

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 30 June 2020

	Note	GROUP		BANK	
		30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
ASSETS					
Cash and short-term funds		8,165,241	4,605,357	3,526,620	2,317,369
Deposits and placements with banks and other financial institutions		-	-	43,109	41,368
Investment accounts due from designated financial institutions		-	-	1,888,691	1,912,415
Financial assets at fair value through profit or loss ("FVTPL")	A9	322,181	662,132	171,151	170,216
Derivative financial assets	A29	238,023	164,868	123,222	118,225
Financial investments at fair value through other comprehensive income ("FVOCI")	A10	10,206,349	12,496,846	5,683,023	6,373,844
Financial investments at amortised cost ("AC")	A11	143,941	145,066	100,484	100,499
Loans, advances and financing	A12	44,323,027	45,387,865	24,706,717	25,730,059
Trade receivables	A13	607,122	534,388	-	-
Other assets	A14	327,904	159,950	151,626	60,883
Amount due from subsidiaries		-	-	111,156	1,318
Amount due from joint ventures		28,675	28,402	-	-
Amount due from associates		31,780	31,787	30,880	30,887
Tax recoverable		129,040	121,595	104,369	67,940
Deferred tax assets		62,370	22,520	37,095	12,690
Statutory deposits with Bank Negara Malaysia		46,961	1,534,777	33,359	857,377
Investment in subsidiaries		-	-	3,053,899	3,053,899
Investment in joint ventures		167,312	171,913	178,940	178,940
Investment in associates		677,523	659,527	548,482	548,482
Property and equipment		747,821	641,867	715,007	607,322
Right-of-use assets		51,021	57,709	34,397	43,416
Intangible assets		898,719	914,693	192,675	202,670
TOTAL ASSETS		67,175,010	68,341,262	41,434,902	42,429,819
LIABILITIES AND EQUITY					
Deposits from customers	B7	48,294,747	51,088,962	27,516,907	30,135,250
Investment accounts of customers		904	1,447	-	-
Deposits and placements of banks and other financial institutions	B7	3,402,603	1,763,252	2,124,932	646,085
Obligation on securities sold under repurchase agreements		98,227	-	98,227	-
Derivative financial liabilities	A29	279,575	186,791	175,741	136,439
Bills and acceptances payable		28,957	32,903	28,957	32,903
Trade payables		750,106	787,563	-	-
Lease liabilities	B7	51,946	58,650	35,443	44,219
Other liabilities	A15	1,116,186	1,398,837	482,565	418,548
Amount due to subsidiaries		-	-	2,080	55,899
Provision for taxation		10,127	41	-	-
Deferred tax liabilities		2,797	19,080	-	-
Borrowings	B7	3,606,247	3,607,143	2,547,922	2,548,379
TOTAL LIABILITIES		57,642,422	58,944,669	33,012,774	34,017,722

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 2019.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)

Condensed Interim Financial Statements
Unaudited Statements of Financial Position as at 30 June 2020

	Note	GROUP		BANK	
		30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
EQUITY					
Share capital		4,774,772	4,774,772	4,774,772	4,774,772
Reserves:-					
FVOCI revaluation reserves	A16	181,298	250,661	121,785	148,173
Regulatory reserves	A16	602,404	732,539	376,752	471,925
Other reserves	A16	(61,010)	(61,010)	-	-
Foreign exchange reserves	A16	135	135	-	-
Retained profits	A16	3,961,176	3,640,073	3,148,819	3,017,227
Equity attributable to equity holders of the Bank		9,458,775	9,337,170	8,422,128	8,412,097
Non-controlling interest		73,813	59,423	-	-
TOTAL EQUITY		9,532,588	9,396,593	8,422,128	8,412,097
TOTAL LIABILITIES AND EQUITY		67,175,010	68,341,262	41,434,902	42,429,819
COMMITMENTS AND CONTINGENCIES	A28	29,768,439	30,851,233	16,740,559	19,679,897
CAPITAL ADEQUACY RATIOS	A31				
Before deducting proposed dividends :					
CET 1 capital ratio		14.727%	14.503%	13.598%	13.026%
Tier 1 capital ratio		16.515%	16.284%	15.328%	14.713%
Total capital ratio		23.579%	23.306%	23.130%	22.349%
After deducting proposed dividends :					
CET 1 capital ratio		14.665%	14.441%	13.500%	12.931%
Tier 1 capital ratio		16.453%	16.223%	15.230%	14.617%
Total capital ratio		23.518%	23.245%	23.032%	22.253%
Net assets per share attributable to equity holders of the Bank (RM)		4.76	4.70	4.25	4.24

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 2019.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Quarter Ended 30 June 2020

GROUP	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		30/6/2020	30/6/2019	30/6/2020	30/6/2019
		RM'000	RM'000	RM'000	RM'000
Interest income	A17	436,632	574,255	922,039	1,165,875
Interest expense	A18	(279,384)	(387,270)	(591,359)	(790,507)
Net interest income		157,248	186,985	330,680	375,368
Income from Islamic banking business		117,353	104,722	237,024	202,117
Modification loss	A18 (a)	(79,728)	-	(79,728)	-
		194,873	291,707	487,976	577,485
Fee and commission income	A19 (a)	156,348	146,321	319,850	279,496
Fee and commission expense	A19 (b)	(38,097)	(36,629)	(85,335)	(67,194)
Net fee and commission income	A19	118,251	109,692	234,515	212,302
Net gains on financial instruments	A20	187,263	83,866	394,875	155,377
Other income	A21	12,571	12,662	25,967	25,279
Net income		512,958	497,927	1,143,333	970,443
Other operating expenses	A22	(382,773)	(310,794)	(714,822)	(615,116)
Operating profit before allowances		130,185	187,133	428,511	355,327
(Allowances for)/write-back of credit impairment losses	A23	(53,831)	26,268	(170,924)	36,128
Allowances for impairment losses on other assets	A24	-	-	(1,015)	-
Operating profit		76,354	213,401	256,572	391,455
Share of results of a joint venture		6,585	2,070	2,924	320
Share of results of associates		11,661	3,432	11,596	12,551
Profit before zakat and taxation		94,600	218,903	271,092	404,326
Zakat		(962)	(3,863)	(3,165)	(4,310)
Profit before taxation		93,638	215,040	267,927	400,016
Taxation	B5	(17,385)	(51,962)	(62,569)	(93,193)
Net profit after zakat and taxation		76,253	163,078	205,358	306,823
Attributable to :-					
Equity holders of the Bank		67,399	156,031	190,968	293,262
Non-controlling interest		8,854	7,047	14,390	13,561
		76,253	163,078	205,358	306,823
Earnings per share attributable to equity holders of the Bank (sen) :-					
Basic	B10	3.40	7.86	9.62	14.80
Diluted	B10	3.30	7.86	9.33	14.80

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 2019.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Quarter Ended 30 June 2020

GROUP	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	76,253	163,078	205,358	306,823
Other comprehensive income/(losses):				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	396,496	81,588	264,196	249,293
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	6,485	(6,352)	6,946	(5,250)
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(138,183)	(32,784)	(365,915)	(40,003)
- Net loss on disposal in financial investments at FVOCI (non-recycle to profit or loss)	-	(303)	-	-
- Deferred tax on financial investments at FVOCI	(61,995)	(12,974)	24,412	(51,553)
- Share of other comprehensive (loss)/income of a joint venture	(2,526)	2,019	(7,525)	2,159
- Share of other comprehensive (loss)/income of associates	13,622	3,684	6,932	7,494
<u>Items that may not be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments designated at FVOCI (equity instruments)	1,658	(2,936)	1,570	2,755
- Deferred tax on financial investments at FVOCI	-	1,366	21	-
Other comprehensive (loss)/income for the financial period, net of tax	215,557	33,308	(69,363)	164,895
Total comprehensive (loss)/income for the financial period	291,810	196,386	135,995	471,718
Total comprehensive (loss)/income for the financial period attributable to :-				
Equity holders of the Bank	282,956	189,339	121,605	458,157
Non-controlling interest	8,854	7,047	14,390	13,561
	291,810	196,386	135,995	471,718

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 2019.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Quarter Ended 30 June 2020

	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<u>BANK</u>					
Interest income	A17	402,910	512,940	837,267	1,045,302
Interest expense	A18	(257,790)	(344,178)	(535,210)	(703,865)
Net interest income		145,120	168,762	302,057	341,437
Modification loss	A18 (a)	(50,274)	-	(50,274)	-
		94,846	168,762	251,783	341,437
Fee and commission income	A19 (a)	17,514	26,694	41,831	51,802
Fee and commission expense	A19 (b)	(781)	(2,361)	(2,561)	(3,835)
Net fee and commission income	A19	16,733	24,333	39,270	47,967
Net gains on financial instruments	A20	50,521	41,825	132,033	72,250
Other income	A21	45,846	9,471	58,327	19,209
Net income		207,946	244,391	481,413	480,863
Other operating expenses	A22	(167,340)	(146,343)	(337,666)	(296,126)
Operating profit before allowances		40,606	98,048	143,747	184,737
(Allowances for)/write-back of credit impairment losses	A23	(33,820)	25,721	(105,015)	42,727
Profit before zakat and taxation		6,786	123,769	38,732	227,464
Zakat		-	-	-	-
Profit before taxation		6,786	123,769	38,732	227,464
Taxation	B5	5,769	(30,793)	(2,313)	(54,486)
Net profit after zakat and taxation		12,555	92,976	36,419	172,978
Earnings per share attributable to equity holders of the Bank (sen) :-					
Basic	B10	0.63	4.69	1.83	8.73
Diluted	B10	0.61	4.69	1.78	8.73

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 2019.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Quarter Ended 30 June 2020

	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<u>BANK</u>				
Profit after zakat and taxation	12,555	92,976	36,419	172,978
Other comprehensive income/(losses):				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	187,167	10,046	107,423	81,261
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	5,777	730	6,572	(1,077)
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(55,514)	-	(150,791)	-
- Deferred tax on financial investments at FVOCI	(31,597)	(2,410)	10,408	(19,503)
Other comprehensive (loss)/income for the financial period, net of tax	105,833	8,366	(26,388)	60,681
Total comprehensive (loss)/income for the financial period	118,388	101,342	10,031	233,659

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 2019.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)

