 months ended 30 June 2018, mainly made up of net fee and commission income, net gain and losses on financial instruments and net interest income of RM180.0 million, RM47.4 million and RM37.9 million respectively, net of overhead expenses of RM188.8 million which include the amortisation of intangible asset at ABB Group level. The 70%-owned subsidiary of AFFIN Hwang IB, namely AFFIN Hwang Asset Management Berhad ("AHAM") also reported a PBT of RM42.1 million, mainly made up of net fee and commission income of RM120.8 million, net of overhead expenses of RM77.9 million. The overhead expenses were mainly made up of personnel cost, promotion and marketing related expenses and establishment cost of RM57.0 million, RM6.1 million and RM6.0 million respectively for the period under review.

The AFFIN Hwang IB Group reported a lower PBT of RM38.1 million for the current financial quarter as compared to RM43.0 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2018, the AFFIN Hwang IB Group's also reported a lower PBT of RM77.0 million as compared to RM80.5 million achieved last year. This was mainly due to lower in both in net gain and losses on financial instruments and other operating income of RM16.7 million and RM6.9 million respectively, and higher overhead expenses of RM9.2 million. The increase in overhead expenses was in turn attributable to the increase in personnel cost of RM11.4 million and net of lower marketing expenses of RM1.6 million. The net fee and commission income were higher by RM28.5 million attributable to the increase in net management fee income of RM18.0 million for the period under review.

The 70%-owned subsidiary namely AFFIN Hwang Asset Management Berhad ("AHAM"), contributed a higher PBT of RM23.3 million for the current financial quarter as compared to RM21.7 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2018, AHAM also registered a higher PBT RM42.1 million as compared to RM34.9 million achieved in the previous year. The improved performance was mainly attributable to higher net management fee income of RM18.0 million, in line with the higher AUA ("Assets Under Administration") of RM48.3 billion as at 30 June 2018 as compared to RM47.4 billion as at 31 December 2017. The overhead expenses also increased by RM12.0 million mainly due to higher personnel cost of RM14.1 million net of lower marketing expenses of RM2.0 million for the period under review.

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 (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 profit of RM1.2 million for the current financial quarter as compared to the pre-tax loss of RM4.3 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2018, AALI reported a lower pretax-loss of RM1.9 million as compared to the pretax loss of RM9.8 million for the corresponding period last year. This was mainly due to lower reserves for future policyholders' liabilities of RM11.2 million as a result of movement in MGS rate and lower expenses of RM0.8 million, net of lower investment income of RM4.1 million.

AAGI reported a pre-tax profit of RM86.4 million for the half-year ended 30 June 2018, mainly made up of earned premium of RM589.8 million and investment income of RM49.9 million, net of net claims incurred, net commission and management expenses of RM370.0 million, RM63.1 million and RM126.7 million respectively.

AAGI reported a lower pre-tax profit of RM48.4 million for the current financial quarter as compared to RM52.4 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2018, AAGI reported a gross premium of RM761.9 million, a growth of 4.2% as compared to the corresponding half-year ended 30 June 2017, which was mainly contributed by Motor and Personal Accident. AAGI reported a higher pre-tax profit of RM86.4 million as compared to RM68.0 million for the corresponding period last year, mainly contributed by higher gain on disposal of investments of RM14.0 million.

Other business segment

The results of other business segment was made up of the pretax profit of RM0.6 million of AFFIN Moneybrokers Sdn Bhd ("AMB") for the half yearly ended 30 June 2018 mainly made up of brokerage income of RM5.2 million net of overhead expenses of RM4.6 million.

AMB reported a pretax-profit of RM0.4 million for the current financial quarter, similar to the preceding year's corresponding quarter. For the half-year ended 30 June 2018, AMB reported a lower PBT of RM0.6 million as compared to RM0.9 million achieved in the previous year, mainly due to higher overhead expenses of RM0.4 million.

