

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 30 September 2019

	Note	GROUP		BANK	
		30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
ASSETS					
Cash and short-term funds		10,275,252	6,331,798	4,970,592	2,569,003
Deposits and placements with banks and other financial institutions		11,957	71,801	42,352	113,610
Investment accounts due from designated financial institutions		-	-	1,938,289	2,366,711
Financial assets at fair value through profit or loss ("FVTPL")	A9	586,611	606,462	151,266	373,638
Derivative financial assets	A29	102,366	88,805	51,209	61,831
Financial investments at fair value through other comprehensive income ("FVOCI")	A10	10,595,534	15,361,758	5,288,497	9,144,507
Financial investments at amortised cost	A11	146,804	163,027	101,662	114,646
Loans, advances and financing	A12	46,048,672	48,392,012	26,405,620	28,498,149
Trade receivables	A13	459,808	369,651	-	-
Commodity Gold at FVTPL		39,661	42,733	-	-
Other assets	A14	142,037	138,884	61,939	60,423
Amount due from subsidiaries		-	-	-	420
Amount due from joint ventures		30,831	31,295	-	-
Amount due from associates		58,248	57,717	57,348	57,217
Tax recoverable		115,933	62,271	61,376	31,182
Deferred tax assets		12,106	114,830	6,505	70,239
Statutory deposits with Bank Negara Malaysia		1,719,379	1,946,669	1,015,776	1,238,069
Investment in subsidiaries		-	-	3,053,899	3,053,899
Investment in joint ventures		170,879	158,051	178,940	163,640
Investment in associates		640,664	611,996	548,482	548,482
Right-of-use assets		70,284	-	46,666	-
Property and equipment		607,467	520,644	570,940	482,708
Intangible assets		909,884	906,068	195,586	182,235
TOTAL ASSETS		72,744,377	75,976,472	44,746,944	49,130,609
LIABILITIES AND EQUITY					
Deposits from customers	B7	56,883,746	57,346,447	32,221,689	33,561,219
Investment accounts of customers		1,708	875	-	-
Deposits and placements of banks and other financial institutions	B7	832,196	4,846,912	899,556	4,300,848
Obligation on securities sold under repurchase agreements		-	142,477	-	-
Derivative financial liabilities	A29	124,385	113,132	80,331	85,660
Bills and acceptances payable		26,614	32,585	26,614	32,585
Trade payables		621,294	600,974	-	-
Lease liabilities	B7	71,143	-	47,311	-
Other liabilities	A15	1,097,233	1,082,148	421,211	571,575
Amount due to subsidiaries		-	-	206,648	109,399
Provision for taxation		323	8,748	-	-
Deferred tax liabilities		25,619	7,126	-	-
Borrowings	B7	3,640,026	3,053,812	2,514,654	2,548,379
TOTAL LIABILITIES		63,324,287	67,235,236	36,418,014	41,209,665

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 2018.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 30 September 2019

	Note	GROUP		BANK	
		30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
EQUITY					
Share capital		4,774,772	4,684,752	4,774,772	4,684,752
Reserves:-					
FVOCI revaluation reserves	A16	291,806	110,371	164,803	111,161
Regulatory reserves	A16	947,992	939,055	702,111	716,313
Foreign exchange reserves	A16	593	593	-	-
Retained profits	A16	3,303,194	2,928,584	2,687,244	2,408,718
Stock option reserves	A16	-	8,328	-	-
Equity attributable to equity holders of the Bank		9,318,357	8,671,683	8,328,930	7,920,944
Non-controlling interest		101,733	69,553	-	-
TOTAL EQUITY		9,420,090	8,741,236	8,328,930	7,920,944
TOTAL LIABILITIES AND EQUITY		72,744,377	75,976,472	44,746,944	49,130,609
COMMITMENTS AND CONTINGENCIES	A28	31,519,552	30,873,074	19,519,593	20,469,123
CAPITAL ADEQUACY RATIOS	A31				
Before effect of proposed dividends :					
CET 1 capital ratio		13.711%	11.744%	11.790%	9.512%
Tier 1 capital ratio		15.460%	13.380%	13.449%	11.033%
Total capital ratio		22.441%	18.816%	21.055%	16.287%
After effect of proposed dividends :					
CET 1 capital ratio		13.711%	11.924%	11.790%	9.786%
Tier 1 capital ratio		15.460%	13.559%	13.449%	11.307%
Total capital ratio		22.441%	18.996%	21.055%	16.561%
Net assets per share attributable to equity holders of the Bank (RM)		4.69	4.46	4.20	4.08

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 2018.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Quarter Ended 30 September 2019

GROUP	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		30/9/2019	30/9/2018	30/9/2019	30/9/2018
		RM'000	RM'000	RM'000	RM'000
Interest income	A17	541,671	626,679	1,707,546	1,798,195
Interest expense	A18	(361,037)	(415,126)	(1,151,544)	(1,160,321)
Net interest income		180,634	211,553	556,002	637,874
Income from Islamic banking business		98,078	97,147	300,195	300,369
		278,712	308,700	856,197	938,243
Fee and commission income	A19 (a)	155,464	152,076	434,960	486,473
Fee and commission expense	A19 (b)	(46,861)	(38,450)	(114,055)	(137,570)
Net fee and commission income	A19	108,603	113,626	320,905	348,903
Net gains on financial instruments	A20	76,673	58,641	232,050	125,726
Other income	A21	10,272	15,282	35,551	54,172
Net income		474,260	496,249	1,444,703	1,467,044
Other operating expenses	A22	(317,304)	(306,469)	(932,420)	(923,970)
Operating profit before allowances		156,956	189,780	512,283	543,074
(Allowance for)/write-back of credit impairment losses	A23	(43,112)	1,043	(6,984)	(75,145)
Allowances for impairment losses on other assets	A24	(1,933)	(5,763)	(1,933)	(12,145)
Operating profit		111,911	185,060	503,366	455,784
Share of results of a joint venture		(4,793)	(1,714)	(4,473)	(2,427)
Share of results of an associate		4,617	7,207	17,168	38,489
Profit before zakat and taxation		111,735	190,553	516,061	491,846
Zakat		(1,006)	(3,234)	(5,316)	(3,877)
Profit before taxation		110,729	187,319	510,745	487,969
Taxation	B5	(33,178)	(36,801)	(126,371)	(112,463)
Net profit for the financial period		77,551	150,518	384,374	375,506
Profit for the financial period attributable to :-					
- Equity holders of the Bank		72,399	144,563	365,661	359,336
- Non-controlling interest		5,152	5,955	18,713	16,170
		77,551	150,518	384,374	375,506
Earnings per share attributable to the equity holders of the Bank (sen)					
- Basic/fully diluted	B10	3.65	7.44	18.44	18.49

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 2018.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements**Unaudited Statements of Comprehensive Income
for the Financial Quarter Ended 30 September 2019**

GROUP	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	77,551	150,518	384,374	375,506
Other comprehensive income :				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	27,125	120,503	276,418	45,419
- Net credit impairment losses change in financial investments at FVOCI (debt instruments)	1,152	741	(4,098)	609
- Net gain on financial investments at FVOCI reclassified to profit or loss on disposal (debt instruments)	(19,754)	(4,348)	(59,757)	(5,380)
- Deferred tax on financial investments at FVOCI	426	(27,691)	(51,127)	(9,609)
- Share of other comprehensive income/(loss) of a joint venture	(158)	1,310	2,001	670
- Share of other comprehensive income/(loss) of an associate	4,006	3,304	11,500	(4,188)
<u>Items that may not be reclassified subsequently to profit or loss :</u>				
- Net loss on disposal in financial investments at FVOCI (non-recycle to profit or loss)	494	-	3,249	-
Other comprehensive income for the financial period, net of tax	13,291	93,819	178,186	27,521
Total comprehensive income for the financial period	90,842	244,337	562,560	403,027
Total comprehensive income for the financial period attributable to :-				
- Equity holders of the Bank	85,690	238,294	543,847	386,857
- Non-controlling interest	5,152	6,043	18,713	16,170
	90,842	244,337	562,560	403,027

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 2018.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements**Unaudited Income Statements for the Financial Quarter Ended 30 September 2019**

	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		30/9/2019 RM'000	30/9/2018 RM'000	30/9/2019 RM'000	30/9/2018 RM'000
<u>BANK</u>					
Interest income	A17	488,076	542,781	1,533,378	1,601,007
Interest expense	A18	(326,124)	(354,194)	(1,029,989)	(1,032,067)
Net interest income		161,952	188,587	503,389	568,940
Fee and commission income	A19 (a)	24,947	25,381	76,749	83,837
Fee and commission expense	A19 (b)	(2,259)	(1,858)	(6,094)	(6,884)
Net fee and commission income	A19	22,688	23,523	70,655	76,953
Net gains on financial instruments	A20	34,584	36,509	106,834	56,221
Other income	A21	67,814	56,798	87,023	294,765
Net income		287,038	305,417	767,901	996,879
Other operating expenses	A22	(148,737)	(155,388)	(444,863)	(472,660)
Operating profit before allowances		138,301	150,029	323,038	524,219
(Allowance for)/write-back of credit impairment losses	A23	(31,180)	6,631	11,547	(52,194)
Profit before zakat and taxation		107,121	156,660	334,585	472,025
Zakat		-	-	-	-
Profit before taxation		107,121	156,660	334,585	472,025
Taxation	B5	(15,775)	(23,191)	(70,261)	(62,332)
Net profit for the financial period		91,346	133,469	264,324	409,693
Earnings per share attributable to the equity holders of the Bank (sen)					
- Basic /fully diluted	B10	4.61	6.87	13.33	21.09

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 2018.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements**Unaudited Statements of Comprehensive Income
for the Financial Quarter Ended 30 September 2019**

BANK	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	91,346	133,469	264,324	409,693
Other comprehensive income :				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	(12,532)	57,864	68,912	23,151
- Net credit impairment losses change in financial investments at FVOCI (debt instruments)	(243)	858	(1,320)	93
- Net loss on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	764	106	581	-
- Deferred tax on financial investments at FVOCI	4,972	(13,913)	(14,531)	(5,556)
Other comprehensive income for the financial period, net of tax	(7,039)	44,915	53,642	17,688
Total comprehensive income for the financial period	84,307	178,384	317,966	427,381

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 2018.

AFFIN BANK BERHAD
(Company no. 25046-T)
Unaudited Condensed Consolidated Statement Of Changes In Equity
for the Financial Quarter Ended 30 September 2019

GROUP	<----- Attributable to Equity Holders of the Bank ----->							Non-controlling interest	Total equity
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Stock option reserves RM'000	Retained profits RM'000	Total shareholders' equity RM'000		
At 1 January 2019	4,684,752	110,371	939,055	593	8,328	2,928,584	8,671,683	69,553	8,741,236
Comprehensive income :									
- Net profit for the financial period	-	-	-	-	-	365,661	365,661	18,713	384,374
Other comprehensive income (net of tax) :									
- Financial investments at FVOCI	-	164,685	-	-	-	-	164,685	-	164,685
- Net loss transferred to retained profits (non-recycle to profit or loss)	-	3,249	-	-	-	(3,249)	-	-	-
- Share of other comprehensive income of a joint venture	-	2,001	-	-	-	-	2,001	-	2,001
- Share of other comprehensive income of an associate	-	11,500	-	-	-	-	11,500	-	11,500
Total comprehensive income for the financial period	-	181,435	-	-	-	362,412	543,847	18,713	562,560
Issuance of new shares	90,020	-	-	-	-	-	90,020	-	90,020
Options exercised during the period	-	-	-	-	(8,328)	8,328	-	-	-
Dilution of interest in subsidiaries	-	-	-	-	-	12,807	12,807	31,967	44,774
Transfer to regulatory reserves	-	-	8,937	-	-	(8,937)	-	-	-
Dividends	-	-	-	-	-	-	-	(18,500)	(18,500)
At 30 September 2019	4,774,772	291,806	947,992	593	-	3,303,194	9,318,357	101,733	9,420,090

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 2018.

AFFIN BANK BERHAD

(Company no. 25046-T)

**Unaudited Condensed Consolidated Statement Of Changes In Equity
for the Financial Quarter Ended 30 September 2019**

GROUP	<----- Attributable to Equity Holders of the Bank ----->						Total shareholders' equity RM'000	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	Stock option reserves RM'000	Retained profits RM'000			
At 1 January 2018, as previously stated	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	-	(53,850)	(193,250)	-	-	36,639	(210,461)	(7)	(210,468)
- Adjustment arising from adoption of MFRS 15	-	-	-	-	-	(940)	(940)	-	(940)
At 1 January 2018, as restated	4,684,752	43,746	624,149	151	-	2,706,587	8,059,385	58,001	8,117,386
Comprehensive income :									
- Net profit for the financial period	-	-	-	-	-	359,336	359,336	16,170	375,506
Other comprehensive income (net of tax) :									
- Financial investments at FVOCI	-	31,039	-	-	-	-	31,039	-	31,039
- Share of other comprehensive income of a joint venture	-	670	-	-	-	-	670	-	670
- Share of other comprehensive loss of an associate	-	(4,188)	-	-	-	-	(4,188)	-	(4,188)
Total comprehensive income for the financial period	-	27,521	-	-	-	359,336	386,857	16,170	403,027
Effects of predecessor accounting	-	-	-	-	-	101,563	101,563	-	101,563
Transfer to regulatory reserves	-	-	67,498	-	-	(67,498)	-	-	-
Dividends	-	-	-	-	-	-	-	(15,000)	(15,000)
At 30 September 2018	4,684,752	71,267	691,647	151	-	3,099,988	8,547,805	59,171	8,606,976

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 2018.