**Unaudited Condensed Consolidated Statements Of Changes In Equity
for the Financial Quarter Ended 30 June 2020**

	<----- Attributable to Equity Holders of the Bank ----->								Non-controlling interest	Total equity
	Share capital	FVOCI revaluation reserves	Regulatory reserves	Foreign exchange reserves	Stock option reserves*	Other reserves	Retained profits	Total shareholders' equity		
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	4,774,772	250,661	732,539	135	-	(61,010)	3,640,073	9,337,170	59,423	9,396,593
Net profit for the financial period	-	-	-	-	-	-	190,968	190,968	14,390	205,358
Other comprehensive income (net of tax) :										
- Financial investments at FVOCI	-	(68,770)	-	-	-	-	-	(68,770)	-	(68,770)
- Share of other comprehensive loss of a joint venture	-	(7,525)	-	-	-	-	-	(7,525)	-	(7,525)
- Share of other comprehensive loss of associates	-	6,932	-	-	-	-	-	6,932	-	6,932
Total comprehensive income	-	(69,363)	-	-	-	-	190,968	121,605	14,390	135,995
Transfer from regulatory reserves	-	-	(130,135)	-	-	-	130,135	-	-	-
At 30 June 2020	4,774,772	181,298	602,404	135	-	(61,010)	3,961,176	9,458,775	73,813	9,532,588
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
Net profit for the financial period	-	-	-	-	-	-	293,262	293,262	13,561	306,823
Other comprehensive income (net of tax) :										
- Financial investments at FVOCI	-	155,242	-	-	-	-	-	155,242	-	155,242
- Net loss on disposal of financial investments designated at FVOCI (equity instruments)	-	2,755	-	-	-	-	(2,755)	-	-	-
- Share of other comprehensive income of a joint venture	-	2,159	-	-	-	-	-	2,159	-	2,159
- Share of other comprehensive income of associates	-	7,494	-	-	-	-	-	7,494	-	7,494
Total comprehensive income	-	167,650	-	-	-	-	290,507	458,157	13,561	471,718
Issuance of new shares	90,020	-	-	-	-	-	-	90,020	-	90,020
Dilution of interest in subsidiaries	-	-	-	-	-	-	12,807	12,807	31,967	44,774
Transfer to regulatory reserves	-	-	76,507	-	-	-	(76,507)	-	-	-
Issuance of new shares from exercise of employee stock option incentive scheme **	-	-	-	-	(8,328)	-	8,328	-	-	-
Dividends	-	-	-	-	-	-	-	-	(18,500)	(18,500)
At 30 June 2019	4,774,772	278,021	1,015,562	593	-	-	3,163,719	9,232,667	96,581	9,329,248

* The stock option reserves represents the fair value of the options of a subsidiary's employee stock option incentive scheme.

** On 8 March 2019, the options holder have fully exercised the employee stock option incentive scheme.

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AFFIN BANK BERHAD
 Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statements Of Changes In Equity
for the Financial Quarter Ended 30 June 2020

	<-----Non-distributable----->			< Distributable >	
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
<u>BANK</u>					
At 1 January 2020	4,774,772	148,173	471,925	3,017,227	8,412,097
Net profit for the financial period	-	-	-	36,419	36,419
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	(26,388)	-	-	(26,388)
Total comprehensive income	-	(26,388)	-	36,419	10,031
Transfer from regulatory reserves	-	-	(95,173)	95,173	-
At 30 June 2020	4,774,772	121,785	376,752	3,148,819	8,422,128
At 1 January 2019	4,684,752	111,161	716,313	2,408,718	7,920,944
Net profit for the financial period	-	-	-	172,978	172,978
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	60,681	-	-	60,681
Total comprehensive income	-	60,681	-	172,978	233,659
Issuance of new shares	90,020	-	-	-	90,020
Transfer to regulatory reserves	-	-	44,025	(44,025)	-
At 30 June 2019	4,774,772	171,842	760,338	2,537,671	8,244,623

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 2019.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statements of Cash Flow
for the Financial Quarter Ended 30 June 2020

	GROUP		BANK	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	267,927	400,016	38,732	227,464
Adjustments for items not involving the movement of cash and cash equivalents	(248,429)	(297,815)	(78,532)	(163,954)
Operating profit before changes in working capital	19,499	102,201	(39,800)	63,510
Net changes in operating assets	2,708,031	1,018,349	1,544,058	1,367,540
Net changes in operating liabilities	(1,537,233)	(891,442)	(976,798)	(2,996,995)
Tax and zakat paid	(93,010)	(45,210)	(52,738)	(33,037)
Net cash generated/(used in) from operating activities	1,097,286	183,898	474,722	(1,598,982)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received :				
- financial investments at FVOCI	173,858	235,051	130,973	157,802
- financial investments at AC	4,054	4,097	2,870	2,839
Dividend income :				
- financial assets at FVTPL	2,876	3,104	549	-
- financial investments at FVOCI	662	2,905	-	656
- subsidiaries	-	-	40,000	1,000
Net disposal/(purchase) of :				
- financial investments at FVOCI	2,456,245	3,444,563	784,046	3,217,412
- financial investments at AC	(2,400)	12,789	-	8,992
Purchase of :				
- property and equipment	(121,865)	(77,214)	(117,347)	(71,956)
- intangible assets	(1,858)	(1,903)	(371)	(884)
Proceeds from disposal of :				
- property and equipment	139	153	-	1
- foreclosed properties	120	1,860	120	1,860
Issuance of new shares	-	90,020	-	90,020
Subscription of shares in a joint venture	-	(15,300)	-	(15,300)
Exercise of employee stock option incentive scheme	-	44,773	-	-
Net cash generated from investing activities	2,511,831	3,744,898	840,840	3,392,442
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	-	600,000	-	-
Interest payment on borrowings	(67,613)	(61,435)	(67,174)	(67,036)
Payment of dividend to non-controlling interest	-	(18,500)	-	-
Lease payments	(37,261)	-	(13,780)	-
Net cash (used in)/generated from financing activities	(104,874)	520,065	(80,954)	(67,036)
Net increase in cash and cash equivalents	3,504,243	4,448,861	1,234,608	1,726,424
Effects of foreign exchange	3,450	5,657	3,215	4,506
Cash and cash equivalents at beginning of the financial period	4,605,357	6,324,663	2,288,797	2,653,725
Cash and cash equivalents at end of the financial period	8,113,049	10,779,181	3,526,620	4,384,655
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	8,165,241	10,324,816	3,526,620	3,902,876
Deposits and placements of banks and other financial institutions	-	511,819	43,109	570,813
	8,165,241	10,836,635	3,569,729	4,473,689
Less:				
Amount held on behalf of commissioned dealer's representatives	(52,192)	(48,219)	-	-
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)	(43,109)	(89,034)
	8,113,049	10,779,181	3,526,620	4,384,655

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 2019.

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 2019. 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 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 2019, except for the adoption of the following amendments to MFRS that are applicable to the Group and the Bank effective for the financial year beginning on 1 January 2020:

The MASB has made amendments to MFRS 101 'Presentation of Financial Statements' and MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective 1 January 2020) which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in MFRS 101 about immaterial information.

Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The MASB has issued a revised Conceptual Framework (effective 1 January 2020) which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The MASB has made limited scope amendments to MFRS 10 'Consolidated Financial Statements' and MFRS 128 'Investments in Associates and Joint Ventures'.

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

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2019 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

During the second quarter ended 30 June 2020, save as disclosed in Notes A18(a), there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

A6. CHANGES IN ESTIMATES

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

A8. DIVIDENDS PAID

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

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

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

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
<u>At fair value</u>				
<u>Money market instruments</u>				
Malaysian Government Investment Issues	2	137,242	-	-
Negotiable Instruments of Deposit	61,803	60,977	61,803	60,977
	61,805	198,219	61,803	60,977
<u>Quoted Securities</u>				
Exchange traded fund	1,598	5,006	-	-
Shares, warrants and REITs in Malaysia	45,448	49,478	-	-
Shares, warrants and REITs outside Malaysia	35,617	35,101	-	-
Unit Trusts in Malaysia	35,015	231,777	-	-
	117,678	321,362	-	-
<u>Unquoted Securities</u>				
Shares in Malaysia	94,207	94,207	94,207	94,207
Corporate Bonds/Sukuk in Malaysia	22,004	21,857	15,141	15,032
Corporate Bonds/Sukuk outside Malaysia	26,487	26,487	-	-
	142,698	142,551	109,348	109,239
	322,181	662,132	171,151	170,216

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

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
<u>At fair value</u>				
<u>Money market instruments</u>				
Malaysian Government Treasury Bills	98,102	-	-	-
Malaysian Government Securities	775,494	731,623	222,326	182,017
Malaysian Government Investment Issues	2,503,234	2,948,863	1,175,398	989,435
Cagamas Bonds/Sukuk	10,971	25,965	-	-
Negotiable Instruments of Deposit and Islamic Debt Certificates	8,776	7,073	563,539	1,016,287
Khazanah Bonds/Sukuk	235,391	309,411	235,391	256,336
	3,631,968	4,022,935	2,196,654	2,444,075
<u>Unquoted Securities</u>				
Shares in Malaysia	182,491	180,881	157,817	157,818
Corporate bonds/Sukuk in Malaysia	6,076,494	8,031,818	3,105,420	3,638,627
Corporate Bonds/Sukuk outside Malaysia	315,396	261,212	223,132	133,324
	6,574,381	8,473,911	3,486,369	3,929,769
	10,206,349	12,496,846	5,683,023	6,373,844

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

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

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

Group 30/6/2020	12-Month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	(Stage 1)	(Stage 2)	(Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	4,798	594	12,166	17,558
Total transfer between stages due to change in credit risk :	188	(188)	-	-
- Transfer to 12-month ECL (Stage 1)	188	(188)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Financial assets derecognised (other than write-offs)	(982)	(1)	-	(983)
New financial assets originated or purchased	170	-	-	170
Changes due to change in credit risk	6,934	672	153	7,759
Other adjustments :				
- Foreign exchange and other movements	1	-	-	1
At end of the financial period	11,109	1,077	12,319	24,505

Group 31/12/2019	12-Month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	(Stage 1)	(Stage 2)	(Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	5,307	39	17,515	22,861
Total transfer between stages due to change in credit risk :	(34)	34	-	-
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(34)	34	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Financial assets derecognised (other than write-offs)	(1,948)	-	(7,073)	(9,021)
New financial assets originated or purchased	566	-	-	566
Changes due to change in credit risk	464	550	1,724	2,738
Changes in models/risk parameters	35	(29)	-	6
Other adjustments :				
- Foreign exchange and other movements	(2)	1	-	(1)
At end of the financial year	4,388	595	12,166	17,149

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

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

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

Bank	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
		RM'000	RM'000	
30/6/2020				
At beginning of the financial period	3,607	557	-	4,164
Total transfer between stages due to change in credit risk :	(10)	10	-	-
- Transfer to 12-month ECL (Stage 1)	(10)	10	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Financial assets derecognised (other than write-offs)	(717)	-	-	(717)
New financial assets originated or purchased	148	-	-	148
Changes due to change in credit risk	6,631	510	-	7,141
At end of the financial period	9,659	1,077	-	10,736

Bank	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
		RM'000	RM'000	
31/12/2019				
At beginning of the financial year	5,399	-	-	5,399
Total transfer between stages due to change in credit risk :	(34)	34	-	-
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(34)	34	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Financial assets derecognised (other than write-offs)	(1,421)	-	-	(1,421)
New financial assets originated or purchased	292	-	-	292
Changes due to change in credit risk	(684)	550	-	(134)
Changes in models/risk parameters	57	(27)	-	30
Other adjustments :				
- Foreign exchange and other movements	(2)	-	-	(2)
At end of the financial year	3,607	557	-	4,164