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

Financial review for current quarter against preceding quarter

	Current Financial Quarter	Preceding Financial Quarter	Changes	
	30/6/2018 RM'000	31/3/2018 RM'000	RM'000	%
Revenue	494,178	476,617	17,561	3.68
Operating Profit	95,998	174,726	(78,728)	(45.06)
Profit Before Zakat and Tax	114,306	186,987	(72,681)	(38.87)
Profit Before Tax	113,900	186,750	(72,850)	(39.01)
Profit After Tax	79,001	145,987	(66,986)	(45.88)
Profit attributable to equity holders of the Bank	73,306	141,467	(68,161)	(48.18)

For the current financial quarter, the Group reported a lower pre-tax profit of RM113.9 million as compared to RM186.8 million achieved in the preceding quarter. This was mainly due to allowance for credit impairment losses of RM91.9 million as compared to a write-back of RM15.7 million in the preceding quarter, partially cushioned by the increase in other operating income and share of profit in associate of RM15.9 million and RM4.4 million respectively. For the quarter under review, the overhead expenses and allowance for impairment loss on other asset were lower by RM5.6 million each.

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

B3. PROSPECTS FOR FINANCIAL YEAR 2018

Commercial Banking

Malaysia's economic growth forecast for 2018 is expected to be lower than the growth of 5.9% in 2017. The Group is projecting a lower GDP growth of 5.3% in 2018, lower than BNM's forecast of between 5.5% to 6.0%. The lower forecast was mainly due to several factors such as the change of government after the general election, geopolitical issues i.e. trade war between U.S and China, strengthening of USD and cancellation of several mega infrastructure projects.

For the remaining period of financial year 2018, domestic demand will continue to remain strong gaining momentum from higher private consumption. However, there are some downside risk from uncertain external demand on the manufacturing and services sectors as businesses turn cautious on the economic outlook.

The Bank will continue to leverage on the Group's strengths to further develop its business and improve 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 will also remain 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 Group will continue to accelerate its digital banking solutions and further improve its innovativeness in offering financial solutions for better customer experience.

Investment Banking

The Investment Banking Group is expecting the country's economic prospect to be promising and likely to be supported by healthy domestic demand, while exports growth will be vulnerable to external uncertainties such as the threat of trade war between US and China as well as monetary policy tightening by US Federal Reserve.

The Group shall continue on its efforts to expand its present market leading positions in the securities and asset management businesses, whilst capitalising on potential investment banking activities.

The Group remains positive on the industry outlook for 2018 and 2019, despite the external uncertainties, where the group will continue to build resilience across its businesses taking cognisance that a major part of 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.

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

B5. TAXATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :				
- Income tax based on profit for the financial period	26,963	29,530	65,015	59,354
Under provision in prior year :				
- Current taxation	12,626	-	12,626	-
Deferred tax :				
- Relating to originating temporary differences	(4,690)	(1,258)	(1,979)	4,017
	34,899	28,272	75,662	63,371

	<-----Bank----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :				
- Income tax based on profit for the financial period	5,701	25,646	29,661	47,081
Under provision in prior year :				
- Current taxation	12,626	-	12,626	-
Deferred tax :				
- Relating to originating temporary differences	(5,018)	(1,506)	(3,146)	3,426
	13,309	24,140	39,141	50,507

For the current period, the Group's effective tax rates were 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.

For the preceding year's corresponding period, 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.

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

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.

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

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	532
Tax recoverable	1,862
Amount due from subsidiary	3
TOTAL ASSETS	164,316
LIABILITIES	
Other liabilities	5,328
Deferred tax liabilities	5
Borrowings	57,420
TOTAL LIABILITIES	62,753
Net assets transferred to the Group	101,563
Effect of predecessor accounting	101,563
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: ABB had on 30 January 2018 subscribed to 2 new ordinary shares of AHB for RM2.00 pursuant to the Subscription.