AFFIN BANK BERHAD

(Company no. 25046-T)

**Unaudited Condensed Consolidated Statements Of Changes In Equity
for the Financial Quarter Ended 30 September 2019**

	<-----Non-distributable----->			< Distributable >	Total equity RM'000
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
<u>BANK</u>					
At 1 January 2019	4,684,752	111,161	716,313	2,408,718	7,920,944
Comprehensive income :					
- Net profit for the financial period	-	-	-	264,324	264,324
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	53,642	-	-	53,642
Total comprehensive income for the financial period	-	53,642	-	264,324	317,966
Issuance of new shares	90,020	-	-	-	90,020
Transfer from regulatory reserves	-	-	(14,202)	14,202	-
At 30 September 2019	4,774,772	164,803	702,111	2,687,244	8,328,930

	<-----Non-distributable----->			< Distributable >	Total equity RM'000
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
<u>BANK</u>					
At 1 January 2018, as previously stated	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	-	-	-	409,693	409,693
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	17,688	-	-	17,688
Total comprehensive income for the financial period	-	17,688	-	409,693	427,381
Transfer from regulatory reserves	-	-	(636)	636	-
At 30 September 2018	4,684,752	80,068	522,737	2,482,449	7,770,006

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AFFIN BANK BERHAD
(Company no. 25046-T)
Unaudited Condensed Consolidated Statements of Cash Flow
for the Financial Quarter Ended 30 September 2019

	GROUP		BANK	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	510,745	487,969	334,585	472,025
Adjustment for items not involving the movement of cash and cash equivalents	(345,670)	(315,146)	(225,742)	(331,276)
Operating profit before changes in working capital	165,075	172,823	108,843	140,749
Net changes in operating assets	2,413,690	(3,507,008)	3,018,632	(321,422)
Net changes in operating liabilities	(4,504,670)	4,824,216	(4,827,324)	(279,858)
Tax and zakat paid	(107,630)	(143,176)	(51,252)	(84,020)
Net cash (used in)/generated from operating activities	(2,033,535)	1,346,855	(1,751,101)	(544,551)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received :				
- financial investments at FVOCI	329,742	369,840	216,068	254,050
- financial investments at amortised cost	6,228	6,233	4,282	4,282
Dividend income :				
- financial assets at FVTPL	-	3,407	-	-
- financial investments at FVOCI	2,586	4,095	232	787
- subsidiaries	-	-	61,000	223,000
Net disposal/(purchase) of :				
- financial assets at FVOCI	5,142,418	(394,662)	4,027,317	170,422
- financial investment at amortised cost	16,223	(41,906)	12,993	(1,045)
Purchase of :				
- property and equipment	(131,536)	(93,098)	(124,926)	(86,815)
- intangible assets	(2,947)	(1,098)	(1,578)	113
Proceeds from disposal of :				
- property and equipment	326	42,015	231	41,842
- foreclosed properties	1,860	307	4,080	-
Issuance of new shares	90,020	-	90,020	-
Subscription of shares in a joint venture	(15,300)	-	(15,300)	-
Net cash proceeds from disposal of a subsidiary	-	-	-	9,563
Exercised of stock options	44,774	-	-	-
Cash flow arising from Group Reorganisation	-	15,545	-	-
Net cash generated from/(used in) investing activities	5,484,394	(89,322)	4,274,419	616,199
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in borrowings	600,000	500,000	-	500,000
Interest payment on borrowings	(113,861)	(80,907)	(133,800)	(104,800)
Principal elements of lease payments	(18,193)	-	(18,193)	-
Payment of dividend to non-controlling interest	(18,500)	(15,000)	-	-
Net cash generated from/(used in) financing activities	449,446	404,093	(151,993)	395,200
Net increase in cash and cash equivalents	3,900,305	1,661,626	2,371,325	466,848
Effect of exchange rate changes	6,213	(19,829)	1,008	(14,761)
Cash and cash equivalents at beginning of the financial period	6,324,663	4,347,433	2,569,003	2,410,566
Cash and cash equivalents at end of the financial period	10,231,181	5,989,230	4,941,336	2,862,653
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	10,275,252	6,038,030	4,970,592	2,862,653
Deposits and placements of banks and other financial institutions	11,957	21,332	42,352	91,929
	10,287,209	6,059,362	5,012,944	2,954,582
Less:				
Amount held on behalf of commissioned dealer's representatives	(46,793)	(48,800)	-	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(9,235)	(21,332)	(71,608)	(91,929)
	10,231,181	5,989,230	4,941,336	2,862,653

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 2018.

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 period 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 FVTPL,
- (ii) financial investments at 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 2018. 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 2018.

There are no changes to the accounting policies adopted since the last financial year except for the adoption of MFRS 16 "Leases" with effect from 1 January 2019.

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 2018, except for the adoption of MFRS 16 that are applicable to the Group and the Bank effective for the financial year beginning on 1 January 2019.

The Group and the Bank has adopted MFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of MFRS 16

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of MFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2018 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 year 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 year under review.

A8. DIVIDENDS

No dividend has been proposed for the quarter under review.

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

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

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
<u>At fair value</u>				
<u>Money market instruments</u>				
Malaysian Government Securities	20,646	50,387	-	-
Malaysian Government Investment Issues	96,876	10,115	-	-
Negotiable Instruments of Deposit	31,478	264,667	31,478	254,660
	<u>149,000</u>	<u>325,169</u>	<u>31,478</u>	<u>254,660</u>
<u>Quoted Securities</u>				
- Shares in Malaysia	18,105	21,531	-	-
- Unit Trusts in Malaysia	264,201	120,143	-	-
	<u>282,306</u>	<u>141,674</u>	<u>-</u>	<u>-</u>
<u>Unquoted Securities</u>				
- Shares in Malaysia	88,928	88,928	88,928	88,928
- Corporate Bonds/Sukuk in Malaysia	35,251	34,415	30,860	30,050
- Corporate Bonds/Sukuk outside Malaysia	31,126	16,276	-	-
	<u>155,305</u>	<u>139,619</u>	<u>119,788</u>	<u>118,978</u>
	<u>586,611</u>	<u>606,462</u>	<u>151,266</u>	<u>373,638</u>

A10. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
<u>At fair value</u>				
<u>Money market instruments</u>				
Malaysian Government Securities	328,344	726,620	31,337	479,538
Malaysian Government Investment Issues	1,366,273	2,026,362	128,788	644,531
Malaysian Government Treasury Bills	-	79,728	-	-
Khazanah Bonds/Sukuk	306,638	401,634	254,028	238,462
Cagamas Bonds/Sukuk	26,244	228,728	-	121,661
Sukuk Perumahan Kerajaan	275,916	320,790	184,108	230,042
Negotiable Instruments of Deposit and Islamic Debt Certificates	7,430	649,090	1,025,166	1,658,485
	<u>2,310,845</u>	<u>4,432,952</u>	<u>1,623,427</u>	<u>3,372,719</u>
<u>Quoted Securities</u>				
- REITs in Malaysia	-	18,406	-	-
- REITs outside Malaysia	-	41,126	-	-
	<u>-</u>	<u>59,532</u>	<u>-</u>	<u>-</u>
<u>Unquoted Securities</u>				
- Shares in Malaysia	181,317	171,383	158,254	149,501
- Corporate Bonds/Sukuk in Malaysia	7,862,082	10,267,617	3,393,502	5,343,312
- Corporate Bonds/Sukuk outside Malaysia	241,290	430,274	113,314	278,975
	<u>8,284,689</u>	<u>10,869,274</u>	<u>3,665,070</u>	<u>5,771,788</u>
	<u>10,595,534</u>	<u>15,361,758</u>	<u>5,288,497</u>	<u>9,144,507</u>

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 INVESTMENTS AT AMORTISED COST

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
<u>At amortised cost</u>				
<u>Unquoted Securities</u>				
- Corporate Bonds/Sukuk in Malaysia	143,149	160,550	102,065	120,053
- Redeemable Secured Loan Stock in Malaysia	15,000	15,000	-	-
	158,149	175,550	102,065	120,053
Less : Expected Credit Losses ("ECL")	(11,345)	(12,523)	(403)	(5,407)
	146,804	163,027	101,662	114,646

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

30/9/2019 Group	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	578	-	11,945	12,523
Financial assets derecognised during the financial period (other than write-offs)	-	-	(4,995)	(4,995)
Changes due to change in credit risk	(31)	-	3,830	3,799
Changes in model/risk parameters	18	-	-	18
At end of the financial period	565	-	10,780	11,345

Bank

At beginning of the financial period	412	-	4,995	5,407
Financial assets derecognised during the financial period (other than write-offs)	-	-	(4,995)	(4,995)
Changes due to change in credit risk	(22)	-	-	(22)
Changes in model/risk parameters	13	-	-	13
At end of the financial period	403	-	-	403

**31/12/2018
Group**

31/12/2018 Group	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year, on adoption of MFRS 9	819	-	10,487	11,306
Financial assets derecognised during the financial year (other than write-offs)	(2,446)	-	-	(2,446)
New financial assets originated or purchased	2,438	-	-	2,438
Changes due to change in credit risk	(233)	-	1,458	1,225
At end of the financial year	578	-	11,945	12,523

Bank

At beginning of the financial year, on adoption of MFRS 9	584	-	3,537	4,121
Financial assets derecognised during the financial year (other than write-offs)	(1,959)	-	-	(1,959)
New financial assets originated or purchased	1,951	-	-	1,951
Changes due to change in credit risk	(164)	-	1,458	1,294
At end of the financial year	412	-	4,995	5,407

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

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
(a) BY TYPE				
Overdrafts	1,945,912	1,874,549	1,468,498	1,500,470
Term loans/financing :				
- Housing loans/financing	11,527,040	10,562,367	4,348,194	4,128,165
- Hire purchase receivables	11,190,268	12,470,551	7,216,867	8,226,889
- Syndicated financing	1,521,711	1,826,729	674,781	897,168
- Business term loans/financing	13,288,718	14,806,235	8,370,251	9,214,982
- Other term loans/financing	397,876	643,887	-	-
Bills receivables	128,919	67,569	124,238	62,418
Trust receipts	131,225	219,522	95,248	203,193
Claims on customers under acceptances credits	1,635,369	1,508,583	1,194,397	1,156,149
Staff loans/financing of which :				
RM NIL to Directors (2018: RM NIL)	186,963	173,261	123,745	125,543
Credit cards	166,471	144,065	140,324	132,657
Revolving credits	4,053,681	4,335,508	3,057,575	3,289,095
Margin financing	434,660	336,644	-	-
Factoring	6,287	3,334	6,287	3,334
Gross loans, advances and financing	46,615,100	48,972,804	26,820,405	28,940,063
Less : ECL	(566,428)	(580,792)	(414,785)	(441,914)
Total net loans, advances and financing	46,048,672	48,392,012	26,405,620	28,498,149

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
(b) BY MATURITY STRUCTURE				
Maturing within one year	9,389,268	9,644,235	6,633,231	6,732,081
One year to three years	3,754,999	4,404,240	2,930,343	3,357,228
Three years to five years	6,514,017	6,473,231	4,823,545	4,933,303
Over five years	26,956,816	28,451,098	12,433,286	13,917,451
	46,615,100	48,972,804	26,820,405	28,940,063

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
(c) BY TYPE OF CUSTOMER				
Domestic banking financial institutions	967	330	967	330
Domestic non-banking institutions :				
- Others	439,321	669,959	354,213	457,191
Domestic business enterprises :				
- Small medium enterprises	8,076,390	9,105,395	6,025,710	7,000,688
- Others	13,918,623	14,837,156	9,135,284	9,600,947
Government and statutory bodies	795,192	1,140,619	17,874	76,472
Individuals	22,758,853	22,600,736	11,008,263	11,594,485
Other domestic entities	1,799	2,333	828	1,113
Foreign entities	623,955	616,276	277,266	208,837
	46,615,100	48,972,804	26,820,405	28,940,063

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	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>				
Fixed rate :				
- Housing loans/financing	343,968	357,863	296,864	309,886
- Hire purchase receivables	11,192,711	12,473,377	7,216,867	8,226,889
- Other fixed rate loans/financing	2,239,300	2,887,471	835,071	1,357,723
- Margin financing	434,660	336,644	-	-
Variable rate :				
- Base rate/base lending rate plus	22,634,551	21,847,166	11,647,943	11,796,822
- Cost plus	9,726,373	10,961,346	6,823,660	7,248,743
- Other variable rates	43,537	108,937	-	-
	46,615,100	48,972,804	26,820,405	28,940,063
(e) <u>BY ECONOMIC PURPOSE</u>				
Construction	2,898,979	3,459,827	1,683,689	2,172,802
Purchase of landed property of which :				
- Residential	11,329,936	10,435,105	4,007,317	3,862,137
- Non-residential	6,403,977	6,654,767	4,160,646	4,399,872
Purchase of securities	1,484,613	1,615,833	624,531	763,647
Purchase of transport vehicles	11,684,711	12,799,056	7,614,352	8,457,093
Fixed assets other than land and building	318,022	343,047	227,584	207,634
Personal use	825,195	776,714	738,921	712,097
Credit card	166,471	144,065	140,324	132,657
Consumer durable	180	310	145	263
Merger and acquisition	65,387	76,571	65,387	76,571
Working capital	10,368,754	11,354,983	7,143,121	7,678,538
Others	1,068,875	1,312,526	414,388	476,752
	46,615,100	48,972,804	26,820,405	28,940,063
(f) <u>BY ECONOMIC SECTOR</u>				
Primary agriculture	1,593,489	1,602,401	592,969	627,262
Mining and quarrying	354,608	432,848	46,645	108,752
Manufacturing	2,534,837	2,789,571	1,821,953	1,913,017
Electricity, gas and water supply	540,198	670,798	126,341	141,971
Construction	2,116,563	2,204,057	1,403,953	1,547,936
Real estate	7,175,041	7,878,494	5,156,673	5,694,222
Wholesale and retail trade and restaurants and hotels	3,423,098	3,484,431	2,787,043	2,806,868
Transport, storage and communication	1,772,753	1,765,261	1,348,447	1,342,780
Finance, insurance and business services	1,892,108	2,549,744	1,406,622	1,930,638
Education, health and others	2,228,065	2,853,306	1,043,254	1,149,443
Household	22,893,689	22,740,086	11,086,430	11,675,555
Others	90,651	1,807	75	1,619
	46,615,100	48,972,804	26,820,405	28,940,063

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.)