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 ("AC")

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
<u>At amortised cost</u>				
<u>Unquoted Securities</u>				
Corporate Bonds/Sukuk in Malaysia	141,097	141,119	100,606	100,622
Loan Stock in Malaysia	15,000	15,000	-	-
	156,097	156,119	100,606	100,622
Less : ECL	(12,156)	(11,053)	(122)	(123)
	143,941	145,066	100,484	100,499

Movement in ECL for financial investments at AC

	Lifetime ECL not credit		Lifetime ECL credit	Total RM'000
	12-Month ECL (Stage 1) RM'000	impaired (Stage 2) RM'000	impaired (Stage 3) RM'000	
30/6/2020				
Group				
At beginning of the financial period	273	-	10,780	11,053
Changes due to change in credit risk	(1)	-	1,104	1,103
At end of the financial period	272	-	11,884	12,156

Bank

At beginning of the financial period	123	-	-	123
Changes due to change in credit risk	(1)	-	-	(1)
At end of the financial period	122	-	-	122

	Lifetime ECL not credit		Lifetime ECL credit	Total RM'000
	12-Month ECL (Stage 1) RM'000	impaired (Stage 2) RM'000	impaired (Stage 3) RM'000	
31/12/2019				
Group				
At beginning of the financial year	578	-	11,945	12,523
Changes due to change in credit risk	(323)	-	3,830	3,507
Changes in models/risk parameters	18	-	-	18
Write-offs	-	-	(4,995)	(4,995)
At end of the financial year	273	-	10,780	11,053

Bank

At beginning of the financial year	412	-	4,995	5,407
Changes due to change in credit risk	(302)	-	-	(302)
Changes in models/risk parameters	13	-	-	13
Write-offs	-	-	(4,995)	(4,995)
At end of the financial year	123	-	-	123

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	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
(a) BY TYPE				
Overdrafts	2,212,741	1,855,094	1,689,839	1,385,715
Term loans/financing :				
- Housing loans/financing	11,907,544	11,708,126	4,400,229	4,356,953
- Hire purchase receivables	9,974,614	10,649,579	6,331,831	6,829,179
- Syndicated financing	1,563,444	1,526,987	596,943	630,179
- Business term loans/financing	12,464,199	12,968,923	7,665,604	8,083,567
- Other term loans/financing	221,950	341,452	-	-
Bills receivables	208,717	118,753	175,524	107,085
Trust receipts	154,069	172,125	139,312	141,893
Claims on customers under acceptances credits	1,443,365	1,766,513	1,012,994	1,319,027
Staff loans/financing (of which RM Nil to Directors)	195,930	191,604	119,754	122,788
Credit cards	165,990	178,991	136,467	148,162
Revolving credits	4,011,802	3,971,565	2,913,819	2,980,764
Margin financing	497,119	503,486	-	-
Factoring	2,057	8,696	2,057	8,696
Gross loans, advances and financing	45,023,541	45,961,894	25,184,373	26,114,008
Less : ECL	(700,514)	(574,029)	(477,656)	(383,949)
Total net loans, advances and financing	44,323,027	45,387,865	24,706,717	25,730,059

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
(b) BY MATURITY STRUCTURE				
Maturing within one year	8,937,040	9,265,484	6,062,784	6,422,116
One year to three years	3,593,606	3,899,297	2,970,081	3,062,584
Three years to five years	6,956,339	6,424,181	4,207,951	4,521,683
Over five years	25,536,556	26,372,932	11,943,557	12,107,625
	45,023,541	45,961,894	25,184,373	26,114,008

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
(c) BY TYPE OF CUSTOMER				
Domestic non-banking institutions :				
- Others	545,715	527,411	287,553	445,100
Domestic business enterprises :				
- Small medium enterprises	7,069,107	7,704,132	5,331,139	5,696,493
- Others	13,972,799	13,796,119	9,058,619	8,953,138
Government and statutory bodies	782,621	797,185	45,666	31,018
Individuals	22,143,321	22,544,174	10,284,668	10,731,724
Other domestic entities	1,070	1,324	537	533
Foreign entities	508,908	591,549	176,191	256,002
	45,023,541	45,961,894	25,184,373	26,114,008

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>				
Fixed rate :				
- Housing loans/financing	332,093	339,073	285,409	292,374
- Hire purchase receivables	9,977,343	10,652,049	6,331,842	6,829,178
- Other fixed rate loans/financing	1,933,178	2,106,359	650,373	751,957
Variable rate :				
- Base rate/base lending rate plus	23,611,571	23,258,002	11,603,557	11,544,901
- Cost plus	9,135,033	9,570,276	6,311,709	6,695,598
- Other variable rates	34,323	36,135	1,483	-
	45,023,541	45,961,894	25,184,373	26,114,008
(e) <u>BY ECONOMIC PURPOSE</u>				
Purchase of securities	1,501,595	1,512,781	583,284	612,250
Purchase of transport vehicles	10,518,254	11,161,312	6,785,343	7,247,930
Purchase of landed property of which :				
- Residential	11,609,483	11,502,926	3,950,078	4,006,366
- Non-residential	6,246,251	6,339,626	3,877,131	4,041,513
Fixed assets other than land and building	272,357	334,695	194,892	247,367
Personal use	842,243	833,904	729,296	742,358
Credit card	166,022	178,991	136,496	148,162
Consumer durable	127	108	77	105
Construction	2,564,604	2,706,006	1,487,010	1,506,381
Merger and acquisition	61,349	64,054	61,349	64,054
Working capital	10,231,854	10,277,342	6,911,852	7,082,634
Others	1,009,402	1,050,149	467,565	414,888
	45,023,541	45,961,894	25,184,373	26,114,008
(f) <u>BY ECONOMIC SECTOR</u>				
Primary agriculture	1,374,696	1,577,980	564,652	590,752
Mining and quarrying	346,985	339,360	57,574	42,254
Manufacturing	2,703,522	2,539,605	1,833,687	1,832,096
Electricity, gas and water supply	446,559	562,189	64,436	156,068
Construction	1,998,948	2,012,826	1,314,077	1,354,803
Real estate	6,215,556	6,653,855	4,202,933	4,423,255
Wholesale, retail trade, hotels and restaurants	3,548,672	3,402,916	2,926,432	2,795,481
Transport, storage and communication	1,713,804	1,721,650	1,312,869	1,316,332
Finance, insurance and business services	2,126,929	2,227,531	1,540,602	1,797,562
Education, health and others	2,277,199	2,199,982	1,011,093	997,278
Household	22,270,558	22,677,326	10,355,905	10,808,127
Others	113	46,674	113	-
	45,023,541	45,961,894	25,184,373	26,114,008

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>				
Perlis	163,587	216,197	17,717	18,817
Kedah	1,295,239	1,363,555	512,854	557,738
Pulau Pinang	2,411,445	2,545,147	1,499,565	1,639,084
Perak	1,491,809	1,517,296	905,925	932,493
Selangor	13,777,307	13,973,439	7,218,741	7,549,256
Wilayah Persekutuan	10,813,121	10,982,619	6,367,986	6,448,886
Negeri Sembilan	1,511,455	1,524,855	565,346	575,543
Melaka	867,175	879,939	606,189	606,936
Johor	5,790,821	5,869,188	3,391,772	3,456,325
Pahang	1,369,595	1,396,971	753,166	747,361
Terengganu	907,278	941,221	416,202	418,330
Kelantan	265,518	262,813	56,930	58,249
Sarawak	2,158,255	2,201,225	1,573,129	1,662,405
Sabah	2,077,128	2,062,110	1,244,515	1,314,711
Labuan	39,903	43,890	13,680	16,239
Outside Malaysia	83,905	181,429	40,656	111,635
	45,023,541	45,961,894	25,184,373	26,114,008
(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING</u>				
(i) <u>Movements of impaired loans, advances and financing</u>				
At beginning of the financial period/year	1,379,152	1,589,897	673,058	978,218
Classified as impaired	246,950	791,557	136,718	434,820
Reclassified as non-impaired	(136,644)	(747,009)	(85,027)	(551,848)
Amount written-back	(66,960)	(168,790)	(40,118)	(121,876)
Amount written-off	(46,103)	(86,503)	(13,319)	(66,256)
At end of the financial period/year	1,376,395	1,379,152	671,312	673,058
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing (*)	3.06%	3.00%	3.19%	3.08%
(*) For the Bank, Restricted Investment Accounts ("RIA") included in the ratio calculation amounting to RM1,898.4 million (2019: RM1,919.3 million).				
(ii) <u>Impaired loans, advances and financing by economic purpose</u>				
Construction	289,563	287,934	166,045	166,321
Purchase of landed property of which :				
- Residential	331,105	340,382	159,228	174,198
- Non-residential	328,282	317,923	116,412	102,381
Purchase of securities	26,777	90	104	51
Purchase of transport vehicles	67,349	60,975	46,452	42,355
Fixed assets other than land and building	3,670	3,692	3,670	3,692
Personal use	15,881	17,589	14,606	16,387
Credit card	499	878	434	615
Working capital	296,287	330,709	159,376	162,201
Others	16,982	18,980	4,985	4,857
	1,376,395	1,379,152	671,312	673,058

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	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
(iii) <u>Impaired loans, advances and financing by economic sector</u>	RM'000	RM'000	RM'000	RM'000
Primary agriculture	15,992	16,082	15,947	16,041
Mining and quarrying	7,690	7,896	5,316	5,315
Manufacturing	84,451	90,844	8,763	13,248
Electricity, gas and water supply	112	105	67	58
Construction	167,837	164,948	122,043	119,790
Real estate	357,568	343,127	72,998	56,048
Wholesale, retail trade, hotels and restaurants	42,884	40,012	41,492	38,195
Transport, storage and communication	166,402	170,710	82,404	85,055
Finance, insurance and business services	64,572	63,845	63,741	62,806
Education, health and others	84,350	84,024	63,551	63,180
Household	384,537	397,559	194,990	213,322
	1,376,395	1,379,152	671,312	673,058
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>				
Perlis	2,933	2,997	459	455
Kedah	122,769	126,192	115,735	118,113
Pulau Pinang	37,039	38,602	30,383	30,558
Perak	180,509	178,887	78,104	75,901
Selangor	327,969	284,131	163,665	146,530
Wilayah Persekutuan	336,575	342,922	47,685	56,026
Negeri Sembilan	82,689	81,863	65,565	65,086
Melaka	12,933	13,990	8,788	9,096
Johor	40,957	49,416	20,623	29,505
Pahang	33,061	34,616	30,524	32,086
Terengganu	68,641	69,522	64,554	64,856
Kelantan	7,472	6,149	3,992	3,782
Sarawak	56,797	56,628	19,912	19,502
Sabah	22,812	23,461	21,323	21,562
Outside Malaysia	43,239	69,776	-	-
	1,376,395	1,379,152	671,312	673,058

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 ECL for loans, advances and financing