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

B7. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

	Group		Bank	
	30/6/2018 RM'000	31/12/2017 RM'000	30/6/2018 RM'000	31/12/2017 RM'000
<u>By Type of Deposits :</u>				
Money Market Deposits	1,138,449	1,450,161	1,138,449	1,450,161
Demand Deposits	6,449,382	7,514,976	4,149,648	4,445,816
Savings Deposits	2,109,809	2,068,084	1,533,893	1,528,259
Fixed Deposits	36,708,949	34,333,682	20,528,480	20,955,124
Negotiable Instruments of Deposits (NID)	5,512,986	4,865,486	5,512,701	4,915,793
Commodity Murabahah Deposits (CMD)	772,708	586,029	-	-
Others	85,738	101,811	-	-
	<u>52,778,021</u>	<u>50,920,229</u>	<u>32,863,171</u>	<u>33,295,153</u>
Maturity structure of fixed deposits and NIDs are as follows :				
Due within six months	28,843,409	28,146,343	18,030,263	18,136,022
Six months to one year	11,101,266	8,440,099	6,489,669	5,645,663
One year to three years	2,054,716	2,326,825	1,494,974	2,065,142
Three years to five years	222,544	285,901	26,275	24,090
	<u>42,221,935</u>	<u>39,199,168</u>	<u>26,041,181</u>	<u>25,870,917</u>
<u>By Type of Customers :</u>				
Government and statutory bodies	8,405,782	8,025,732	2,047,545	2,502,386
Business enterprises	14,655,498	13,909,710	9,237,282	8,813,469
Individuals	15,024,111	14,544,917	13,206,574	12,927,124
Domestic banking institutions	5,498,837	4,924,729	5,501,682	4,970,867
Domestic non-banking financial institutions	7,581,891	8,316,341	1,990,686	3,221,556
Foreign Entities	548,671	596,604	438,805	507,288
Others	1,063,231	602,196	440,597	352,463
	<u>52,778,021</u>	<u>50,920,229</u>	<u>32,863,171</u>	<u>33,295,153</u>

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

<u>By Type of Institutions :</u>				
Licensed banks	3,551,383	2,875,922	1,641,469	1,833,042
Licensed investment banks	77,217	98,321	-	43,711
Bank Negara Malaysia	334,276	1,176,407	334,276	1,176,296
Other financial institutions	2,623,334	1,555,949	1,968,948	927,256
	<u>6,586,210</u>	<u>5,706,599</u>	<u>3,944,693</u>	<u>3,980,305</u>
<u>By Maturity Structure :</u>				
Due within six months	6,407,572	5,706,599	3,766,056	3,980,305
Six months to one year	178,638	-	178,637	-
	<u>6,586,210</u>	<u>5,706,599</u>	<u>3,944,693</u>	<u>3,980,305</u>

(iii) Subordinated Medium Term Notes

	Group and Bank	
	30/6/2018 RM'000	31/12/2017 RM'000
Tier-2 Subordinated Medium Term Notes ("Subordinated MTNs")	2,035,696	2,036,144

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.

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

B8. MATERIAL LITIGATION

A claim by the Plaintiff against the Bank vide Writ 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. On 29 January 2018, the full trial of the suit has been fixed on 27, 28 and 29 August 2018. On 30 July 2018, the Court was informed that Bank's witnesses statements have been filed on 20 August 2018.

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 period under review.

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

B9. DIVIDENDS

No dividend has been proposed for the quarter under review.

B10. EARNINGS PER SHARE

	<-----Group----->			
	Individual Quarter Ended 30/6/2018	30/6/2017	Cumulative Quarter Ended 30/6/2018	30/6/2017
Net profit attributable to equity holders of the Bank (RM'000)	73,306	118,184	214,773	208,417
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)	3.8	7.0	11.1	12.3

The basic earnings per share of the Group for the current financial quarter ended 30 June 2018 has been calculated based on the net profit attributable to the equity holders of the Bank of RM73,306,000 (2017: RM118,184,000) 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).

The basic earnings per share of the Group for the cumulative quarter ended 30 June 2018 has been calculated based on the net profit attributable to the equity holders of the Bank of RM214,773,000 (2017: RM208,417,000) 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).