(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>	Group		Bank	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Perlis	229,366	214,640	19,307	21,659
Kedah	1,419,738	1,547,761	599,891	765,727
Pulau Pinang	2,548,488	2,687,196	1,652,877	1,872,124
Perak	1,536,843	1,714,148	931,730	934,576
Selangor	14,350,746	14,810,884	7,947,396	8,518,433
Wilayah Persekutuan	11,037,769	12,290,647	6,497,122	7,402,196
Negeri Sembilan	1,541,880	1,501,126	590,741	598,463
Melaka	901,756	997,552	626,301	711,373
Johor	5,895,890	5,961,598	3,505,000	3,527,873
Pahang	1,389,405	1,337,285	743,022	736,399
Terengganu	970,927	932,494	437,474	436,746
Kelantan	267,979	250,314	61,301	65,086
Sarawak	2,255,992	2,304,544	1,727,619	1,784,917
Sabah	2,030,473	2,246,427	1,339,807	1,500,876
Labuan	36,467	45,759	10,882	3,763
Outside Malaysia	201,381	130,429	129,935	59,852
	46,615,100	48,972,804	26,820,405	28,940,063

(h) **IMPAIRED LOANS, ADVANCES AND FINANCING**

(i) **Movements of impaired loans, advances and financing**

At beginning of the financial period/year, as previously stated	1,589,897	1,167,306	978,218	959,086
Effect of adoption of MFRS 9	-	(1,426)	-	(832)
At beginning of the financial period/year, as restated	1,589,897	1,165,880	978,218	958,254
Classified as impaired during the financial period/year	452,880	1,340,576	246,850	765,110
Reclassified as non-impaired during the financial period/year	(286,873)	(629,919)	(175,273)	(512,689)
Amount written-back during the financial period/year	(107,319)	(208,680)	(73,255)	(172,774)
Amount written-off during the financial period/year	(53,612)	(77,960)	(42,200)	(59,683)
At end of the financial period/year	1,594,973	1,589,897	934,340	978,218
Gross impaired loans as a percentage of gross loans, advances and financing (*)	3.42%	3.25%	3.91%	3.75%

(*) For the Bank, Restricted Investment Accounts ("RIA") included in the ratio calculation amounting to RM1,953.1 million (2018 : RM2,369.7 million).

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

Construction	303,307	445,679	174,954	316,912
Purchase of landed property of which :				
- Residential	291,468	252,180	141,297	137,110
- Non-residential	289,567	306,676	76,465	83,017
Purchase of securities	64	65	42	58
Purchase of transport vehicles	378,367	233,957	356,541	208,161
Fixed assets other than land and building	3,703	497	3,664	435
Personal use	17,861	19,384	16,488	18,400
Credit card	1,323	1,025	1,121	1,012
Consumer durable	8	10	8	10
Working capital	295,410	317,693	158,909	208,040
Others	13,895	12,731	4,851	5,063
	1,594,973	1,589,897	934,340	978,218

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.)

(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING (Cont.)</u>	Group		Bank	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
(iii) <u>Impaired loans, advances and financing by economic sector</u>	RM'000	RM'000	RM'000	RM'000
Primary agriculture	14,958	14,165	14,913	14,165
Mining and quarrying	13,225	14,738	10,644	12,157
Manufacturing	98,756	84,989	15,961	22,250
Electricity, gas and water supply	83	-	-	-
Construction	115,057	121,166	69,991	72,675
Real estate	349,194	363,440	24,720	39,975
Wholesale and retail trade and restaurants and hotels	42,472	53,427	41,146	47,558
Transport, storage and communication	423,339	418,564	411,962	418,149
Finance, insurance and business services	66,526	72,910	63,424	58,683
Education, health and others	86,821	86,122	65,459	64,905
Household	384,542	360,376	216,120	227,701
	1,594,973	1,589,897	934,340	978,218
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>				
Perlis	2,917	2,677	389	542
Kedah	54,000	56,420	47,275	49,500
Pulau Pinang	39,665	37,318	32,876	34,043
Perak	105,914	101,432	77,618	73,703
Selangor	275,310	249,607	148,835	158,944
Wilayah Persekutuan	396,385	407,353	64,373	78,447
Negeri Sembilan	86,204	82,395	69,382	68,712
Melaka	8,309	18,594	4,260	16,411
Johor	44,546	45,830	28,430	32,849
Pahang	23,621	21,520	21,565	20,364
Terengganu	396,016	397,855	391,079	392,516
Kelantan	7,671	7,961	4,726	5,393
Sarawak	58,767	59,103	21,781	22,388
Sabah	24,210	31,266	21,742	24,406
Labuan	4	-	4	-
Outside Malaysia	71,434	70,566	5	-
	1,594,973	1,589,897	934,340	978,218

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.)

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

Group	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
30/9/2019	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	194,335	47,629	338,828	580,792
Total transfer between stages due to change in credit risk :	42,775	22,265	(65,040)	-
- Transfer to 12-month ECL (Stage 1)	55,803	(54,178)	(1,625)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(12,855)	82,186	(69,331)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(173)	(5,743)	5,916	-
Loans/Financing derecognised during the financial period (other than write-offs)	(59,158)	(6,475)	(7,475)	(73,108)
New loans/financing originated or purchased	47,141	2,203	10	49,354
Changes due to change in credit risk	(85,939)	(13,503)	150,609	51,167
Changes in model/risk parameters	5,400	1,878	4,270	11,548
Write-offs	-	-	(51,980)	(51,980)
Other adjustments :				
- Unwind of discount	-	-	(1,345)	(1,345)
At end of the financial period	144,554	53,997	367,877	566,428

Group	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31/12/2018	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year, on adoption of MFRS 9	229,571	111,656	232,863	574,090
Total transfer between stages due to change in credit risk :	79,520	(29,368)	(50,152)	-
- Transfer to 12-month ECL (Stage 1)	112,223	(107,863)	(4,360)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(28,409)	131,537	(103,128)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(4,294)	(53,042)	57,336	-
Loans/Financing derecognised during the financial year (other than write-offs)	(80,832)	(16,547)	(3,376)	(100,755)
New loans/financing originated or purchased	92,354	5,117	1,144	98,615
Changes due to change in credit risk	(126,278)	(23,229)	243,853	94,346
Write-offs	-	-	(75,973)	(75,973)
Other adjustments :				
- Unwind of discount	-	-	(9,531)	(9,531)
At end of the financial year	194,335	47,629	338,828	580,792

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.)

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

Bank	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
30/9/2019	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	139,978	36,542	265,394	441,914
Total transfer between stages due to change in credit risk :	38,374	3,795	(42,169)	-
- Transfer to 12-month ECL (Stage 1)	48,922	(47,891)	(1,031)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(10,433)	55,131	(44,698)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(115)	(3,445)	3,560	-
Loans/Financing derecognised during the financial period (other than write-offs)	(33,311)	(4,321)	(6,105)	(43,737)
New loans/financing originated or purchased	22,801	821	-	23,622
Changes due to change in credit risk	(78,231)	4,333	106,534	32,636
Changes in model/risk parameters	1,729	587	221	2,537
Write-offs	-	-	(40,766)	(40,766)
Other adjustments :				
- Unwind of discount	-	-	(1,421)	(1,421)
At end of the financial period	91,340	41,757	281,688	414,785

Bank	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31/12/2018	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year, on adoption of MFRS 9	169,286	99,906	174,519	443,711
Total transfer between stages due to change in credit risk :	71,847	(30,424)	(41,423)	-
- Transfer to 12-month ECL (Stage 1)	98,866	(94,668)	(4,198)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(23,560)	97,677	(74,117)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(3,459)	(33,433)	36,892	-
Loans/Financing derecognised during the financial year (other than write-offs)	(46,135)	(13,238)	(3,155)	(62,528)
New loans/financing originated or purchased	49,843	3,987	1,137	54,967
Changes due to change in credit risk	(104,863)	(23,689)	200,543	71,991
Write-offs	-	-	(57,748)	(57,748)
Other adjustments :				
- Unwind of discount	-	-	(8,479)	(8,479)
At end of the financial year	139,978	36,542	265,394	441,914

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

A13. TRADE RECEIVABLES

	Group	
	30/9/2019 RM'000	31/12/2018 RM'000
Amount due from stock-broking clients :		
- performing accounts	167,149	179,766
- impaired accounts (a)	363	424
Amount due from brokers	74,822	60,879
Amount due from Bursa Securities Clearing Sdn Bhd	6,975	40,142
Management fees receivable on fund management	210,915	88,908
	460,224	370,119
Less: ECL (b)	(416)	(468)
	459,808	369,651

(a) Movements of impaired trade receivables

At beginning of the financial period/year	424	1,366
Reclassified to other assets	-	(583)
Classified as impaired	402	295
Amount written-back during the financial period/year	(463)	(654)
At end of the financial period/year	363	424

(b) Movements in ECL

	Group Lifetime ECL	
	30/9/2019 RM'000	31/12/2018 RM'000
At beginning of the financial period/year	468	1,134
Reclassified to other assets	-	(420)
Allowance made during the financial period/year	471	366
Amount written-back during the financial period/year	(523)	(612)
At end of the financial period/year	416	468

A14. OTHER ASSETS

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
Other debtors	80,788	51,811	10,705	13,386
Prepayments and deposits	24,302	16,126	23,095	15,384
Cheque clearing accounts	9,486	45,267	9,815	10,475
Foreclosed properties (a)	23,197	26,051	18,324	21,178
Collaterals pledged for derivative transactions	4,650	1,298	-	-
Clearing guarantee fund	2,018	-	-	-
	144,441	140,553	61,939	60,423
Less: ECL (b)	(2,404)	(1,669)	-	-
	142,037	138,884	61,939	60,423

(a) Foreclosed properties

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
At beginning of the financial period/year	26,051	19,912	21,178	17,271
Purchased during the financial period/year	726	6,335	726	3,907
Disposal during the financial period/year	(3,580)	(196)	(3,580)	-
At end of the financial period/year	23,197	26,051	18,324	21,178

(b) Movements in ECL

	Group Lifetime ECL	
	30/9/2019 RM'000	31/12/2018 RM'000
At beginning of the financial period/year	1,669	725
Reclassified from trade receivables	-	420
Allowance made during the financial period/year	1,380	1,439
Amount written-back during the financial period/year	(380)	(915)
Amount written-off during the financial period/year	(265)	-
At end of the financial period/year	2,404	1,669

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A15. OTHER LIABILITIES

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
BNM and CGC Funding programmes	24,739	32,009	23,873	31,009
Margin and collateral deposits	102,387	127,948	86,099	114,120
Commissioned dealer's representatives trust balances	46,793	48,537	-	-
Defined contribution plan	15,419	21,098	14,470	19,761
Collaterals pledged for derivative transactions	-	29	-	-
Other creditors and accruals	170,811	166,410	55,530	64,776
Accrued employee benefits	114,936	113,960	48,643	43,021
Amounts payable to commissioned and salaried dealer's representatives	35,255	37,874	-	-
Cheque clearing accounts	21,592	7,874	4,353	7,874
Provision for zakat	5,067	2,397	258	320
Sundry creditors	262,150	197,892	158,703	151,274
Securities borrowings and lending - borrow	223,775	127,194	-	-
Unearned income	23,088	31,969	19,879	26,986
ESOS liabilities	-	8,028	-	-
Puttable liabilities	34,328	34,328	-	-
Dividend payable	-	97,147	-	97,147
ECL (a) :				
- loan/financing commitments and financial guarantees	16,893	27,454	9,403	15,287
	1,097,233	1,082,148	421,211	571,575

(a) Movement in ECL	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
At beginning of financial period/year, on adoption of MFRS 9	27,454	49,817	15,287	32,758
Net remeasurement of loss allowance	(18,050)	(40,668)	(11,295)	(29,635)
New loan/financing commitments and financial guarantees issued	7,573	18,305	6,032	12,164
Changes in model/risk parameters	(84)	-	(621)	-
At end of the financial period/year	16,893	27,454	9,403	15,287

A16. RESERVES

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
FVOCI revaluation reserves (a)	291,806	110,371	164,803	111,161
Regulatory reserves (b)	947,992	939,055	702,111	716,313
Foreign exchange reserves	593	593	-	-
Retained profits	3,303,194	2,928,584	2,687,244	2,408,718
Stock option reserves (c)	-	8,328	-	-
	4,543,585	3,986,931	3,554,158	3,236,192

(a) FVOCI revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investment at FVOCI. 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, banking institutions shall maintain, in aggregate, stage 1 and 2 provisions regulatory reserves 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 provisions.