Group	12-Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30/6/2020	(Stage 1)	(Stage 2)	(Stage 3)	RM'000
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	139,326	94,359	340,344	574,029
Total transfer between stages due to change in credit risk :	19,734	13,928	(33,662)	-
- Transfer to 12-month ECL (Stage 1)	28,330	(24,517)	(3,813)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(8,583)	45,203	(36,620)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(13)	(6,758)	6,771	-
Loans/financing derecognised (other than write-offs)	(23,818)	(1,477)	(13,898)	(39,193)
New loans/financing originated or purchased	24,679	568	7,903	33,150
Changes due to change in credit risk	28,288	22,780	127,046	178,114
Write-offs	-	-	(45,113)	(45,113)
Other adjustments :				
- Unwind of discount	-	-	(1,479)	(1,479)
- Foreign exchange and other movements	-	-	1,006	1,006
At end of the financial period	188,209	130,158	382,147	700,514

Group	12-Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
31/12/2019	(Stage 1)	(Stage 2)	(Stage 3)	RM'000
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	194,335	47,629	338,828	580,792
Total transfer between stages due to change in credit risk :	48,598	116,925	(165,523)	-
- Transfer to 12-month ECL (Stage 1)	63,693	(59,983)	(3,710)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(14,568)	184,880	(170,312)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(527)	(7,972)	8,499	-
Loans/financing derecognised (other than write-offs)	(72,944)	(7,915)	(83,106)	(163,965)
New loans/financing originated or purchased	60,887	2,757	83,701	147,345
Changes due to change in credit risk	(99,360)	(67,430)	242,858	76,068
Changes in model/risk parameters	7,810	2,393	9,005	19,208
Write-offs	-	-	(82,488)	(82,488)
Other adjustments	-	-	(2,931)	(2,931)
At end of the financial year	139,326	94,359	340,344	574,029

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A12. LOANS, ADVANCES AND FINANCING (Cont.)

(v) Movement in ECL 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
30/6/2020	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	86,276	76,512	221,161	383,949
Total transfer between stages due to change in credit risk :	14,038	4,992	(19,030)	-
- Transfer to 12-month ECL (Stage 1)	19,457	(18,174)	(1,283)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(5,411)	27,487	(22,076)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(8)	(4,321)	4,329	-
Loans/financing derecognised (other than write-offs)	(11,507)	(838)	(13,110)	(25,455)
New loans/financing originated or purchased	11,791	43	7,824	19,658
Changes due to change in credit risk	15,967	19,394	77,128	112,489
Write-offs	-	-	(12,423)	(12,423)
Other adjustments :	-	-	(562)	(562)
At end of the financial period	116,565	100,103	260,988	477,656

Bank	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
31/12/2019	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	139,978	36,542	265,394	441,914
Total transfer between stages due to change in credit risk :	42,553	91,485	(134,038)	-
- Transfer to 12-month ECL (Stage 1)	54,559	(52,603)	(1,956)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(11,567)	148,555	(136,988)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(439)	(4,467)	4,906	-
Loans/financing derecognised (other than write-offs)	(41,139)	(5,050)	(81,197)	(127,386)
New loans/financing originated or purchased	30,624	1,055	73,020	104,699
Changes due to change in credit risk	(88,182)	(48,263)	160,854	24,409
Changes in model/risk parameters	2,442	743	2,200	5,385
Write-offs	-	-	(62,994)	(62,994)
Other adjustments	-	-	(2,078)	(2,078)
At end of the financial year	86,276	76,512	221,161	383,949

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A13. TRADE RECEIVABLES

	Group	
	30/6/2020 RM'000	31/12/2019 RM'000
Amount due from stock-broking clients :		
- performing accounts	384,504	231,679
- impaired accounts (a)	141	139
Amount due from brokers	67,232	59,478
Amount due from Bursa Securities Clearing Sdn Bhd	39,799	-
Management fees receivable on fund management	51	243,249
Others	115,695	51
	607,422	534,596
Less: ECL (b)	(300)	(208)
	607,122	534,388

(a) Movements of impaired trade receivables

At beginning of the financial period/year	139	424
Classified as impaired	125	419
Amount written-back	(123)	(704)
At end of the financial period/year	141	139

(b) Movements in ECL

	Group Lifetime ECL	
	30/6/2020 RM'000	31/12/2019 RM'000
At beginning of the financial period/year	208	468
Allowance made	322	505
Amount written-back	(230)	(765)
At end of the financial period/year	300	208

A14. OTHER ASSETS

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
Other debtors	245,180	77,125	113,943	12,603
Prepayments and deposits	19,032	22,108	18,470	21,425
Cheque clearing accounts	23,999	42,653	6,313	13,911
Foreclosed properties (a)	17,773	17,817	12,900	12,944
Collaterals pledged for derivative transactions	22,229	33	-	-
Clearing guarantee fund	2,086	2,272	-	-
	330,299	162,008	151,626	60,883
Less: ECL (b)	(2,395)	(2,058)	-	-
	327,904	159,950	151,626	60,883

(a) Foreclosed properties

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
At beginning of the financial period/year	17,817	26,051	12,944	21,178
Purchased	-	726	-	726
Disposal	(44)	(8,960)	(44)	(8,960)
At end of the financial period/year	17,773	17,817	12,900	12,944

(b) Movements in ECL

	Group Lifetime ECL	
	30/6/2020 RM'000	31/12/2019 RM'000
At beginning of the financial period/year	2,058	1,669
Allowance made	805	1,489
Amount written-back	(410)	(562)
Amount written-off	(58)	(538)
At end of the financial period/year	2,395	2,058

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A15. OTHER LIABILITIES

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
BNM and CGC Funding programmes	66,619	21,012	65,004	19,373
Margin and collateral deposits	89,835	100,180	77,558	83,202
Commissioned dealer's representatives trust balances	52,192	47,483	-	-
Defined contribution plan	14,909	20,008	13,879	18,777
Collaterals pledged for derivative transactions	-	2,830	-	-
Other creditors and accruals	174,472	140,022	67,947	37,737
Accrued employee benefits	84,797	110,661	35,480	42,480
Amounts payable to commissioned and salaried dealer's representatives	90,658	37,854	-	-
Sundry creditors	253,280	231,666	177,357	187,374
Treasury and cheque clearing accounts	18,588	342,244	18,588	-
Provision for zakat	5,632	3,082	225	260
Securities borrowings and lending - borrow	82,283	160,358	-	-
Unearned income	23,885	27,375	18,226	20,816
Puttable liabilities	127,270	124,452	-	-
ECL (a) :				
- loan/financing commitments and financial guarantees	31,766	29,610	8,301	8,529
	1,116,186	1,398,837	482,565	418,548

(a) Movement in ECL	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
At beginning of financial period/year	29,610	27,454	8,529	15,287
Net remeasurement of loss allowance	(432)	(7,965)	(2,603)	(13,672)
New loan commitments and financial guarantees issued	2,588	10,205	2,375	7,535
Changes in models/risk parameters	-	(84)	-	(621)
At end of the financial period/year	31,766	29,610	8,301	8,529

A16. RESERVES

	Group		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
FVOCI revaluation reserves (a)	181,298	250,661	121,785	148,173
Regulatory reserves (b)	602,404	732,539	376,752	471,925
Other reserves (c)	(61,010)	(61,010)	-	-
Foreign exchange reserves	135	135	-	-
Retained profits	3,961,176	3,640,073	3,148,819	3,017,227
	4,684,003	4,562,398	3,647,356	3,637,325

(a) The FVOCI revaluation reserves represent the unrealised gains or losses arising from a change in the fair value of investments classified as financial investments at FVOCI, as well as the expected credit loss allowance for financial investments FVOCI. The gains or losses are transferred to the income statement upon disposal or when the securities becomes impaired.

(b) Pursuant to BNM Financial Reporting policy dated 27 September 2019, the Group and the Bank must maintain, in aggregate, loss allowance for non credit impaired exposures and regulatory reserves of no less than 1% of all credit exposures, net of loss allowance for credit-impaired exposures.

(c) This represents corresponding debit arising from the Group's obligation to purchase the subsidiary's share held by non-controlling interest.

On 8 March 2019, the options holders have fully exercised the 1000 employee stock option incentive scheme at exercise price of RM40.30 per share. As a result, the employee stock option holder(s) were allotted a total of 1,111,000 units of new ordinary shares for a total consideration of RM44.77 million.

Pursuant to the exercise of the employee stock option incentive scheme, there is a Selective Capital Reduction ("SCR") provision within the scheme which requires AHAM to buy back the ordinary shares issued to the option holders from 1 March 2021 to 1 March 2023 at a certain price, if the conditions within the SCR provision are not met by 31 December 2020. The SCR provision represents a purchase of the subsidiary's own equity instrument and a liability equal to the present value of the estimated future redemption amount is reclassified from equity on initial recognition. The liability is then subsequently measured at amortised cost with the unwinding of the present value of the redemption amount to be recognised as finance costs within the income statement.

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A17. INTEREST INCOME

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
Loan, advances and financing	344,634	434,052	724,027	874,330
Money at call and deposits placements with financial institutions	17,896	27,661	31,612	49,917
Financial investments at FVOCI	70,816	109,021	159,802	235,051
Financial investments at amortised cost	2,040	2,068	4,054	4,097
Others	1,246	1,453	2,544	2,480
	436,632	574,255	922,039	1,165,875
of which :-				
Interest income earned on impaired loans, advances and financing	66	2,155	1,910	3,470
<u>Bank</u>				
Loan, advances and financing	308,846	388,453	647,400	782,560
Money at call and deposits placements with financial institutions	35,143	50,133	67,864	100,250
Financial investments at FVOCI	56,992	71,972	118,146	157,802
Financial investments at amortised cost	1,428	1,451	2,855	2,839
Subordinated term loan	501	931	1,002	1,851
	402,910	512,940	837,267	1,045,302
of which :-				
Interest income earned on impaired loans, advances and financing	(491)	1,015	(61)	1,314

A18. INTEREST EXPENSE

<u>Group</u>				
Deposits from customers	239,801	345,142	510,369	690,385
Deposits and placements of banks and other financial institutions	2,037	6,842	8,884	29,766
Obligation on securities sold under repurchase agreements	736	255	736	790
Subordinated medium term notes	33,359	33,358	66,717	66,350
Foreign currency borrowing	-	106	57	288
Interest expense on the lease liability	591	631	1,228	1,136
Others	2,860	936	3,368	1,792
	279,384	387,270	591,359	790,507
<u>Bank</u>				
Deposits from customers	211,055	287,274	448,640	577,920
Deposits and placements of banks and other financial institutions	12,187	22,930	18,163	58,504
Obligation on securities sold under repurchase agreements	736	-	736	-
Subordinated medium term notes	33,359	33,358	66,717	66,350
Interest expense on the lease liability	396	523	831	898
Others	57	93	123	193
	257,790	344,178	535,210	703,865

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A18 (a). MODIFICATION LOSS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Modification loss	79,728	-	79,728	-
Bank				
Modification loss	50,274	-	50,274	-

The modification loss represents the cost of deferring cashflows of the loans impacted by the payment moratorium. The recalculated gross carrying amount of the loan is recognised in profit or loss as a modification loss. The modification loss is shown net of benefits from various government financing schemes to support measures to assist SMEs that are adversely impacted by Covid-19 in order to sustain their business operations.

The moratorium does not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment.

A19. NET FEE AND COMMISSION INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income :				
Net brokerage	25,520	17,545	49,835	34,459
Underwriting fees	-	674	-	2,117
Portfolio management fees	78,323	73,606	157,207	144,076
Corporate advisory fees	1,564	5,087	3,618	5,738
Commission	5,026	6,861	12,286	12,372
Service charges and fees	7,802	13,231	20,144	25,892
Guarantee fees	4,442	6,878	9,175	16,055
Arrangement fees	40	970	120	1,070
Agency fees	-	520	-	1,045
Initial service charges	27,103	19,274	56,844	33,168
Other fee income	6,528	1,675	10,621	3,504
	156,348	146,321	319,850	279,496
(b) Fee and commission expenses :				
Commission and referral expense	(38,097)	(36,629)	(85,335)	(67,194)
Net fee and commission income	118,251	109,692	234,515	212,302
Bank				
(a) Fee and commission income :				
Commission	5,441	6,966	12,852	12,554
Service charges and fees	7,631	13,124	19,804	25,710
Guarantee fees	4,442	6,604	9,175	13,538
	17,514	26,694	41,831	51,802
(b) Fee and commission expense :				
Commission and referral expense	(781)	(2,361)	(2,561)	(3,835)
Net fee and commission income	16,733	24,333	39,270	47,967

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A20. NET GAINS ON FINANCIAL INSTRUMENTS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Income from financial instruments:				
Gains/(loss) arising on financial assets at FVTPL :				
- net gain/(loss) on disposal	79,995	11,876	102,882	29,152
- unrealised (loss)/gain	8,577	(14,457)	519	501
- interest income	4,418	7,111	10,747	14,638
- gross dividend income	1,363	1,954	3,425	3,104
Gains/(loss) on derivatives instruments :				
- realised	231	-	231	299
- unrealised	(5,380)	(53)	(16,449)	326
- interest (expense)/income	(500)	455	(574)	605
Gains arising on financial investments at FVOCI :				
- net gain on disposal	98,446	75,091	293,981	103,847
- gross dividend income	113	1,889	113	2,905
	187,263	83,866	394,875	155,377
Bank				
Income from financial instruments:				
Gains arising on financial assets at FVTPL :				
- net (loss)/gain on disposal	941	-	941	-
- unrealised gain	(271)	(9,483)	953	184
- interest income	1,203	2,386	2,407	5,214
Gains/(loss) on derivatives instruments :				
- realised	231	-	231	299
- unrealised	(5,876)	484	(21,766)	274
- interest (expense)/income	(685)	311	(701)	448
Gains arising on financial investments at FVOCI :				
- net gain on disposal	54,429	47,577	149,419	65,175
- gross dividend income	549	550	549	656
	50,521	41,825	132,033	72,250

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A21. OTHER INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss) :				
- realised	(13,183)	5,895	17,449	13,970
- unrealised	24,258	3,354	3,450	5,657
Rental income	1	2	-	4
Gain/(loss) on disposal of property and equipment	115	(89)	40	(40)
Gain on disposal of foreclosed properties	-	260	76	260
Other non-operating income	1,380	3,240	4,952	5,428
Total other income	12,571	12,662	25,967	25,279
Bank				
Foreign exchange gain/(loss) :				
- realised	(7,960)	2,466	11,174	9,644
- unrealised	12,642	3,840	3,215	4,506
Rental income	24	26	47	51
Loss on disposal of property and equipment	-	(155)	(75)	(154)
Gain on disposal of foreclosed properties	-	260	76	260
Gross dividend received from subsidiaries	40,000	1,000	40,000	1,000
Other non-operating income	1,140	2,034	3,890	3,902
Total other income	45,846	9,471	58,327	19,209

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A22. OTHER OPERATING EXPENSES

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	210,811	153,327	372,498	301,108
Defined contribution plan	28,123	25,545	54,996	48,950
Other personnel costs	28,682	28,150	54,165	50,069
	<u>267,616</u>	<u>207,022</u>	<u>481,659</u>	<u>400,127</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	3,906	5,845	9,000	12,625
Entertainment	1,365	1,927	3,424	3,839
Travelling and accommodation	767	2,370	2,313	4,515
Dealers' handling fees	-	300	1	600
Commission and brokerage expenses	1,709	2,612	3,655	6,866
Others marketing expenses	970	1,134	2,629	2,784
	<u>8,717</u>	<u>14,188</u>	<u>21,022</u>	<u>31,229</u>
<u>Establishment expenses</u>				
Rental of premises	636	1,341	1,433	2,297
Equipment rental	802	857	1,815	1,472
Repair and maintenance	15,487	11,703	29,451	25,946
Depreciation of property and equipment	7,828	6,541	15,153	12,849
Depreciation of right-of-use assets	9,147	8,904	18,202	17,877
Amortisation of intangible assets	9,238	8,056	18,469	15,455
IT consultancy fee	16,575	10,013	31,956	19,822
Dataline rental	5,692	5,472	11,001	10,673
Security services	4,186	4,564	9,115	9,080
Electricity, water and sewerage	2,991	3,447	6,610	6,323
Insurance/Takaful and indemnities	5,696	4,150	10,802	7,150
Other establishment costs	1,068	(1,642)	2,409	2,268
	<u>79,346</u>	<u>63,406</u>	<u>156,416</u>	<u>131,212</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	4,546	3,996	8,838	8,053
Auditors' remuneration :				
(i) Statutory audit fees	807	773	1,536	1,518
(ii) Over provision in prior year	8	-	8	-
(ii) Regulatory related fees	11	25	21	35
(iii) Tax fees	(2)	2	-	8
(iv) Non-audit fees	162	261	290	479
Professional fees	6,854	5,023	14,716	10,883
Property and equipment written-off	85	(3)	97	16
Mail and courier charges	812	861	1,725	1,743
Stationery and consumables	1,973	3,064	4,099	6,187
Directors' fees and allowances	850	798	1,841	1,570
Donations	1,606	795	2,793	1,367
Settlement, clearing and bank charges	3,663	4,023	7,831	7,669
Stamp duties	32	81	86	123
Operational and litigation write-off expenses	-	2,025	(13)	2,051
Subscription fees	3,021	2,957	6,179	5,753
GST input tax-non recoverable	-	-	-	358
Other administration and general expenses	2,666	1,497	5,678	4,735
	<u>27,094</u>	<u>26,178</u>	<u>55,725</u>	<u>52,548</u>
Total other operating expenses	382,773	310,794	714,822	615,116

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A22. OTHER OPERATING EXPENSES (Cont.)

<u>Bank</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020 RM'000	30/6/2019 RM'000	30/6/2020 RM'000	30/6/2019 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	74,210	66,171	151,379	128,386
Defined contribution plan	12,874	10,996	26,162	21,428
Other personnel costs	13,935	11,628	26,411	23,935
	<u>101,019</u>	<u>88,795</u>	<u>203,952</u>	<u>173,749</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,566	2,866	3,816	6,507
Entertainment	713	922	1,627	1,823
Travelling and accommodation	157	880	725	1,631
Commission and brokerage expenses	1,310	1,984	2,977	5,475
Others marketing expenses	279	376	816	986
	<u>4,025</u>	<u>7,028</u>	<u>9,961</u>	<u>16,422</u>
<u>Establishment expenses</u>				
Equipment rental	474	415	1,248	905
Repair and maintenance	5,620	5,667	10,454	14,932
Depreciation of property and equipment	4,508	3,923	9,016	7,630
Depreciation of right-of-use assets	6,153	6,236	12,361	12,572
Amortisation of intangible assets	5,514	4,364	11,003	8,107
IT consultancy fee	13,176	5,677	23,270	11,921
Dataline rental	4,592	2,718	8,157	5,741
Security services	3,570	1,219	7,625	3,971
Electricity, water and sewerage	313	1,160	2,497	2,518
Insurance/Takaful and indemnities	4,353	1,011	8,211	5,336
Other establishment costs	299	2,792	1,253	2,117
	<u>48,572</u>	<u>35,182</u>	<u>95,095</u>	<u>75,750</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	930	1,054	1,921	2,006
Auditors' remuneration :				
(i) Statutory audit fees	418	426	813	820
(ii) Non-audit fees	132	225	230	417
Professional fees	5,069	3,318	10,959	8,124
Property and equipment written-off	-	(4)	-	12
Mail and courier charges	592	595	1,281	1,227
Stationery and consumables	1,066	2,080	2,335	4,137
Directors' fees and allowances	782	648	1,591	1,259
Donations	850	795	1,422	1,353
Settlement, clearing and bank charges	2,796	3,107	6,069	5,921
Stamp duties	26	53	66	92
Operational and litigation write-off expenses	-	2,025	(13)	2,051
GST input tax-non recoverable	14	-	-	349
Other administration and general expenses	1,049	1,016	1,984	2,437
	<u>13,724</u>	<u>15,338</u>	<u>28,658</u>	<u>30,205</u>
Total other operating expenses	167,340	146,343	337,666	296,126

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

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
ECL (written-back)/made on :				
- loans, advances and financing	50,509	(11,817)	172,071	(11,587)
- trade receivables	(23)	(300)	92	(216)
- securities and placements	7,995	(2,375)	8,647	(927)
- loan and financing commitments and financial guarantee	(1,397)	(3,549)	2,155	(7,032)
Bad debts and financing :				
- recovered	(3,827)	(9,376)	(14,077)	(18,051)
- written-off	574	1,149	2,036	1,685
	53,831	(26,268)	170,924	(36,128)
<u>Bank</u>				
ECL (written-back)/made on :				
- loans, advances and financing	30,715	(18,542)	106,692	(23,147)
- securities and placements	6,869	584	7,867	(1,272)
- loan and financing commitments and financial guarantee	(921)	(715)	(228)	(3,657)
Bad debts and financing :				
- recovered	(3,328)	(8,098)	(11,069)	(16,200)
- written-off	485	1,050	1,753	1,549
	33,820	(25,721)	105,015	(42,727)

A24. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
ECL :				
- amount due from joint ventures	-	-	1,015	-

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

A25. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2020 and 30 June 2019 are as follows:

	<----- Current year's individual quarter ended 30 June 2020 ----->					Group RM'000
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	
Revenue						
External revenue	260,526	249,888	-	2,544	-	512,958
Intersegment revenue	36,808	3,368	-	228	(40,404)	-
Segment revenue	297,334	253,256	-	2,772	(40,404)	512,958
Operating expenses of which :-	(229,754)	(150,898)	-	(2,525)	404	(382,773)
Depreciation of property and equipment	(4,699)	(3,093)	-	(36)	-	(7,828)
Depreciation of right-of-use assets	(6,472)	(2,499)	-	(176)	-	(9,147)
Amortisation of intangible assets	(5,567)	(3,666)	-	(5)	-	(9,238)
Write-back of/(allowances for) credit impairment losses on loans, advances, financing and trade receivables/ securities/ other assets	(31,378)	(24,007)	-	-	1,554	(53,831)
Segment results	36,202	78,351	-	247	(38,446)	76,354
Share of results of a joint venture (net of tax)	-	-	6,585	-	-	6,585
Share of results of associates (net of tax)	-	-	11,661	-	-	11,661
Profit before zakat and taxation	36,202	78,351	18,246	247	(38,446)	94,600
Zakat	-	(962)	-	-	-	(962)
Profit before taxation	36,202	77,389	18,246	247	(38,446)	93,638
Taxation						(17,385)
Net profit for the individual quarter						76,253