(c) The stock option reserves represent the fair value of the options of a subsidiary's employee stock option incentive scheme. The option holders have fully exercised the employee option incentive scheme as of 31 March 2019.

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	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	417,713	462,346	1,292,043	1,369,268
Money at call and deposits placements with financial institutions	25,556	26,875	75,473	50,868
Financial investments at FVOCI	94,691	133,685	329,742	369,840
Financial investments at amortised cost	2,131	2,097	6,228	6,233
Subordinated term loan	940	1,553	2,791	1,587
Others	640	123	1,269	399
	541,671	626,679	1,707,546	1,798,195
of which :-				
Interest income earned on impaired loans, advances and financing	1,441	2,988	4,911	12,108
	1,441	2,988	4,911	12,108
Bank				
Loan, advances and financing	374,299	406,798	1,156,859	1,215,815
Money at call and deposits placements with financial institutions	53,127	45,198	153,377	125,273
Financial investments at FVOCI	58,267	87,789	216,069	254,050
Financial investments at amortised cost	1,443	1,443	4,282	4,282
Subordinated term loan	940	1,553	2,791	1,587
	488,076	542,781	1,533,378	1,601,007
of which :-				
Interest income earned on impaired loans, advances and financing	9	2,037	1,323	9,378
	9	2,037	1,323	9,378

A18. INTEREST EXPENSE

Group				
Deposits from customers	303,831	322,466	994,216	969,832
Deposits and placements of banks and other financial institutions	21,415	59,886	51,181	99,630
Obligation on securities sold under repurchase agreements	1	-	791	2,751
Subordinated medium term notes	33,725	31,342	100,075	83,311
Foreign currency borrowing	15	585	303	1,558
Interest expense on the lease liability	780	-	1,916	-
Others	1,270	847	3,062	3,239
	361,037	415,126	1,151,544	1,160,321
Bank				
Deposits from customers	283,397	279,890	861,317	846,431
Deposits and placements of banks and other financial institutions	8,407	42,828	66,911	99,165
Obligation on securities sold under repurchase agreements	-	-	-	2,751
Subordinated medium term notes	33,725	31,342	100,075	83,311
Interest expense on the lease liability	504	-	1,402	-
Others	91	134	284	409
	326,124	354,194	1,029,989	1,032,067

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A19. NET FEE AND COMMISSION INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income :				
Net brokerage	17,364	19,051	51,823	61,218
Underwriting fees	1,526	-	3,643	-
Portfolio management fees	75,345	75,870	219,421	227,509
Corporate advisory fees	2,214	2,276	7,952	7,568
Commission	6,196	6,047	18,568	19,627
Service charges and fees	12,506	14,569	38,398	51,455
Guarantee fees	6,499	5,642	22,554	17,034
Arrangement fees	623	139	1,693	1,564
Agency fees	697	157	1,742	2,171
Initial service charges	30,457	24,639	63,625	86,338
Private placement fees	477	-	477	-
Other fee income	1,560	3,686	5,064	11,989
	155,464	152,076	434,960	486,473
(b) Fee and commission expenses :				
Commission and referral expense	(46,861)	(38,450)	(114,055)	(137,570)
Net fee and commission income	108,603	113,626	320,905	348,903
Bank				
(a) Fee and commission income :				
Commission	6,306	5,565	18,860	16,783
Service charges and fees	12,557	14,324	38,267	50,731
Guarantee fees	6,084	5,492	19,622	16,323
	24,947	25,381	76,749	83,837
(b) Fee and commission expense :				
Commission and referral expense	(2,259)	(1,858)	(6,094)	(6,884)
Net fee and commission income	22,688	23,523	70,655	76,953

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 ON FINANCIAL INSTRUMENTS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Income from financial instruments:				
Gains arising on financial assets at FVTPL :				
- net gain on disposal	13,368	38,872	42,520	72,379
- unrealised gain	2,166	512	2,667	3,635
- interest income	5,148	8,332	19,786	26,700
- gross dividend income	2,265	1,190	5,918	3,956
Gains/(losses) on derivatives instruments :				
- realised	221	198	520	311
- unrealised	(3,552)	196	(3,226)	4,925
- interest income/(expense)	292	(324)	897	(157)
Gains arising on financial investments at FVOCI :				
- net gain on disposal	56,535	8,107	160,382	10,431
- gross dividend income	230	1,558	2,586	3,546
	76,673	58,641	232,050	125,726
Bank				
Income from financial instruments:				
Gains/(losses) arising on financial assets at FVTPL :				
- net gain on disposal	-	28,011	-	27,996
- unrealised (loss)/gain	(277)	1,736	(93)	6,964
- interest income	295	3,032	5,509	11,531
- gross dividend income	183	-	732	549
Gains/(losses) on derivatives instruments :				
- realised	221	198	520	365
- unrealised	(2,787)	111	(2,513)	4,101
- interest income/(expense)	184	(226)	632	(202)
Gains arising on financial investments at FVOCI :				
- net gain on disposal	36,640	3,455	101,815	4,679
- gross dividend income	125	192	232	238
	34,584	36,509	106,834	56,221

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A21. OTHER INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss) :				
- realised	7,598	23,981	21,568	57,991
- unrealised	556	(10,237)	6,213	(19,829)
Rental income	5	128	9	128
Gain on disposal of property and equipment	8	76	(32)	4,799
Gain on disposal of foreclosed properties	240	-	500	111
Other non-operating income	1,865	1,334	7,293	10,972
Total other income	10,272	15,282	35,551	54,172
Bank				
Foreign exchange gain/(loss) :				
- realised	10,101	17,882	19,745	44,591
- unrealised	(3,498)	(7,782)	1,008	(14,761)
Rental income	28	153	79	206
Gain on winding-up of a subsidiary	-	-	-	31,031
Gain on disposal of property and equipment	(80)	67	(234)	4,669
Gain on disposal of foreclosed properties	240	-	500	-
Gross dividend received from subsidiaries	60,000	45,000	61,000	223,000
Other non-operating income	1,023	1,478	4,925	6,029
Total other income	67,814	56,798	87,023	294,765

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A22. OTHER OPERATING EXPENSES

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	151,142	148,003	452,250	446,941
Defined contribution plan	25,417	24,818	74,367	73,262
Other personnel costs	29,724	29,684	79,793	85,525
	<u>206,283</u>	<u>202,505</u>	<u>606,410</u>	<u>605,728</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	6,625	5,374	19,250	16,097
Entertainment	609	2,209	4,448	5,693
Travelling and accommodation	2,120	2,401	6,635	7,459
Dealers' handling fees	3	300	603	900
Commission and brokerage expenses	1,622	3,746	8,488	10,855
Others marketing expenses	1,275	1,238	4,059	4,383
	<u>12,254</u>	<u>15,268</u>	<u>43,483</u>	<u>45,387</u>
<u>Establishment-related expenses</u>				
Rental of premises *	874	9,349	3,171	29,096
Equipment rental	743	387	2,215	2,101
Repair and maintenance	18,733	10,758	44,679	33,764
Depreciation of property and equipment	6,847	6,143	19,696	18,382
Depreciation of right-of-use assets *	8,874	-	26,751	-
Amortisation of intangible assets	8,311	6,823	23,766	20,295
IT consultancy fee	10,081	9,865	29,903	29,384
Dataline rental	5,699	5,691	16,372	12,762
Security services	6,007	4,928	15,087	13,133
Electricity, water and sewerage	3,386	3,470	9,709	9,815
Insurance/Takaful and indemnities	5,156	7,107	12,306	21,456
Other establishment costs	988	1,070	3,256	4,238
	<u>75,699</u>	<u>65,591</u>	<u>206,911</u>	<u>194,426</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	3,477	3,476	11,530	11,256
Auditors' remuneration :				
(i) Statutory audit fees	775	590	2,293	1,789
(ii) Regulatory related fees	90	40	125	71
(iii) Tax fees	(3)	2	5	8
(iv) Non-audit fees	300	495	779	658
Professional fees	3,517	5,924	14,400	14,144
Property and equipment written-off	9	9	25	159
Mail and courier charges	869	1,126	2,612	2,886
Stationery and consumables	2,292	2,538	8,479	10,945
Directors' fees and allowances	815	751	2,385	2,412
Donations	217	87	1,584	1,510
Settlement, clearing and bank charges	4,076	3,120	11,745	9,923
Stamp duties	35	112	158	750
Operational and litigation write-off expenses	158	-	2,209	-
Subscription fees	3,080	2,811	8,833	7,424
GST input tax-non recoverable	-	-	358	6,280
Other administration and general expenses	3,361	2,024	8,096	8,214
	<u>23,068</u>	<u>23,105</u>	<u>75,616</u>	<u>78,429</u>
Total other operating expenses	317,304	306,469	932,420	923,970

* Effects of adoption of MFRS 16 Leases

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A22. OTHER OPERATING EXPENSES (Cont.)

<u>Bank</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	64,964	69,823	193,350	208,286
Defined contribution plan	10,719	11,564	32,147	33,975
Other personnel costs	12,065	12,878	36,000	40,570
	<u>87,748</u>	<u>94,265</u>	<u>261,497</u>	<u>282,831</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	3,270	2,965	9,777	8,775
Entertainment	(522)	1,138	1,301	2,996
Travelling and accommodation	959	1,054	2,590	3,438
Commission and brokerage expenses	1,592	3,219	7,067	8,917
Others marketing expenses	415	520	1,401	1,431
	<u>5,714</u>	<u>8,896</u>	<u>22,136</u>	<u>25,557</u>
<u>Establishment-related expenses</u>				
Rental of premises *	-	4,081	-	13,293
Equipment rental	412	479	1,317	1,292
Repair and maintenance	12,868	6,720	27,800	21,843
Depreciation of property and equipment	4,208	3,636	11,838	10,861
Depreciation of right-of-use assets *	6,263	-	18,835	-
Amortisation of intangible assets	4,612	3,184	12,719	9,446
IT consultancy fee	5,453	6,951	17,374	19,992
Dataline rental	2,625	3,865	8,366	8,915
Security services	2,781	3,348	6,752	8,802
Electricity, water and sewerage	1,213	1,939	3,731	5,325
Insurance/Takaful and indemnities	4,468	6,939	9,804	20,895
Other establishment costs	(20)	225	2,097	1,703
	<u>44,883</u>	<u>41,367</u>	<u>120,633</u>	<u>122,367</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	312	390	2,318	2,721
Auditors' remuneration :				
(i) Statutory audit fees	426	324	1,246	984
(ii) Non-audit fees	186	352	603	465
Professional fees	1,829	4,490	9,953	11,482
Property and equipment written-off	7	-	19	135
Mail and courier charges	626	817	1,853	2,437
Stationery and consumables	1,431	1,227	5,568	6,869
Directors' fees and allowances	655	728	1,914	2,007
Donations	180	45	1,533	1,263
Settlement, clearing and bank charges	3,191	2,396	9,112	7,608
Stamp duties	30	41	122	671
Operational and litigation write-off expenses	158	-	2,209	-
GST input tax-non recoverable	-	860	349	4,337
Other administration and general expenses	1,361	(810)	3,798	926
	<u>10,392</u>	<u>10,860</u>	<u>40,597</u>	<u>41,905</u>
Total other operating expenses	148,737	155,388	444,863	472,660

* Effects of adoption of MFRS 16 Leases

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

A23. WRITE-BACK OF(ALLOWANCE FOR) CREDIT IMPAIRMENT LOSSES

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
ECL (written-back)/made on :				
- loans, advances and financing and trade receivables	50,712	13,182	38,909	116,245
- securities and placements	1,442	1,770	515	751
- loan and financing commitments and financial guarantee	(3,529)	(7,932)	(10,561)	(17,945)
Bad debts and financing :				
- recovered	(7,425)	(8,603)	(25,476)	(25,790)
- written-off	1,912	540	3,597	1,884
	43,112	(1,043)	6,984	75,145
Bank				
ECL (written-back)/made on :				
- loans, advances and financing and trade receivables	38,205	5,674	15,058	90,888
- securities and placements	(250)	1,119	(1,522)	184
- loan and financing commitments and financial guarantee	(2,227)	(5,857)	(5,884)	(15,975)
Bad debts and financing :				
- recovered	(6,377)	(8,105)	(22,577)	(24,757)
- written-off	1,829	538	3,378	1,854
	31,180	(6,631)	(11,547)	52,194

A24. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	RM'000	RM'000	RM'000	RM'000
Allowances for impairment losses :				
- other debtors	-	44	-	426
- advances to joint ventures	1,933	5,719	1,933	11,719
	1,933	5,763	1,933	12,145

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 September 2019 and 30 September 2018 are as follows:

	< ----- Current year's individual quarter ended 30 September 2019 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	357,288	113,719	-	3,253	-	474,260
Intersegment revenue	30,500	29,599	-	281	(60,380)	-
Segment revenue	387,788	143,318	-	3,534	(60,380)	474,260
Operating expenses of which :-	(220,186)	(94,748)	-	(2,750)	380	(317,304)
Depreciation of property and equipment	(4,403)	(2,408)	-	(36)	-	(6,847)
Depreciation of right-of-use assets	(6,599)	(2,275)	-	-	-	(8,874)
Amortisation of intangible assets	(4,657)	(3,642)	-	(12)	-	(8,311)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(42,910)	(2,082)	-	-	(53)	(45,045)
Segment results	124,692	46,488	-	784	(60,053)	111,911
Share of results of a joint venture (net of tax)	-	-	(4,793)	-	-	(4,793)
Share of results of an associate (net of tax)	-	-	4,617	-	-	4,617
Profit before zakat and taxation	124,692	46,488	(176)	784	(60,053)	111,735
Zakat	-	(1,006)	-	-	-	(1,006)
Profit before taxation	124,692	45,482	(176)	784	(60,053)	110,729
Taxation						(33,178)
Net profit for the individual quarter						77,551