	<----- Preceding year's individual quarter ended 30 June 2019 ----->					Group RM'000
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	
Revenue						
External revenue	347,144	147,702	-	3,081	-	497,927
Intersegment revenue	6,426	(5,235)	-	319	(1,510)	-
Segment revenue	353,570	142,467	-	3,400	(1,510)	497,927
Operating expenses of which :-	(211,579)	(97,027)	-	(2,698)	510	(310,794)
Depreciation of property and equipment	(4,121)	(2,380)	-	(40)	-	(6,541)
Depreciation of right-of-use assets	(6,573)	(2,331)	-	-	-	(8,904)
Amortisation of intangible assets	(4,409)	(3,634)	-	(13)	-	(8,056)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	22,115	4,075	-	-	78	26,268
Segment results	164,106	49,515	-	702	(922)	213,401
Share of results of a joint venture (net of tax)	-	-	2,070	-	-	2,070
Share of results of associates (net of tax)	-	-	3,432	-	-	3,432
Profit before zakat and taxation	164,106	49,515	5,502	702	(922)	218,903
Zakat	-	(3,863)	-	-	-	(3,863)
Profit before taxation	164,106	45,652	5,502	702	(922)	215,040
Taxation						(51,962)
Net profit for the individual quarter						163,078

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

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2020 and 30 June 2019 are as follows (Cont.):

	< ----- Current year's cumulative quarter ended 30 June 2020 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	656,742	480,425	-	6,166	-	1,143,333
Intersegment revenue	35,652	4,866	-	481	(40,999)	-
Segment revenue	<u>692,394</u>	<u>485,291</u>	<u>-</u>	<u>6,647</u>	<u>(40,999)</u>	<u>1,143,333</u>
Operating expenses of which :-	(462,094)	(248,256)	-	(5,471)	999	(714,822)
Depreciation of property and equipment	(9,402)	(5,681)	-	(70)	-	(15,153)
Depreciation of right-of-use assets	(13,015)	(5,011)	-	(176)	-	(18,202)
Amortisation of intangible assets	(11,109)	(7,343)	-	(17)	-	(18,469)
Write-back of/(allowances for) credit impairment losses on loans, advances, financing and trade receivables/ securities/ other assets	(141,798)	(32,048)	-	-	1,907	(171,939)
Segment results	<u>88,502</u>	<u>204,987</u>	<u>-</u>	<u>1,176</u>	<u>(38,093)</u>	<u>256,572</u>
Share of results of a joint venture (net of tax)	-	-	2,924	-	-	2,924
Share of results of an associate (net of tax)	(750)	-	12,346	-	-	11,596
Profit before zakat and taxation	<u>87,752</u>	<u>204,987</u>	<u>15,270</u>	<u>1,176</u>	<u>(38,093)</u>	<u>271,092</u>
Zakat	-	(3,165)	-	-	-	(3,165)
Profit before taxation	<u>87,752</u>	<u>201,822</u>	<u>15,270</u>	<u>1,176</u>	<u>(38,093)</u>	<u>267,927</u>
Taxation						(62,569)
Net profit for the cumulative quarter						<u>205,358</u>

	< ----- Preceding year's cumulative quarter ended 30 June 2019 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	676,781	287,444	-	6,218	-	970,443
Intersegment revenue	10,673	(9,397)	-	723	(1,999)	-
Segment revenue	<u>687,454</u>	<u>278,047</u>	<u>-</u>	<u>6,941</u>	<u>(1,999)</u>	<u>970,443</u>
Operating expenses of which :-	(422,767)	(187,938)	-	(5,410)	999	(615,116)
Depreciation of property and equipment	(8,058)	(4,706)	-	(85)	-	(12,849)
Depreciation of right-of-use assets	(13,247)	(4,630)	-	-	-	(17,877)
Amortisation of intangible assets	(8,192)	(7,237)	-	(26)	-	(15,455)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	33,773	2,065	-	-	290	36,128
Segment results	<u>298,460</u>	<u>92,174</u>	<u>-</u>	<u>1,531</u>	<u>(710)</u>	<u>391,455</u>
Share of results of a joint venture (net of tax)	-	-	320	-	-	320
Share of results of an associate (net of tax)	-	-	12,551	-	-	12,551
Profit before zakat and taxation	<u>298,460</u>	<u>92,174</u>	<u>12,871</u>	<u>1,531</u>	<u>(710)</u>	<u>404,326</u>
Zakat	-	(4,310)	-	-	-	(4,310)
Profit before taxation	<u>298,460</u>	<u>87,864</u>	<u>12,871</u>	<u>1,531</u>	<u>(710)</u>	<u>400,016</u>
Taxation						(93,193)
Net profit for the cumulative quarter						<u>306,823</u>

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

A26. SUBSEQUENT MATERIAL EVENT

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

A27. CHANGES IN THE COMPOSITION OF THE GROUP

There were no 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	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes *	493,513	556,462	431,223	445,758
Transaction-related contingent items	1,728,013	1,969,168	1,276,553	1,494,531
Short-term self-liquidating trade-related contingencies	365,407	454,792	130,004	175,032
Obligations under an on-going underwriting agreement	5,250	-	-	-
Foreign exchange related contracts #				
- Less than one year	12,420,502	13,000,360	7,668,423	9,812,356
- One year to less than five years	1,089,179	927,491	212,720	207,100
Interest rate related contracts #				
- Less than one year	583,148	873,148	23,148	23,148
- One year to less than five years	4,375,000	3,710,000	1,595,000	1,480,000
- Five years and above	345,000	300,000	345,000	270,000
Irrevocable commitments to extend credit				
- Maturity less than one year	5,444,841	6,020,758	3,841,888	4,556,911
- Maturity more than one year	1,598,395	1,913,716	739,311	797,622
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	699,139	578,072	40,176	37,322
Unutilised credit card lines	621,052	547,266	437,113	380,117
	29,768,439	30,851,233	16,740,559	19,679,897

* Included in direct credit substitutes are financial guarantee contracts of RM493.5 million and RM431.2 million at the Group and the Bank respectively (2019: RM556.5 million and RM445.8 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.

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A29. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 30 June 2020												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	5,025,200	211,687	259,708	5,496,595	71,372	5,560	1,930	78,862	36,276	4,962	1,821	43,059
- Cross currency swaps	4,504,812	207,100	-	4,711,912	28,362	2,071	-	30,433	79,923	7,701	-	87,624
- Currency swaps	2,847,135	147,340	263,343	3,257,818	23,110	3,718	1,899	28,727	23,584	2,080	1,880	27,544
- Currency options	43,356	-	-	43,356	3	-	-	3	21	-	-	21
Interest rate contracts :												
- Interest rate swaps	583,148	2,337,000	2,383,000	5,303,148	3,180	37,445	59,373	99,998	21,080	46,109	54,138	121,327
	13,003,651	2,903,127	2,906,051	18,812,829	126,027	48,794	63,202	238,023	160,884	60,852	57,839	279,575
As at 31 December 2019												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	4,183,708	256,333	132,600	4,572,641	4,795	5,566	58	10,419	73,118	7,076	2,548	82,742
- Cross currency swaps	7,078,996	207,100	-	7,286,096	85,992	1,456	-	87,448	58,768	-	-	58,768
- Currency swaps	1,737,656	198,786	132,672	2,069,114	21,441	4,458	2,605	28,504	3,040	626	52	3,718
Interest rate contracts :												
- Interest rate swaps	873,148	1,532,000	2,478,000	4,883,148	918	6,648	30,931	38,497	1,099	11,270	29,194	41,563
	13,873,508	2,194,219	2,743,272	18,810,999	113,146	18,128	33,594	164,868	136,025	18,972	31,794	186,791

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)

BANK	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 30 June 2020												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	3,120,255	5,620	-	3,125,875	49,572	11	-	49,583	18,758	2	-	18,760
- Cross currency swaps	4,504,812	207,100	-	4,711,912	28,362	2,072	-	30,434	79,946	7,701	-	87,647
- Currency options	43,356	-	-	43,356	3	-	-	3	21	-	-	21
Interest rate contracts :												
- Interest rate swaps	23,148	637,000	1,303,000	1,963,148	347	8,442	34,413	43,202	468	15,428	53,417	69,313
	7,691,571	849,720	1,303,000	9,844,291	78,284	10,525	34,413	123,222	99,193	23,131	53,417	175,741
As at 31 December 2019												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	2,733,359	-	-	2,733,359	1,279	-	-	1,279	51,418	-	-	51,418
- Cross currency swaps	7,078,997	207,100	-	7,286,097	92,334	1,456	-	93,790	59,325	-	-	59,325
Interest rate contracts :												
- Interest rate swaps	23,148	462,000	1,288,000	1,773,148	353	3,247	19,556	23,156	571	4,810	20,315	25,696
	9,835,504	669,100	1,288,000	11,792,604	93,966	4,703	19,556	118,225	111,314	4,810	20,315	136,439

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 RM13.9 million (2019 : RM50.1 million), while the notional amount of interest rate contract was RM758.9 million (2019 : RM763.1 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 RM263.4 million (2019 : RM279.8 million) and RM157.2 million (2019 : RM91.6 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 2019.

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 June 2020				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	61,805	-	61,805
- Shares and unit trusts	117,678	-	94,207	211,885
- Corporate bonds/Sukuk	-	33,350	15,141	48,491
Derivative financial assets	-	238,023	-	238,023
Financial investments at FVOCI :				
- Money market instruments	-	4,217,213	-	4,217,213
- Shares, unit trusts and REITs	-	-	182,491	182,491
- Corporate bonds/Sukuk	-	5,806,645	-	5,806,645
	117,678	10,357,036	291,839	10,766,553
Liabilities				
Derivative financial liabilities	-	279,575	-	279,575
Puttable liability - investment in funds	20,859	-	-	20,859
Other liabilities - equities trading	5	-	-	5
	20,864	279,575	-	300,439
31 December 2019				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	198,219	-	198,219
- Shares and unit trusts	321,362	-	94,207	415,569
- Corporate bonds/Sukuk	-	33,312	15,032	48,344
Derivative financial assets	-	164,868	-	164,868
Financial investments at FVOCI :				
- Money market instruments	-	4,022,935	-	4,022,935
- Shares, unit trusts and REITs	-	61	180,820	180,881
- Corporate bonds/Sukuk	-	8,293,030	-	8,293,030
	321,362	12,712,425	290,059	13,323,846
Liabilities				
Derivative financial liabilities	-	186,791	-	186,791
Puttable liability - investment in funds	20,917	-	-	20,917
Other liabilities - equities trading	4,282	-	-	4,282
	25,199	186,791	-	211,990

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 June 2020				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	61,803	-	61,803
- Unquoted shares	-	-	94,207	94,207
- Corporate bonds/Sukuk	-	-	15,141	15,141
Derivative financial assets	-	123,222	-	123,222
Financial investments at FVOCI :				
- Money market instruments	-	2,196,654	-	2,196,654
- Unquoted shares	-	-	157,817	157,817
- Corporate bonds/Sukuk	-	3,328,552	-	3,328,552
	-	5,710,231	267,165	5,977,396
Liabilities				
Derivative financial liabilities	-	175,741	-	175,741
31 December 2019				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	60,977	-	60,977
- Unquoted shares	-	-	94,207	94,207
- Corporate bonds/Sukuk	-	-	15,032	15,032
Derivative financial assets	-	118,225	-	118,225
Financial investments at FVOCI :				
- Money market instruments	-	2,444,075	-	2,444,075
- Unquoted shares	-	-	157,818	157,818
- Corporate bonds/Sukuk	-	3,771,951	-	3,771,951
	-	6,395,228	267,057	6,662,285
Liabilities				
Derivative financial liabilities	-	136,439	-	136,439

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 (2019: Nil).

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

	Group		Bank	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period/year	290,059	290,300	267,057	268,479
Sales	-	(15,629)	-	(15,629)
Net changes in income accrued	9	(18)	(5)	(18)
Total gains recognised in other comprehensive income	1,771	15,406	113	14,225
At end of the financial period/year	291,839	290,059	267,165	267,057

Effect of changes in significant unobservable assumptions to reasonably possible alternative

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

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

A31. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components). 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% (2019: 7.000%), 8.500% (2019: 8.500%) and 10.500% (2019: 10.500%) respectively for the financial period ended 30 June 2020.

	Group #		Bank	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 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	4,774,772	4,774,772	4,774,772
Retained profits	3,770,206	3,640,073	3,112,400	3,017,227
Unrealised gains on FVOCI instruments	181,298	250,661	121,785	148,173
Other disclosed reserves	(61,010)	(61,010)	-	-
Foreign exchange reserves	135	135	-	-
	<u>8,665,401</u>	<u>8,604,631</u>	<u>8,008,957</u>	<u>7,940,172</u>
Less: Regulatory adjustments :				
- Goodwill and other intangibles	(898,719)	(914,693)	(192,675)	(202,670)
- Deferred tax assets	(59,573)	(3,440)	(37,095)	(12,690)
- 55% of cumulative unrealised gains on FVOCI instruments	(99,714)	(137,864)	(66,982)	(81,495)
- Investment in subsidiaries, joint ventures and associates	(844,835)	(831,440)	(3,781,321)	(3,781,321)
Total CET 1 Capital	<u>6,762,560</u>	<u>6,717,194</u>	<u>3,930,884</u>	<u>3,861,996</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	21,085	25,329	-	-
	<u>821,085</u>	<u>825,329</u>	<u>500,000</u>	<u>500,000</u>
Total Tier 1 Capital	<u>7,583,645</u>	<u>7,542,523</u>	<u>4,430,884</u>	<u>4,361,996</u>
<u>Tier 2 Capital</u>				
Subordinated MTNs	2,750,000	2,750,000	2,000,000	2,000,000
Qualifying loss provisions ^	525,020	533,058	336,122	344,781
Less: Regulatory adjustments :				
- Investment in capital instruments of unconsolidated financial and insurance entities	(30,914)	(30,914)	(80,914)	(80,914)
Total Tier 2 Capital	<u>3,244,106</u>	<u>3,252,144</u>	<u>2,255,208</u>	<u>2,263,867</u>
Total Capital	<u>10,827,751</u>	<u>10,794,667</u>	<u>6,686,092</u>	<u>6,625,863</u>
b) The breakdown of risk-weighted assets :				
Credit risk	42,001,630	42,644,676	26,889,725	27,582,457
Market risk	649,673	488,422	363,808	290,399
Operational risk	3,269,464	3,184,235	1,653,394	1,774,869
Total risk-weighted assets	<u>45,920,767</u>	<u>46,317,333</u>	<u>28,906,927</u>	<u>29,647,725</u>
c) Capital adequacy ratios :				
<u>Before deducting proposed dividends :</u>				
CET 1 capital ratio	14.727%	14.503%	13.598%	13.026%
Tier 1 capital ratio	16.515%	16.284%	15.328%	14.713%
Total capital ratio	<u>23.579%</u>	<u>23.306%</u>	<u>23.130%</u>	<u>22.349%</u>
<u>After deducting proposed dividends [Note 1] :</u>				
CET 1 capital ratio	14.665%	14.441%	13.500%	12.931%
Tier 1 capital ratio	16.453%	16.223%	15.230%	14.617%
Total capital ratio	<u>23.518%</u>	<u>23.245%</u>	<u>23.032%</u>	<u>22.253%</u>

The group comprises banking and non-banking subsidiaries.

^ Qualifying loss provisions are restricted to allowances on the unimpaired portion of the loans, advances and other financing.

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.)

Note 1 :

Comparative figures for capital ratio after deducting proposed dividends have been revised to reflect the interim dividend revision as per Note B9.

Under the Dividend Reinvestment Plan ("DRP"), the amount of declared dividend to be deducted in the calculation of CET 1 Capital is determined in accordance with BNM's Implementation Guidance on Capital Adequacy Framework (Capital Components) (Implementation Guidance) issued on 2 February 2018.

Under the said Implementation Guidance, where a portion of the dividend may be reinvested under a DRP (the electable portion), the amount of the declared dividend to be deducted in the calculation of CET 1 Capital may be reduced as follows:-

- (i) where an irrevocable written undertaking from shareholder has been obtained to reinvest the electable portion of the dividend; or
- (ii) where there is no irrevocable written undertaking provided, the average of the preceding 3-year take-up rates or if less than 3 preceding years, the available average historical take-up rates, subject to the amount being not more than 50% of the total electable portion of the dividend.

Pursuant to Note B9, in arriving at the capital adequacy ratios, the portion of the proposed dividends where no irrevocable written undertaking from shareholders to reinvest the electable portion into new ordinary shares of the Bank is obtained, is assumed to be paid in cash and has been deducted from the calculation of CET 1 Capital Ratio.

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 June 2020, RIA assets included in the Total Capital Ratio calculation amounted to RM1,898.4 million (2019 : RM1,919.3 million).

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

	Economic Entity		Bank	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
CET 1 capital ratio	11.626%	11.720%	11.626%	11.720%
Tier 1 capital ratio	13.702%	13.826%	13.702%	13.826%
Total capital ratio	20.428%	20.631%	20.428%	20.631%

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

	The Group		Bank	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
<u>Before deducting proposed dividends :</u>				
CET 1 capital ratio	37.382%	34.432%	46.349%	44.406%
Tier 1 capital ratio	38.095%	35.186%	46.349%	44.406%
Total capital ratio	38.811%	35.958%	47.126%	45.235%
<u>After deducting proposed dividends :</u>				
CET 1 capital ratio	37.382%	33.238%	46.349%	42.745%
Tier 1 capital ratio	38.095%	33.991%	46.349%	42.745%
Total capital ratio	38.811%	34.764%	47.126%	43.574%

A32. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

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

	The Group		Bank	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	5,048,480	6,705,082	3,182,150	4,014,985
(ii) The percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	7.0%	8.0%	7.0%	8.0%
(iii) The percentage of outstanding credit exposures with connected parties which is impaired or in default	Nil	Nil	Nil	Nil

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD

(i) Unaudited Statements of Financial Position

	Economic Entity	
	30/6/2020	31/12/2019
	RM'000	RM'000
ASSETS		
Cash and short-term funds	2,996,234	1,588,868
Derivative financial assets	1,105	1,000
Financial investments at FVOCI	2,242,706	2,390,806
Financing, advances and other financing	18,721,073	18,580,253
Other assets	83,843	34,593
Amount due from holding company	-	53,946
Amount due from joint ventures	28,675	28,402
Amount due from associate	900	900
Taxation recoverable	17,803	15,550
Deferred tax assets	9,644	-
Statutory deposits with Bank Negara Malaysia	-	526,000
Investment in associate	-	750
Property and equipment	1,700	1,980
Right-of-use assets	1,933	1,554
Intangible assets	664	771
TOTAL ASSETS	24,106,280	23,225,373
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers	17,602,519	17,306,338
Investment accounts of customers	904	1,447
Deposits and placements of banks and other financial institutions	1,331,888	536,011
Investment accounts due to designated financial institutions	1,895,557	1,918,295
Derivative financial liabilities	1,097	6,757
Other liabilities	112,970	422,685
Amount due to holding company	111,156	-
Deferred tax liabilities	-	2,604
Lease liabilities	1,957	1,568
Subordinated term financing and medium term notes	1,111,034	1,111,034
TOTAL LIABILITIES	22,169,082	21,306,739
ISLAMIC BANKING CAPITAL FUNDS		
Share capital	1,060,000	1,060,000
Reserves	877,198	858,634
Total Islamic Banking Capital Funds	1,937,198	1,918,634
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	24,106,280	23,225,373
COMMITMENTS AND CONTINGENCIES	3,527,926	4,051,316

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 30/6/2020 RM'000	30/6/2019 RM'000	Cumulative Quarter Ended 30/6/2020 RM'000	30/6/2019 RM'000
Income derived from investment of depositors' funds and others	238,841	291,629	490,668	561,743
Income derived from investment of investment accounts	25,171	26,671	51,850	53,319
Income derived from investment of shareholders' funds	26,016	25,902	53,460	50,589
Modification loss	(29,454)	-	(29,454)	-
Allowances for impairment losses on financing, advances and other financing	489	(3,645)	(37,955)	(7,461)
Allowance for impairment losses on other assets	-	-	(1,015)	-
Total distributable income	261,063	340,557	527,554	658,190
Income attributable to the depositors and others	(171,257)	(236,081)	(355,685)	(460,260)
Total net income	89,806	104,476	171,869	197,930
Other operating expenses	(62,469)	(65,293)	(124,524)	(126,755)
Share of results of an associate	-	-	(750)	-
Profit before zakat and taxation	27,337	39,183	46,595	71,175
Zakat	-	(3,000)	-	(3,000)
Profit before taxation	27,337	36,183	46,595	68,175
Taxation	(5,837)	(10,729)	(12,028)	(18,285)
Net profit for the financial period	21,500	25,454	34,567	49,890