	< ----- Preceding year's individual quarter ended 30 September 2018 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	339,082	148,252	-	8,915	-	496,249
Intersegment revenue	68,360	(16,397)	-	(6,354)	(45,609)	-
Segment revenue	407,442	131,855	-	2,561	(45,609)	496,249
Operating expenses of which :-	(210,504)	(94,234)	-	(2,340)	609	(306,469)
Depreciation of property and equipment	(3,852)	(2,249)	-	(42)	-	(6,143)
Amortisation of intangible assets	(3,206)	(3,601)	-	(16)	-	(6,823)
(Allowances for)/write-back of credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(5,261)	541	-	-	-	(4,720)
Segment results	191,677	38,162	-	221	(45,000)	185,060
Share of results of a joint venture (net of tax)	-	-	(1,714)	-	-	(1,714)
Share of results of an associate (net of tax)	-	-	7,207	-	-	7,207
Profit before zakat and taxation	191,677	38,162	5,493	221	(45,000)	190,553
Zakat	(3,061)	(173)	-	-	-	(3,234)
Profit before taxation	188,616	37,989	5,493	221	(45,000)	187,319
Taxation						(36,801)
Net profit for the individual quarter						150,518

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 September 2019 and 30 September 2018 are as follows (Cont.):

	< ----- Current year's cumulative quarter ended 30 September 2019 ----- >					
	Commercial	Investment	Insurance	Others	Eliminations	Group
	Banking	Banking				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	1,034,069	401,163	-	9,471	-	1,444,703
Intersegment revenue	41,173	20,202	-	1,004	(62,379)	-
Segment revenue	<u>1,075,242</u>	<u>421,365</u>	<u>-</u>	<u>10,475</u>	<u>(62,379)</u>	<u>1,444,703</u>
Operating expenses of which :-	(642,953)	(282,686)	-	(8,160)	1,379	(932,420)
Depreciation of property and equipment	(12,461)	(7,114)	-	(121)	-	(19,696)
Depreciation of right-of-use assets	(19,846)	(6,905)	-	-	-	(26,751)
Amortisation of intangible assets	(12,849)	(10,879)	-	(38)	-	(23,766)
(Allowances for)/write-back of credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(9,137)	(17)	-	-	237	(8,917)
Segment results	<u>423,152</u>	<u>138,662</u>	<u>-</u>	<u>2,315</u>	<u>(60,763)</u>	<u>503,366</u>
Share of results of a joint venture (net of tax)	-	-	(4,473)	-	-	(4,473)
Share of results of an associate (net of tax)	-	-	17,168	-	-	17,168
Profit before zakat and taxation	<u>423,152</u>	<u>138,662</u>	<u>12,695</u>	<u>2,315</u>	<u>(60,763)</u>	<u>516,061</u>
Zakat	(3,000)	(2,316)	-	-	-	(5,316)
Profit before taxation	<u>420,152</u>	<u>136,346</u>	<u>12,695</u>	<u>2,315</u>	<u>(60,763)</u>	<u>510,745</u>
Taxation						(126,371)
Net profit for the cumulative quarter						<u><u>384,374</u></u>

	< ----- Preceding year's cumulative quarter ended 30 September 2018 ----- >					
	Commercial	Investment	Insurance	Others	Eliminations	Group
	Banking	Banking				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	1,033,681	423,759	-	9,604	-	1,467,044
Intersegment revenue	246,805	(21,307)	-	1,436	(226,934)	-
Segment revenue	<u>1,280,486</u>	<u>402,452</u>	<u>-</u>	<u>11,040</u>	<u>(226,934)</u>	<u>1,467,044</u>
Operating expenses of which :-	(636,762)	(283,068)	-	(8,074)	3,934	(923,970)
Depreciation of property and equipment	(11,464)	(6,790)	-	(128)	-	(18,382)
Amortisation of intangible assets	(9,501)	(10,748)	-	(46)	-	(20,295)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(83,750)	(3,540)	-	-	-	(87,290)
Segment results	<u>559,974</u>	<u>115,844</u>	<u>-</u>	<u>2,966</u>	<u>(223,000)</u>	<u>455,784</u>
Share of results of a joint venture (net of tax)	-	-	(2,427)	-	-	(2,427)
Share of results of an associate (net of tax)	-	-	38,489	-	-	38,489
Profit before zakat and taxation	<u>559,974</u>	<u>115,844</u>	<u>36,062</u>	<u>2,966</u>	<u>(223,000)</u>	<u>491,846</u>
Zakat	(3,061)	(816)	-	-	-	(3,877)
Profit before taxation	<u>556,913</u>	<u>115,028</u>	<u>36,062</u>	<u>2,966</u>	<u>(223,000)</u>	<u>487,969</u>
Taxation						(112,463)
Net profit for the cumulative quarter						<u><u>375,506</u></u>

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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

There were no other significant changes in the composition of the Group during the financial period under review.

A28. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured 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	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes *	581,623	613,796	455,894	415,834
Transaction-related contingent items	1,886,729	1,943,980	1,548,012	1,662,775
Short-term self-liquidating trade-related contingencies	514,948	432,728	209,040	113,759
Obligations under an on-going underwriting agreement	-	27,000	-	-
Foreign exchange related contracts #				
- Less than one year	12,961,108	11,009,067	9,158,233	8,576,966
- One year to less than five years	829,094	400,719	303,130	96,030
Interest rate related contracts #				
- Less than one year	868,148	946,000	23,148	251,000
- One year to less than five years	3,800,000	2,800,148	1,320,000	990,148
- Five years and above	585,000	1,025,000	555,000	995,000
Irrevocable commitments to extend credit				
- Maturity less than one year	6,261,968	7,690,157	4,719,126	6,060,241
- Maturity more than one year	2,025,026	2,755,103	722,101	756,251
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	658,525	615,870	129,593	133,561
Unutilised credit card lines	547,383	613,506	376,316	417,558
	31,519,552	30,873,074	19,519,593	20,469,123

* Included in direct credit substitutes are financial guarantee contracts of RM578.0 million and RM452.2 million at the Group and the Bank respectively (2018: RM582.0 million and RM415.7 million at the Group and the Bank respectively), of which fair value at the time of issuance is zero.

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 September 2019												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	4,101,513	232,369	42,177	4,376,059	26,407	6,026	-	32,433	13,137	4,416	546	18,099
- Cross currency swaps	6,543,382	303,130	-	6,846,512	5,838	1,748	-	7,586	11,736	34,008	-	45,744
- Currency swaps	2,316,213	209,224	42,194	2,567,631	9,600	3,609	562	13,771	9,811	2,892	-	12,703
Interest rate contracts :												
- Interest rate swaps	868,148	1,682,000	2,703,000	5,253,148	595	7,845	40,136	48,576	475	11,081	36,283	47,839
	13,829,256	2,426,723	2,787,371	19,043,350	42,440	19,228	40,698	102,366	35,159	52,397	36,829	124,385
As at 31 December 2018												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	3,318,872	168,437	-	3,487,309	24,052	2,928	-	26,980	18,452	5,201	-	23,653
- Cross currency swaps	6,195,787	96,030	-	6,291,817	23,768	349	-	24,117	34,775	29,114	-	63,889
- Currency swaps	1,494,408	136,252	-	1,630,660	11,129	3,869	-	14,998	7,032	166	-	7,198
Interest rate contracts :												
- Interest rate swaps	946,000	2,800,148	1,025,000	4,771,148	795	2,265	19,650	22,710	1,324	3,636	13,432	18,392
	11,955,067	3,200,867	1,025,000	16,180,934	59,744	9,411	19,650	88,805	61,583	38,117	13,432	113,132

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 September 2019												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	2,614,851	-	-	2,614,851	11,915	-	-	11,915	2,083	-	-	2,083
- Cross currency swaps	6,543,382	303,130	-	6,846,512	6,168	1,748	-	7,916	13,797	34,008	-	47,805
Interest rate contracts :												
- Interest rate swaps	23,148	462,000	1,413,000	1,898,148	122	3,411	27,845	31,378	325	5,146	24,972	30,443
	9,181,381	765,130	1,413,000	11,359,511	18,205	5,159	27,845	51,209	16,205	39,154	24,972	80,331
As at 31 December 2018												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	1,623,046	-	-	1,623,046	14,436	-	-	14,436	5,532	-	-	5,532
- Cross currency swaps	6,953,920	96,030	-	7,049,950	27,879	349	-	28,228	35,588	29,113	-	64,701
Interest rate contracts :												
- Interest rate swaps	251,000	250,148	1,735,000	2,236,148	751	1,533	16,883	19,167	788	1,484	13,155	15,427
	8,827,966	346,178	1,735,000	10,909,144	43,066	1,882	16,883	61,831	41,908	30,597	13,155	85,660

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 RM84.0 million (2018 : RM69.5 million), while the notional amount of interest rate contract was RM760.4 million (2018 : RM234.1 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 RM189.7 million (2018 : RM272.5 million) and RM115.1 million (2018 : RM155.4 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 2018.

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 valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either 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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2019				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	149,000	-	149,000
- Shares and unit trusts	282,306	-	88,928	371,234
- Corporate bonds/Sukuk	-	35,517	30,860	66,377
Derivative financial assets	-	102,366	-	102,366
Financial investments at FVOCI* :				
- Money market instruments	-	2,310,845	-	2,310,845
- Shares, unit trusts and REITs	-	61	181,256	181,317
- Corporate bonds/Sukuk	-	8,103,372	-	8,103,372
	282,306	10,701,161	301,044	11,284,511
Liabilities				
Derivative financial liabilities	-	124,385	-	124,385
31 December 2018				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	325,169	-	325,169
- Shares and unit trusts	141,674	-	88,928	230,602
- Corporate bonds/Sukuk	-	20,641	30,050	50,691
Derivative financial assets	-	88,805	-	88,805
Financial investments at FVOCI* :				
- Money market instruments	-	4,432,952	-	4,432,952
- Shares, unit trusts and REITs	59,532	61	171,322	230,915
- Corporate bonds/Sukuk	-	10,697,891	-	10,697,891
	201,206	15,565,519	290,300	16,057,025
Liabilities				
Derivative financial liabilities	-	113,132	-	113,132

* 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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2019				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	31,478	-	31,478
- Unquoted shares	-	-	88,928	88,928
- Corporate bonds/Sukuk	-	-	30,860	30,860
Derivative financial assets	-	51,209	-	51,209
Financial investments at FVOCI* :				
- Money market instruments	-	1,623,427	-	1,623,427
- Unquoted shares	-	-	158,254	158,254
- Corporate bonds/Sukuk	-	3,506,816	-	3,506,816
	-	5,212,930	278,042	5,490,972
Liabilities				
Derivative financial liabilities	-	80,331	-	80,331
31 December 2018				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	254,660	-	254,660
- Unquoted shares	-	-	88,928	88,928
- Corporate bonds/Sukuk	-	-	30,050	30,050
Derivative financial assets	-	61,831	-	61,831
Financial investments at FVOCI* :				
- Money market instruments	-	3,372,719	-	3,372,719
- Unquoted shares	-	-	149,501	149,501
- Corporate bonds/Sukuk	-	5,622,287	-	5,622,287
	-	9,311,497	268,479	9,579,976
Liabilities				
Derivative financial liabilities	-	85,660	-	85,660

* 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.

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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 (2018: Nil).

The following table presents the changes in Level 3 instruments for the financial period/year ended:-

	Group		Bank	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period/year	290,300	279,853	268,479	259,242
Net changes in income accrued	568	20	568	20
Total gains recognised in other comprehensive income	10,176	10,427	8,995	9,217
At end of the financial period/year	301,044	290,300	278,042	268,479

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.

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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). The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk and 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 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio are 7.000% (2018: 6.375%), 8.500% (2018: 7.875%) and 10.500% (2018: 9.875%) respectively for year 2019.

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
a) The components of CET 1, Tier 1 and Tier 2 capital :				
<u>CET 1</u>				
Paid-up share capital	4,774,772	4,684,752	4,774,772	4,684,752
Retained profits	3,265,517	2,928,584	2,687,244	2,408,718
Unrealised gains on FVOCI instruments	291,806	110,371	164,803	111,161
Other disclosed reserves	-	8,328	-	-
Foreign exchange reserves	593	593	-	-
	<u>8,332,688</u>	<u>7,732,628</u>	<u>7,626,819</u>	<u>7,204,631</u>
Less: Regulatory adjustments :				
- Goodwill and other intangibles	(909,884)	(906,068)	(195,586)	(182,235)
- Deferred tax assets	-	(107,704)	(6,505)	(70,239)
- 55% of cumulative unrealised gains on FVOCI instruments	(160,493)	(60,704)	(90,642)	(61,138)
- Investment in subsidiaries, joint ventures and associates	(811,543)	(770,047)	(3,781,321)	(3,766,021)
Total CET 1 Capital	<u>6,450,768</u>	<u>5,888,105</u>	<u>3,552,765</u>	<u>3,124,998</u>
<u>Additional Tier 1 Capital</u>				
Additional Tier 1 Capital	800,000	800,000	500,000	500,000
Qualifying capital instruments held by third party	22,820	19,783	-	-
	<u>822,820</u>	<u>819,783</u>	<u>500,000</u>	<u>500,000</u>
Total Tier 1 Capital	<u>7,273,588</u>	<u>6,707,888</u>	<u>4,052,765</u>	<u>3,624,998</u>
<u>Tier 2 Capital</u>				
Subordinated MTNs	2,800,000	2,200,000	2,000,000	2,000,000
Loss provisions	541,978	583,115	349,498	383,532
Less: Regulatory adjustments :				
- Investment in capital instruments of unconsolidated financial and insurance entities	(57,412)	(57,412)	(57,412)	(657,412)
Total Tier 2 Capital	<u>3,284,566</u>	<u>2,725,703</u>	<u>2,292,086</u>	<u>1,726,120</u>
Total Capital	<u>10,558,154</u>	<u>9,433,591</u>	<u>6,344,851</u>	<u>5,351,118</u>
b) The breakdown of risk-weighted assets :				
Credit risk	43,358,215	46,649,190	27,959,838	30,682,574
Market risk	544,664	523,804	356,546	272,300
Operational risk	3,145,404	2,962,066	1,818,287	1,899,866
Total risk-weighted assets	<u>47,048,283</u>	<u>50,135,060</u>	<u>30,134,671</u>	<u>32,854,740</u>
c) Capital adequacy ratios :				
<u>Before effect of proposed dividends :</u>				
CET 1 capital ratio	13.711%	11.744%	11.790%	9.512%
Tier 1 capital ratio	15.460%	13.380%	13.449%	11.033%
Total capital ratio	<u>22.441%</u>	<u>18.816%</u>	<u>21.055%</u>	<u>16.287%</u>
<u>After effect of proposed dividends :</u>				
CET 1 capital ratio	13.711%	11.924%	11.790%	9.786%
Tier 1 capital ratio	15.460%	13.559%	13.449%	11.307%
Total capital ratio	<u>22.441%</u>	<u>18.996%</u>	<u>21.055%</u>	<u>16.561%</u>

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 RIA are included in calculation of capital adequacy for the Bank. As at 30 September 2019, RIA assets included in the Total Capital Ratio calculation amounted to RM1,953.1 million (2018 : RM2,369.7 million).

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

	Economic Entity		Bank	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
CET 1 capital ratio	11.656%	10.869%	11.656%	10.869%
Tier 1 capital ratio	13.726%	12.882%	13.726%	12.882%
Total capital ratio	<u>20.431%</u>	<u>19.438%</u>	<u>20.431%</u>	<u>19.438%</u>

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

	The Group		Bank	
	30/9/2019	31/12/2018	30/9/2019	31/12/2018
CET 1 capital ratio	35.019%	30.644%	41.290%	34.177%
Tier 1 capital ratio	35.694%	31.194%	41.290%	34.177%
Total capital ratio	<u>36.488%</u>	<u>32.005%</u>	<u>42.185%</u>	<u>35.099%</u>

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

A32. LIQUIDITY RISK

Liquidity risk for assets and liabilities based on remaining contractual maturities.

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities.

Maturities of assets and liabilities of the Group and the Bank by remaining contractual maturities profile are as follows :-

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 30 September 2019							
Assets							
Cash and short-term funds	10,275,252	-	-	-	-	-	10,275,252
Deposits and placements with banks and other financial institutions	-	4,901	7,056	-	-	-	11,957
Financial assets at FVTPL	-	31,543	-	50,972	132,863	371,233	586,611
Derivative financial assets	23,364	15,812	14,146	34,137	14,907	-	102,366
Financial investments at FVOCI	150,787	405,785	153,137	4,481,974	5,222,534	181,317	10,595,534
Financial investments at amortised cost	1,623	742	-	144,439	-	-	146,804
Loans, advances and financing	3,485,588	1,754,044	1,606,576	9,866,243	29,336,221	-	46,048,672
Trade receivables	459,808	-	-	-	-	-	459,808
Other assets	62,852	498	19,639	13,656	1,141	44,251	142,037
Amount due from joint ventures	30,831	-	-	-	-	-	30,831
Amount due from associates	58,248	-	-	-	-	-	58,248
Statutory deposits with Bank Negara Malaysia	1,719,379	-	-	-	-	-	1,719,379
Other non-financial assets (Note 1)	6,505	-	18,198	5,601	-	2,536,574	2,566,878
Total assets	16,274,237	2,213,325	1,818,752	14,597,022	34,707,666	3,133,375	72,744,377
Liabilities							
Deposits from customers	17,338,209	9,030,065	24,466,193	6,049,279	-	-	56,883,746
Investment accounts of customers	-	-	-	1,708	-	-	1,708
Deposits and placements with banks and other financial institutions	555,027	221,219	55,950	-	-	-	832,196
Derivatives financial liabilities	19,849	12,939	12,790	71,273	7,317	217	124,385
Bills and acceptances payable	26,614	-	-	-	-	-	26,614
Trade payables	621,294	-	-	-	-	-	621,294
Lease liabilities	-	-	-	-	-	71,143	71,143
Other liabilities	876,542	55,603	100,231	64,773	-	84	1,097,233
Borrowings	25,372	-	14,654	800,000	2,800,000	-	3,640,026
Other non-financial liabilities (Note 2)	-	-	-	-	-	25,942	25,942
Total liabilities	19,462,907	9,319,826	24,649,818	6,987,033	2,807,317	97,386	63,324,287

Note 1 : Other non-financial assets include investment in joint ventures, investment in associates, taxation recoverable, deferred tax assets, property equipment, right-of-use assets, intangible assets and Commodity Gold at FVTPL.

Note 2 : Other non-financial liabilities include provision for taxation and deferred tax liabilities.

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

A32. LIQUIDITY RISK (Cont.)

Maturities of assets and liabilities of the Group and the Bank by remaining contractual maturities profile are as follows (cont.) :-

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 31 December 2018							
Assets							
Cash and short-term funds	6,331,798	-	-	-	-	-	6,331,798
Deposits and placements with banks and other financial institutions	-	71,801	-	-	-	-	71,801
Financial assets at FVTPL	1,285	727	1,576	228,585	113,688	260,601	606,462
Derivative financial assets	30,300	26,681	16,979	8,803	6,042	-	88,805
Financial investments at FVOCI	228,192	817,447	645,603	5,446,684	7,911,399	312,433	15,361,758
Financial investments at amortised cost	14,444	-	1,954	146,629	-	-	163,027
Loans, advances and financing	3,674,905	1,945,475	1,735,631	9,700,401	31,335,600	-	48,392,012
Trade receivables	369,145	469	37	-	-	-	369,651
Other assets	76,269	470	13,967	16,016	1,169	30,993	138,884
Amount due from joint ventures	31,295	-	-	-	-	-	31,295
Amount due from associates	-	41	-	-	57,676	-	57,717
Statutory deposits with Bank Negara Malaysia	1,946,669	-	-	-	-	-	1,946,669
Other non-financial assets (Note 1)	70,239	-	-	-	-	2,346,354	2,416,593
Total assets	12,774,541	2,863,111	2,415,747	15,547,118	39,425,574	2,950,381	75,976,472
Liabilities							
Deposits from customers	18,931,969	10,987,337	24,190,584	3,236,557	-	-	57,346,447
Investment accounts of customers	-	-	-	875	-	-	875
Deposits and placements with banks and other financial institutions	2,619,473	1,603,437	624,002	-	-	-	4,846,912
Obligation on securities sold under repurchase agreements	142,477	-	-	-	-	-	142,477
Derivatives financial liabilities	24,633	22,870	24,419	38,853	2,357	-	113,132
Bills and acceptances payable	32,585	-	-	-	-	-	32,585
Trade payables	600,974	-	-	-	-	-	600,974
Other liabilities	874,445	39,685	107,950	59,417	-	651	1,082,148
Borrowings	12,236	36,143	5,433	-	2,200,000	800,000	3,053,812
Other non-financial liabilities (Note 2)	-	-	-	-	-	15,874	15,874
Total liabilities	23,238,792	12,689,472	24,952,388	3,335,702	2,202,357	816,525	67,235,236

Note 1 : Other non-financial assets include investment in joint ventures, investment in associates, taxation recoverable, deferred tax assets, property equipment, intangible assets and Commodity Gold at FVTPL.

Note 2 : Other non-financial liabilities include provision for taxation and deferred tax liabilities.

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

A32. LIQUIDITY RISK (Cont.)

Liquidity risk for assets and liabilities based on remaining contractual maturities.

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities.

Maturities of assets and liabilities of the Group and the Bank by remaining contractual maturities profile are as follows :-

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 30 September 2019							
Assets							
Cash and short-term funds	4,970,592	-	-	-	-	-	4,970,592
Deposits and placements with banks and other financial institutions	-	42,352	-	-	-	-	42,352
Investment accounts due from designated financial institutions	-	41,900	51,450	339,351	1,505,588	-	1,938,289
Financial assets at FVTPL	-	31,543	-	30,795	-	88,928	151,266
Derivative financial assets	11,275	8,791	9,033	8,331	13,779	-	51,209
Financial investments at FVOCI	128,857	275,434	162,369	3,099,986	1,463,596	158,255	5,288,497
Financial investments at amortised cost	920	742	-	100,000	-	-	101,662
Loans, advances and financing	2,377,160	1,170,018	1,175,593	7,615,775	14,067,074	-	26,405,620
Other assets	20,521	-	15,516	6,464	1,114	18,324	61,939
Amount due from associate	57,348	-	-	-	-	-	57,348
Statutory deposits with Bank Negara Malaysia	1,015,776	-	-	-	-	-	1,015,776
Other non-financial assets (Note 1)	6,505	-	-	-	-	4,655,889	4,662,394
Total assets	8,588,954	1,570,780	1,413,961	11,200,702	17,051,151	4,921,396	44,746,944
Liabilities							
Deposits from customers	10,001,647	4,402,872	14,148,816	3,668,354	-	-	32,221,689
Deposits and placements with banks and other financial institutions	637,557	228,275	33,724	-	-	-	899,556
Derivatives financial liabilities	12,083	7,248	7,511	46,172	7,317	-	80,331
Bills and acceptances payable	26,614	-	-	-	-	-	26,614
Lease liabilities	-	-	-	47,311	-	-	47,311
Other liabilities	421,211	-	-	-	-	-	421,211
Amount due to subsidiaries	206,648	-	-	-	-	-	206,648
Borrowings	-	-	14,654	500,000	2,000,000	-	2,514,654
Total liabilities	11,305,760	4,638,395	14,204,705	4,261,837	2,007,317	-	36,418,014

Note 1 : Other non-financial assets include investment in joint ventures, investment in associates, taxation recoverable, deferred tax assets, property equipment, right-of-use assets and intangible assets.

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

A32. LIQUIDITY RISK (Cont.)

Maturities of assets and liabilities of the Group and the Bank by remaining contractual maturities profile are as follows (cont.) :-

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 31 December 2018							
Assets							
Cash and short-term funds	2,569,003	-	-	-	-	-	2,569,003
Deposits and placements with banks and other financial institutions	-	113,610	-	-	-	-	113,610
Investment accounts due from designated financial institutions	2,177,662	189,049	-	-	-	-	2,366,711
Financial assets at FVTPL	1,277	727	1,576	148,140	102,990	118,928	373,638
Derivative financial assets	15,586	24,376	13,531	2,530	5,808	-	61,831
Financial investments at FVOCI	178,650	663,197	625,165	3,885,151	3,642,843	149,501	9,144,507
Financial investments at amortised cost	14,444	-	614	99,588	-	-	114,646
Loans, advances and financing	2,350,159	1,215,484	1,141,156	8,193,808	15,597,542	-	28,498,149
Other assets	23,854	7	8,215	6,055	1,114	21,178	60,423
Amount due from subsidiaries	420	-	-	-	-	-	420
Amount due from associates	-	41	-	-	57,176	-	57,217
Statutory deposits with Bank Negara Malaysia	1,238,069	-	-	-	-	-	1,238,069
Other non-financial assets (Note 1)	70,238	-	-	-	-	4,462,147	4,532,385
Total assets	8,639,362	2,206,491	1,790,257	12,335,272	19,407,473	4,751,754	49,130,609
Liabilities							
Deposits from customers	11,447,652	6,450,009	13,583,419	2,080,139	-	-	33,561,219
Deposits and placements with banks and other financial institutions	2,078,911	1,597,935	624,002	-	-	-	4,300,848
Derivatives financial liabilities	12,981	21,701	17,657	30,964	2,357	-	85,660
Bills and acceptances payable	32,585	-	-	-	-	-	32,585
Other liabilities	571,575	-	-	-	-	-	571,575
Amount due to subsidiaries	109,399	-	-	-	-	-	109,399
Borrowings	12,236	36,143	-	-	2,000,000	500,000	2,548,379
Total liabilities	14,265,339	8,105,788	14,225,078	2,111,103	2,002,357	500,000	41,209,665

Note 1 : Other non-financial assets include investment in joint ventures, investment in associates, taxation recoverable, deferred tax assets, property equipment and intangible assets.

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

	Economic Entity	
	30/9/2019 RM'000	31/12/2018 RM'000
ASSETS		
Cash and short-term funds	4,602,698	3,210,533
Derivative financial assets	3,336	2,042
Financial investments at FVOCI	1,992,392	2,804,257
Financing, advances and other financing	18,559,794	18,617,860
Other assets	6,034	43,194
Amount due from holding company	204,744	107,722
Amount due from joint ventures	30,831	31,295
Amount due from associate	900	500
Taxation recoverable	18,197	-
Deferred tax assets	-	17,993
Statutory deposits with Bank Negara Malaysia	537,000	512,000
Investment in associate	750	750
Property and equipment	2,129	2,677
Right-of-use assets	1,706	-
Intangible assets	682	670
TOTAL ASSETS	25,961,193	25,351,493
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers	20,670,240	19,687,388
Investment accounts of customers	1,708	875
Deposits and placements of banks and other financial institutions	114,933	245,582
Investment accounts due to designated financial institutions	1,944,992	2,368,295
Derivative financial liabilities	1,605	4,289
Other liabilities	158,626	89,863
Provision for taxation	-	8,743
Deferred tax liabilities	8,917	-
Lease liabilities	1,715	-
Subordinated term financing and medium term notes	1,125,372	1,111,231
TOTAL LIABILITIES	24,028,108	23,516,266
ISLAMIC BANKING CAPITAL FUNDS		
Share capital	1,060,000	1,060,000
Reserves	873,085	775,227
Total Islamic Banking Capital Funds	1,933,085	1,835,227
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	25,961,193	25,351,493
COMMITMENTS AND CONTINGENCIES	4,017,914	5,543,823

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

	Economic Entity			
	Individual Quarter Ended 30/9/2019 RM'000	Quarter Ended 30/9/2018 RM'000	Cumulative Quarter Ended 30/9/2019 RM'000	Quarter Ended 30/9/2018 RM'000
Income derived from investment of depositors' funds and others	288,220	246,127	849,963	691,161
Income derived from investment of investment accounts	26,063	29,772	79,382	75,721
Income derived from investment of shareholders' funds	26,177	22,491	76,766	67,048
Allowances for impairment losses on financing, advances and other financing	(9,784)	(6,158)	(17,245)	(19,822)
Allowance for impairment losses on other assets	(1,933)	(5,719)	(1,933)	(5,719)
Total distributable income	328,743	286,513	986,933	808,389
Income attributable to the depositors and others	(239,933)	(196,668)	(700,193)	(523,841)
Total net income	88,810	89,845	286,740	284,548
Other operating expenses	(71,497)	(55,138)	(198,252)	(164,220)
Profit before zakat and taxation	17,313	34,707	88,488	120,328
Zakat	-	(3,061)	(3,000)	(3,061)
Profit before taxation	17,313	31,646	85,488	117,267
Taxation	(2,854)	(12,082)	(21,139)	(32,579)
Net profit for the financial period	14,459	19,564	64,349	84,688

(iii) Unaudited Statements of Comprehensive Income

	Economic Entity			
	Individual Quarter Ended 30/9/2019 RM'000	Quarter Ended 30/9/2018 RM'000	Cumulative Quarter Ended 30/9/2019 RM'000	Quarter Ended 30/9/2018 RM'000
Net profit for the financial period	14,459	19,564	64,349	84,688
Other comprehensive income :				
<u>Items that may be reclassified subsequently to profit and loss :</u>				
- Net fair value change in financial investments at FVOCI	5,074	23,930	44,689	11,589
- Net credit impairment losses change in financial investments at FVOCI	115	21	272	15
- Net gain on financial investments at FVOCI reclassified to profit or loss on disposal (debt instruments)	(772)	64	(956)	198
- Deferred tax on financial investments at FVOCI	(1,033)	(5,759)	(10,496)	(2,829)
Other comprehensive income for the financial period, net of tax	3,384	18,256	33,509	8,973
Total comprehensive income for the financial period	17,843	37,820	97,858	93,661

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**

Economic Entity	<-----Attributable to Equity Holder of the Bank----->				
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2019	1,060,000	3,172	194,384	577,671	1,835,227
Comprehensive income :					
- Net profit for the financial period	-	-	-	64,349	64,349
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	33,509	-	-	33,509
Total comprehensive income for the financial period	-	33,509	-	64,349	97,858
Transfer to regulatory reserves	-	-	27,526	(27,526)	-
At 30 September 2019	1,060,000	36,681	221,910	614,494	1,933,085

Economic Entity	<-----Attributable to Equity Holder of the Bank----->					
	Share capital RM'000	FVOCI revaluation reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2018, as previously stated	1,060,000	-	(6,915)	94,866	610,202	1,758,153
- Adjustment arising from adoption of MFRS 9	-	(6,700)	6,915	(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 year	-	-	-	-	84,688	84,688
Other comprehensive income (net of tax) :						
- Financial investments at FVOCI	-	8,973	-	-	-	8,973
Total comprehensive income for the financial period	-	8,973	-	-	84,688	93,661
Transfer to regulatory reserves	-	-	-	68,515	(68,515)	-
At 30 September 2018	1,060,000	2,273	-	144,314	599,987	1,806,574

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.)

	Economic Entity	
	30/9/2019	31/12/2018
	RM'000	RM'000
(v) Financing, advances and other financing		
By type		
Cash line	477,413	374,079
Term financing		
- Housing financing	7,178,845	6,434,202
- Syndicated financing	690,250	700,118
- Hire purchase receivables	3,973,401	4,243,662
- Business term financing	4,918,467	5,591,252
Bills receivables	4,681	5,150
Trust receipts	35,977	16,329
Claims on customers under acceptance credits	440,973	352,435
Staff financing of which RM Nil to Directors (2018: RM Nil)	57,485	42,224
Credit/charge cards	26,147	11,408
Revolving credit	898,335	976,018
Gross financing, advances and other financing	18,701,974	18,746,877
Less : ECL	(142,180)	(129,017)
Total net financing, advances and other financing	18,559,794	18,617,860
(vi) Movements of impaired financing		
At beginning of the financial period/year, as previously stated	530,829	142,310
Effect of adoption of MFRS 9	-	(594)
At beginning of the financial period/year, as restated	530,829	141,716
Classified as impaired during the financial period/year	173,297	551,758
Reclassified as non-impaired during the financial period/year	(99,790)	(117,229)
Amount recovered during the financial period/year	(29,485)	(27,139)
Amount written-off during the financial period/year	(11,318)	(18,277)
At end of the financial period/year	563,533	530,829
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (excludes RIA).	2.22%	2.05%

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

	12-Month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Economic Entity				
30/9/2019				
At beginning of the financial period	50,292	10,864	67,861	129,017
Total transfer between stages due to change in credit risk :	4,674	18,415	(23,089)	-
- Transfer to 12-month ECL (Stage 1)	6,881	(6,287)	(594)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,193)	26,826	(24,633)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14)	(2,124)	2,138	-
Financing, advances and other financing derecognised during the financial period (other than write-offs)	(25,532)	(2,154)	(1,370)	(29,056)
New financing, advances and other financing originated or purchased	24,250	1,382	10	25,642
Changes due to change in credit risk	(5,567)	(17,635)	41,905	18,703
Changes in models/risk parameters	3,581	1,288	4,049	8,918
Write-offs	-	-	(11,120)	(11,120)
Other adjustments	-	-	76	76
At end of the financial period	51,698	12,160	78,322	142,180
Economic Entity				
31/12/2018				
At beginning of the financial year, on adoption of MFRS 9	54,528	10,975	58,334	123,837
Total transfer between stages due to change in credit risk :	8,431	4,517	(12,948)	-
- Transfer to 12-month ECL (Stage 1)	13,357	(13,195)	(162)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,091)	33,102	(29,011)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(835)	(15,390)	16,225	-
Financing, advances and other financing derecognised during the financial year (other than write-offs)	(32,808)	(2,871)	(221)	(35,900)
New financing, advances and other financing originated or purchased	40,327	1,130	7	41,464
Changes due to change in credit risk	(20,186)	(2,887)	41,966	18,893
Write-offs	-	-	(18,225)	(18,225)
Other adjustments	-	-	(1,052)	(1,052)
At end of the financial year	50,292	10,864	67,861	129,017

(viii) Deposits from customers

	Economic Entity 30/9/2019 RM'000	Economic Entity 31/12/2018 RM'000
<u>Qard</u>		
Demand deposits	2,145,520	2,598,371
Savings deposits	635,988	600,701
	<u>2,781,508</u>	<u>3,199,072</u>
<u>Mudarabah</u>		
General investment deposits	62,995	68,476
<u>Tawarruq</u>		
Savings deposits	39	-
Murabahah term deposits	17,287,421	16,024,673
Commodity Murabahah Deposit	538,277	395,167
	<u>17,825,737</u>	<u>16,419,840</u>
Total deposits from customers	20,670,240	19,687,388

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

Table 1 : Financial review for individual and cumulative quarter ended 30/9/2019 against preceding year's corresponding quarter ended 30/9/2018

	Individual Quarter Ended		Changes		Cumulative Quarter Ended		Changes	
	30/9/2019 RM'000	30/9/2018 RM'000	RM'000	%	30/9/2019 RM'000	30/9/2018 RM'000	RM'000	%
Net Income	474,260	496,249	(21,989)	(4.43)	1,444,703	1,467,044	(22,341)	(1.52)
Operating Profit	111,911	185,060	(73,149)	(39.53)	503,366	455,784	47,582	10.44
Profit Before Zakat and Tax	111,735	190,553	(78,818)	(41.36)	516,061	491,846	24,215	4.92
Profit Before Tax	110,729	187,319	(76,590)	(40.89)	510,745	487,969	22,776	4.67
Profit After Tax	77,551	150,518	(72,967)	(48.48)	384,374	375,506	8,868	2.36
Profit attributable to equity holders of the Bank	72,399	144,563	(72,164)	(49.92)	365,661	359,336	6,325	1.76

The Group reported a lower profit before taxation ("PBT") of RM110.7 million for the current financial quarter as compared to RM187.3 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2019, the Group's PBT of RM510.7 million however indicated an increase of RM22.8 million or 4.7% as compared to RM487.9 million for the corresponding period ended 30 September 2018. The improved performance was mainly attributable to higher net gain on financial instruments of RM106.3 million and lower allowances for impairment losses of RM78.4 million. These were offset by lower net interest income, net fee and commission income, other income and share of results of an associate and joint venture of RM81.9 million, RM27.9 million, RM18.6 million and RM23.4 million respectively as well as higher overhead expenses of RM8.5 million.

Commercial Banking

AFFIN Bank Berhad ("the Bank" or "ABB") reported a lower PBT of RM107.1 million for the current financial quarter as compared to RM156.7 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2019, ABB also reported a lower PBT of RM334.6 million as compared to RM472.0 million achieved in the same period previous year. The downward performance was mainly attributable to lower other income, net interest income and net fee and commission income of RM207.7 million, RM65.6 million and RM6.3 million respectively, offset by higher net gain on financial instruments of RM50.6 million and lower overhead expenses of RM27.8 million. Lower other income was mainly due to lower dividend income of RM162.0 million received from subsidiaries and gain of RM31.0 million on winding-up of AFFIN Recoveries reported last year. In addition, the net allowance on credit impairment losses was lower by RM63.7 million.

AFFIN Islamic Bank (AiBB) registered a lower PBT of RM17.3 million for the current financial quarter as compared to RM31.6 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2019, AiBB also registered a lower PBT of RM85.5 million as compared to RM117.3 million achieved in the same period previous year, mainly due to lower net finance income of RM53.7 million and higher overhead expenses of RM34.0 million, offset by higher net gain on financial instruments of RM56.7 million, lower allowance for credit impairment losses of RM6.3 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 higher PBT of RM48.5 million for the current financial quarter as compared to RM41.0 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2019, the AFFIN Hwang IB Group's also reported a higher PBT of RM145.3 million as compared to RM124.0 million achieved last year. The improved performance was mainly due to higher net gain on financial instruments of RM55.7 million, net of lower net fee and commission income of RM26.6 million and net interest income of RM9.8 million. In addition, there was higher allowance on credit impairment losses of RM1.3 million and lower recoveries of RM1.8 million for the period under review.

The 63%-owned subsidiary namely AFFIN Hwang Asset Management Berhad ("AHAM"), contributed a lower PBT of RM15.4 million for the current financial quarter as compared to RM24.4 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2019, AHAM also registered a lower PBT RM65.6 million as compared to RM70.2 million achieved in the previous year, mainly due to lower net fee and commission income of RM28.1 million, offset by lower overhead expenses of RM15.8 million and higher gain on financial instruments of RM7.7 million.

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 higher pre-tax loss of RM12.6 million for the current financial quarter as compared to RM4.5 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2019, AALI also reported a higher pre-tax loss of RM9.6 million as compared to RM6.4 million for the corresponding period last year, mainly due to higher reserves for future policyholders' liabilities of RM28.7 million as a result of movement in MGS rate, offset by higher investment income of RM17.9 million and lower expenses of RM7.6 million.

AAGI reported a lower pre-tax profit of RM12.2 million for the current financial quarter as compared to RM20.0 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2019, AAGI also reported a lower pre-tax profit of RM43.0 million as compared to RM106.4 million for the corresponding period previous year. This was mainly due to higher net claims incurred of RM46.3 million attributed largely to Motor and Personal Accident, lower earned premium of RM27.4 million and lower gain on disposal of investments of RM14.6 million, offset by higher investment income of RM11.6 million and lower net commission paid of RM7.9 million.

Other business segment

The results of other business segment was made up of the pretax profit of RM2.0 million of AFFIN Moneybrokers Sdn Bhd ("AMB") for the 9 months ended 30 September 2019.

AMB reported a higher PBT of RM0.7 million for the current financial quarter as compared to RM0.4 million for preceding year's corresponding quarter. For the 9 months ended 30 September 2019, AMB also reported a higher PBT of RM2.0 million as compared to RM1.1 million achieved in the previous year, mainly due to higher brokerage income of RM2.0 million, net of higher overhead expenses of RM0.9 million.

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

Table 2 : Financial review for current quarter against preceding quarter

	Current Financial Quarter	Preceding Financial Quarter	Changes	
	30/9/2019 RM'000	30/06/2019 RM'000	RM'000	%
Net income	474,260	497,927	(23,667)	(4.75)
Operating Profit	111,911	213,401	(101,490)	(47.56)
Profit Before Zakat and Tax	111,735	218,903	(107,168)	(48.96)
Profit Before Tax	110,729	215,040	(104,311)	(48.51)
Profit After Tax	77,551	163,078	(85,527)	(52.45)
Profit attributable to equity holders of the Bank	72,399	156,031	(83,632)	(53.60)

The Group's pre-tax profit of RM110.7 million for the current financial quarter indicated a decrease of RM104.3 million or 48.5% as compared to RM215.0 million achieved in the preceding quarter. The downward performance was mainly due to net allowance on credit impairment losses of RM43.1 million as compared to net write-back of RM26.3 million in 30 June 2019 and lower net gain on financial instruments, Islamic banking income and net interest income of RM7.2 million, RM6.6 million and RM6.4 million respectively. In addition, there was a share of loss in joint venture of RM4.8 million as compared to share of profits of RM2.1 million in preceding quarter while the overhead expenses was higher by RM6.5 million.

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

B3. PROSPECTS FOR FINANCIAL YEAR 2019

Malaysia's real GDP growth slowed to 4.4% in 3Q2019 after rising to 4.9% in 2Q2019. Slower growth in 3Q2019 was attributed to the slowdown in domestic demand due to sharper decline in total investment as well as slower growth in private consumption. In the first three quarters of 2019, the real GDP registered an average growth of 4.6 % year on year compared to 4.8% in the same period previous year. Overall growth for 2019 is expected to be within projections target of 4.3% to 4.8% (4.7% in 2018) and the pace will be sustained going into 2020. This is underpinned mainly by private sector activity, particularly household spending which is supported by continued expansion in employment and income.

Headline inflation in 2020 is projected to average higher than in 2019 but remain modest. The underlying inflation is expected to remain stable, supported by continued expansion in economic activity and in the absence of strong demand pressures.

The global economy still faces substantial downside risk stemming from uncertainties in global economic and financial conditions as well as weakness in commodity related sectors. BNM, in its last monetary policy meeting in November 2019 decided to maintain the OPR at 3.0% stating that the current monetary policy remain accommodative and supportive to the economic activity but warned of a synchronised slowdown in the global economic activity in both the advanced and emerging economies.

The banking industry is expected to continue characterised by moderate loan growth and soft capital markets. The prevailing market conditions, both globally and domestically will continue to drive volatility and uncertainty in the industry. Caution will prevail in the industry due to the soft economic outlook globally and selective asset growth will be the focus for the banks.

The Group is upgrading its capabilities and operating efficiencies specifically on digital front in enriching customer experience. Moving forward, customers can look forward to more digital offerings with the new AFFIN Pay @ E-Wallet and new Retail Internet Banking which was launched in June 2019 and September 2019 respectively. The Mobile Internet Banking is also in the pipeline. On the Corporate Banking side, the new Transaction Banking System will enable AFFINBANK to on board new customers and enhance existing customers' experience. On the Small and Medium Enterprises ('SME') front, the new SME colony Application was launched in July 2019. At the same time, AFFINBANK is also working with renowned Fintech partners on technology driven initiatives.

The Group will continuously strive to maximise synergistic value and put in place more strategies to drive the next phase of growth and meet the ever-changing business environment and requirements. AFFINBANK's strategic focus for the 4Q2019 will remain on both retail and business banking segments, especially in the SME segment.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	47,221	55,103	112,754	120,118
Over provision in prior years	(56,713)	(26,139)	(56,691)	(13,513)
Deferred tax expense :				
- Relating to originating temporary differences	42,670	7,837	70,308	5,858
	33,178	36,801	126,371	112,463

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

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.

Bank

Malaysian income tax	28,156	29,828	63,635	59,489
(Over)/under provision in prior years	(42,577)	(2,879)	(42,577)	9,747
Deferred tax expense/(income):				
- Relating to originating temporary differences	30,196	(3,758)	49,203	(6,904)
	15,775	23,191	70,261	62,332

For the preceding year's corresponding period, the Bank'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. STATUS OF CORPORATE PROPOSALS

There were no changes in status of corporate proposals reported during the financial period under review.

B7. DEPOSITS, LEASE LIABILITIES AND BORROWINGS

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
(i) <u>Deposits from Customers</u>				
<u>By Type of Deposit :</u>				
Money Market Deposits	1,641,836	1,256,223	1,641,836	1,256,223
Demand Deposits	6,053,892	6,830,259	3,910,077	4,245,815
Savings Deposits	2,273,304	2,109,239	1,637,277	1,508,539
Fixed Deposits	45,847,860	42,820,134	24,526,624	22,702,344
Negotiable Instruments of Deposits ("NID")	465,416	3,838,419	505,875	3,848,298
Commodity Murabahah Deposits	538,277	395,167	-	-
Others	63,161	97,006	-	-
	<u>56,883,746</u>	<u>57,346,447</u>	<u>32,221,689</u>	<u>33,561,219</u>
 Maturity structure of fixed deposits and NIDs are as follows :				
Due within six months	23,538,827	29,362,425	11,497,730	16,890,847
Six months to one year	16,968,793	14,371,114	9,764,139	7,579,649
One year to three years	5,485,505	2,521,314	3,727,398	2,054,033
Three years to five years	320,151	403,700	43,232	26,113
	<u>46,313,276</u>	<u>46,658,553</u>	<u>25,032,499</u>	<u>26,550,642</u>
 <u>By Type of Customer :</u>				
Government and statutory bodies	11,642,369	12,148,553	2,155,480	2,205,373
Business enterprises	13,098,796	15,343,682	7,380,887	9,111,267
Individuals	23,684,008	16,220,138	18,383,043	14,289,446
Domestic banking institutions	483,171	3,915,899	536,451	3,932,579
Domestic non-banking financial institutions	6,524,377	8,446,052	2,673,973	3,133,150
Foreign entities	726,764	547,452	576,078	431,780
Others	724,261	724,671	515,777	457,624
	<u>56,883,746</u>	<u>57,346,447</u>	<u>32,221,689</u>	<u>33,561,219</u>
 (ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>				
<u>By Type of Institution :</u>				
Licensed banks	97,374	2,371,858	208,037	2,154,065
Licensed investment banks	-	153,398	-	-
Bank Negara Malaysia	-	361,359	-	361,359
Other financial institutions	734,822	1,960,297	691,519	1,785,424
	<u>832,196</u>	<u>4,846,912</u>	<u>899,556</u>	<u>4,300,848</u>
 <u>By Maturity Structure :</u>				
Due within six months	804,905	4,772,885	879,212	4,226,821
Six months to one year	27,291	74,027	20,344	74,027
	<u>832,196</u>	<u>4,846,912</u>	<u>899,556</u>	<u>4,300,848</u>
 (iii) <u>Lease Liabilities</u>				
At beginning of financial period/year, on adoption of MFRS 16	72,777	-	58,307	-
Additions	24,367	-	7,197	-
Termination of contracts	(105)	-	-	-
Interest expense	514	-	-	-
Lease payment	(26,410)	-	(18,193)	-
At end of the financial period/year	<u>71,143</u>	<u>-</u>	<u>47,311</u>	<u>-</u>

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

B7. DEPOSITS, LEASE LIABILITIES AND BORROWINGS (Cont.)

	Group		Bank	
	30/9/2019 RM'000	31/12/2018 RM'000	30/9/2019 RM'000	31/12/2018 RM'000
(iv) Borrowings				
(a) Tier-2 Subordinated Medium Term Notes	2,009,728	2,036,144	2,009,728	2,036,144
(b) Additional Tier-1 Capital Securities	504,926	512,235	504,926	512,235
(c) Additional Tier-1 Sukuk Wakalah	307,662	303,483	-	-
(d) MTN Tier-2 Sukuk Murabahah	817,710	201,950	-	-
	<u>3,640,026</u>	<u>3,053,812</u>	<u>2,514,654</u>	<u>2,548,379</u>

(a) Tier-2 Subordinated Medium Term Notes ("Subordinated MTNs")

ABB 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.

(b) Additional Tier-1 Capital Securities ("AT1CS")

ABB had on 31 July 2018 issued AT1CS of RM500 million out of its approved BASEL III Compliant AT1CS programme of up to RM3.0 billion in nominal value. The AT1CS was on perpetual non-callable 5 years, at a coupon rate of 5.80%. The AT1CS was issued for the purpose of general banking business and working capital requirements of the Bank.

(c) Additional Tier 1 Sukuk Wakalah ("AT1S")

AiBB had on 18 October 2018 issued first tranche of AT1S of RM300.0 million out of its approved BASEL III Complaint Islamic Medium Term Notes Programme ("Sukuk Programme") of up to RM5.0 billion in nominal value. The Sukuk Wakalah was on a perpetual non-callable 5 years, at a coupon rate of 5.65%. The Sukuk Wakalah was issued for the purpose of general banking business and working capital requirements of AiBB.

(d) MTN Tier-2 Sukuk Murabahah

AiBB had on 23 October 2018 issued a MTN Tier-2 Sukuk Murabahah of RM800.0 million out of its Sukuk Programme. The Sukuk Murabahah was issued for a tenure of 10 years from the issue date on a 10-year non-callable 5 basis, at a coupon rate of 5.05%. The Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of AiBB.

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

B8. MATERIAL LITIGATION

- a) A claim by the Plaintiff against the Bank vide Write of Summons and Statement of Claim dated 22 January 2016 ("Writ") for the following:-
- RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
 - SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
 - 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;
 - 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. Hearing of the trial commenced on 27 August 2018 but after several postponements, the remaining trial dates were vacated by Court (as a new judge will be taking over the matter). The High Court fixed 23 May 2019 for Case Management for parties to update on mediation efforts. Mediation was unsuccessful. However as the Federal Court reinstated his bankruptcy on 26 August 2019, the hearings at the High Court cannot proceed until sanction from the DGI has been obtained. The High Court fixed 25 November 2019 for Case Management for the Plaintiff to update on the DGI sanction to proceed with his claim against the Bank. The Insolvency Officer (representing DGI) informed the Court he requires 2 weeks to attend to the issuance of the DGI's sanction. The Court fixed 9 December 2019 for further mention.

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

B8. MATERIAL LITIGATION (continued)

- b) ABB and its wholly-owned subsidiary, AFFIN Hwang IB, together with another bank (collectively the “Participating Banks”) are the syndicated lenders in the syndicated facility for the sum of up to RM165 million (“Syndicated Facility”) comprising revolving credit (“RC”) facility, letter of credit (“LC”) facility and bank guarantee (“BG”) facility granted to Zecon Berhad (“Zecon”).

Under the Syndicated Facility, ABB granted a RC and LC facility in the sum of RM15 million and RM50 million respectively whilst AFFIN Hwang IB had granted a BG facility in the sum of RM25 million. Zecon defaulted in its payment of the Syndicated Facility and the Participating Banks filed a claim for the amount owing of RM102,785,249.87, of which approximately RM33 million are attributable to ABB and AFFIN Hwang IB.

Zecon filed its Defence and Counter-claim (“Counter-claim”) claiming amongst others, return of the 3rd party charge document given to secure the Syndicated Facility, general damages and costs against the Participating Banks. The Court had on 29 April 2019 fixed the matter for Case Management on 29 May 2019. Case Management on 29 May 2019 was postponed to 28 June 2019 to hear an Intervener’s application by Zecon Capital Ventures Sdn Bhd (3rd party chargor). After a few postponements, during the Case Management on 9 August 2019, the Intervener’s application was dismissed with costs. Case Management was then fixed on 20 August 2019. On 20 August 2019, the Court was informed that summary judgment and striking-out had been filed on 19 August 2019 against the Defendant and Case Management was fixed on 18 October 2019. On 18 October 2019, the Court fixed further Case Management on 28 November 2019.

The Board of Directors of ABB are of the view that save for the orders, cost and relief sought by Zecon which will only materialize if the Court rules in Zecon’s favour, the Counter-claim is not expected to result in any immediate losses, material, financial and operational impact on ABB.

- c) There are various legal suits against ABB in respect of claims and counter claims of approximately RM19.0 million (2018: RM26.1 million). Based on legal advice, the Directors are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B9. DIVIDENDS

No dividend has been proposed for the quarter under review.

B10. EARNINGS PER SHARE

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
Net profit attributable to equity holders of the Bank (RM'000)	72,399	144,563	365,661	359,336
Weighted average number of ordinary shares in issue	1,982,706,925	1,942,948,547	1,982,706,925	1,942,948,547
Basic earnings per share (sen)	3.65	7.44	18.44	18.49

Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
Net profit attributable to equity holders of the Bank (RM'000)	91,346	133,469	264,324	409,693
Weighted average number of ordinary shares in issue	1,982,706,925	1,942,948,547	1,982,706,925	1,942,948,547
Basic earnings per share (sen)	4.61	6.87	13.33	21.09