(iii) Unaudited Statements of Comprehensive Income

	Economic Entity			
	Individual Quarter Ended 30/6/2020 RM'000	30/6/2019 RM'000	Cumulative Quarter Ended 30/6/2020 RM'000	30/6/2019 RM'000
Net profit for the financial period	21,500	25,454	34,567	49,890
Other comprehensive income/(losses) :				
<u>Items that may be reclassified subsequently to profit and loss :</u>				
- Net fair value change in financial investments at FVOCI	105,743	37,825	51,689	72,003
- Net credit impairment loss change in financial investments at FVOCI	1,117	175	1,243	157
- Net gains on financial investments at FVOCI reclassified to profit or loss on disposal	(39,847)	(31,602)	(74,381)	(32,572)
- Deferred tax on financial investments at FVOCI	(15,815)	(1,493)	5,446	(9,463)
Other comprehensive (loss)/income for the financial period, net of tax	51,198	4,905	(16,003)	30,125
Total comprehensive income for the financial period	72,698	30,359	18,564	80,015

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----->				Total equity RM'000
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
At 1 January 2020	1,060,000	19,492	236,882	602,260	1,918,634
Comprehensive income :					
- Net profit for the financial period	-	-	-	34,567	34,567
Other comprehensive loss (net of tax) :					
- Financial investments at FVOCI	-	(16,003)	-	-	(16,003)
Total comprehensive (loss)/income	-	(16,003)	-	34,567	18,564
Transfer (from)/to regulatory reserves	-	-	(26,895)	26,895	-
At 30 June 2020	1,060,000	3,489	209,987	663,722	1,937,198
At 1 January 2019	1,060,000	3,172	194,384	577,671	1,835,227
Comprehensive income :					
- Net profit for the financial period	-	-	-	49,890	49,890
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	30,125	-	-	30,125
Total comprehensive income	-	30,125	-	49,890	80,015
Transfer (from)/to regulatory reserves	-	-	33,150	(33,150)	-
At 30 June 2019	1,060,000	33,297	227,534	594,411	1,915,242

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	
	30/6/2020	31/12/2019
	RM'000	RM'000
(v) Financing, advances and other financing		
By type		
Cash line	522,902	469,379
Term financing		
- Housing financing	7,507,315	7,351,173
- Syndicated financing	834,668	746,036
- Hire purchase receivables	3,642,783	3,820,401
- Business term financing	4,798,596	4,885,355
Bills receivables	33,193	11,668
Trust receipts	14,756	30,232
Claims on customers under acceptance credits	430,372	447,486
Staff financing (of which RM Nil to Directors)	70,007	62,760
Credit/charge cards	29,523	30,828
Revolving credit	1,015,713	897,505
Gross financing, advances and other financing	18,899,828	18,752,823
Less : ECL	(178,755)	(172,570)
Total net financing, advances and other financing	18,721,073	18,580,253
(vi) Movements of impaired financing		
At beginning of the financial period/year	607,312	530,829
Classified as impaired	83,629	315,874
Reclassified as non-impaired	(51,617)	(183,350)
Amount recovered	(20,870)	(35,889)
Amount written-off	(32,783)	(20,152)
At end of the financial period/year	585,671	607,312
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (excludes RIA).	2.32%	2.47%

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				
30/6/2020				
At beginning of the financial period	51,043	17,171	104,356	172,570
Total transfer between stages due to change in credit risk :	5,580	7,901	(13,481)	-
- Transfer to 12-month ECL (Stage 1)	7,598	(6,343)	(1,255)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,014)	15,288	(13,274)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(4)	(1,044)	1,048	-
Financing, advances and other financing derecognised (other than write-offs)	(12,204)	(618)	(788)	(13,610)
New financing, advances and other financing originated or purchased	12,885	525	79	13,489
Changes due to change in credit risk	13,661	2,110	23,136	38,907
Write-offs	-	-	(32,690)	(32,690)
Other adjustments	1	-	88	89
At end of the financial period	70,966	27,089	80,700	178,755
Economic Entity				
31/12/2019				
At beginning of the financial year	50,292	10,864	67,861	129,017
Total transfer between stages due to change in credit risk :	6,337	25,385	(31,722)	-
- Transfer to 12-month ECL (Stage 1)	9,134	(7,380)	(1,754)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,772)	36,096	(33,324)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(25)	(3,331)	3,356	-
Financing, advances and other financing derecognised (other than write-offs)	(31,489)	(2,865)	(1,909)	(36,263)
New financing, advances and other financing originated or purchased	30,171	1,702	10,681	42,554
Changes due to change in credit risk	(9,546)	(19,562)	72,892	43,784
Changes in models/risk parameters	5,278	1,647	6,805	13,730
Write-offs	-	-	(19,399)	(19,399)
Other adjustments	-	-	(853)	(853)
At end of the financial year	51,043	17,171	104,356	172,570

(viii) Deposits from customers

	Economic Entity	
	30/6/2020 RM'000	31/12/2019 RM'000
<u>Qard</u>		
Demand deposits	2,680,623	2,954,059
Savings deposits	856,480	647,064
	<u>3,537,103</u>	<u>3,601,123</u>
<u>Mudarabah</u>		
General investment deposits	59,075	61,558
<u>Tawarruq</u>		
Demand deposit	20,920	111
Savings deposits	36,092	157
Murabahah term deposits	13,370,333	13,241,472
Commodity Murabahah Deposit	578,996	401,917
	<u>14,006,341</u>	<u>13,643,657</u>
Total deposits from customers	17,602,519	17,306,338

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 for current against preceding year's corresponding quarter

	Individual Quarter Ended		Changes		Cumulative Quarter Ended		Changes	
	30/6/2020 RM'000	30/6/2019 RM'000	RM'000	%	30/6/2020 RM'000	30/6/2019 RM'000	RM'000	%
Net Income	512,958	497,927	15,031	3.02	1,143,333	970,443	172,890	17.82
Operating Profit	76,354	213,401	(137,047)	(64.22)	256,572	391,455	(134,883)	(34.46)
Profit Before Zakat and Tax	94,600	218,903	(124,303)	(56.78)	271,092	404,326	(133,234)	(32.95)
Profit Before Tax	93,638	215,040	(121,402)	(56.46)	267,927	400,016	(132,089)	(33.02)
Profit After Tax	76,253	163,078	(86,825)	(53.24)	205,358	306,823	(101,465)	(33.07)
Profit attributable to equity holders of the Bank	67,399	156,031	(88,632)	(56.80)	190,968	293,262	(102,294)	(34.88)

The Group reported a lower profit before tax ("PBT") of RM93.6 million for the current financial quarter as compared to RM215.0 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2020, the Group also reported a lower PBT of RM267.9 million as compared to RM400.0 million for the corresponding half-year ended 30 June 2019. This was mainly due to net allowance on credit impairment losses of RM170.9 million as compared to a write-back of RM36.1 million in the previous corresponding quarter, higher overhead expenses of RM99.7 million, recognition of modification loss on the loan moratorium accounts of RM79.7 million as well as lower net interest income of RM44.7 million. These were partially offset by the increase in net gain on sales of financial instruments and net fee and commission income of RM239.5 million and RM22.2 million respectively. In addition, the share of profits from the joint venture company was higher by RM2.6 million, while the share of profit from the associate company was down by RM1.0 million.

Commercial Banking

AFFIN Bank Berhad ("the Bank" or "ABB") reported a lower PBT of RM6.8 million for the current financial quarter as compared to RM123.8 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2020, ABB also reported a lower PBT of RM38.7 million, a decrease of 83.0% as compared to RM227.5 million achieved in the same period previous year. The decline in PBT was mainly due to net allowance on credit impairment losses of RM105.0 million as compared to a write-back of RM42.7 million in the previous corresponding period, recognition of modification losses on the loan moratorium accounts of RM50.3 million, higher overhead expenses of RM41.5 million and lower net interest income of RM39.4 million, cushioned by higher gain on sales of financial instruments of RM59.8 million and higher other income of RM39.1 million.

AFFIN Islamic Bank Berhad ("AiBB") registered a lower PBT of RM27.3 million for the current financial quarter as compared to RM36.2 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2020, AiBB also registered a lower PBT of RM46.6 million as compared to RM68.2 million achieved in the same period previous year, mainly attributed to higher allowance on financing impairment of RM30.5 million and recognition of modification loss on the financing moratorium accounts of RM29.5 million, net of higher gain on sales of financial instruments of RM40.0 million.

Investment Banking

AFFIN Hwang IB Group ("AHIB") reported a higher PBT of RM80.4 million for the current financial quarter as compared to RM51.6 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2020, AHIB also registered a higher PBT of RM207.8 million, a significant increase of 114.6% as compared to RM96.8 million achieved in the same period previous year. The improved performance was mainly due to higher net gain on sales of financial instruments and higher net fee and commission income of RM179.7 million and RM31.3 million respectively. These were however cushioned by higher overhead expenses of RM60.3 million and net allowance on credit impairment losses of RM32.0 million as compared to a write-back of RM2.1 million in financial quarter ended 30 June 2019.

The 63%-owned subsidiary namely AFFIN Hwang Asset Management Berhad ("AHAM") contributed a higher PBT of RM30.8 million for the current financial quarter as compared to RM25.1 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2020, AHAM contributed slightly higher PBT of RM52.1 million as compared to RM50.2 million achieved in the same period previous year, mainly due to higher net fee and commission income of RM17.8 million, net of higher overhead expenses of RM13.7 million and lower net gain on sales of financial instruments of RM3.4 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 in AXA AFFIN Life Insurance Berhad ("AALI") and AXA AFFIN General Insurance Berhad ("AAGI").

AALI reported a higher pre-tax profit of RM20.8 million for the current financial quarter as compared to RM7.7 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2020, AALI also reported a higher pre-tax profit of RM11.8 million as compared to RM3.0 million for the corresponding period last year, mainly due to gains on disposal of equities of RM11.2 million and lower reserves for future policyholders' liabilities of RM1.2 million. However, these were offset by higher overhead expenses of RM3.5 million.

AAGI reported a higher pre-tax profit of RM27.4 million for the current financial quarter as compared to RM1.7 million in the preceding year's corresponding quarter. For the half-year ended 30 June 2020, AAGI reported a gross premium of RM688.1 million, a growth of 1.6% as compared to RM677.2 million in the financial period ended 30 June 2019, mainly driven by the Health and Commercial segments. Despite the OPR cut and the economic slowdown, AAGI still reported pre-tax profit of RM27.9 million for the half-year ended 30 June 2020. The lower earned premium and investment income contributed to the decline in pre-tax profit by 9.4%.

Other business segment

The results of the other business segment is made up of the pretax profit of RM1.1 million of AFFIN Moneybrokers Sdn Bhd ("AMB") consisting of brokerage income of RM6.5 million, net of overhead expenses of RM5.4 million.

AMB reported a lower PBT of RM0.2 million for the current financial quarter as compared to RM0.6 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2020, AMB contributed a lower PBT of RM1.1 million as compared to RM1.3 million achieved in the previous year, mainly due to lower net brokerage income of RM0.1 million and higher overhead expenses of RM0.1 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	
	30/6/2020 RM'000	31/3/2020 RM'000	RM'000	%
Net income	512,958	630,375	(117,417)	(18.63)
Operating Profit	76,354	180,218	(103,864)	(57.63)
Profit Before Zakat and Tax	94,600	176,492	(81,892)	(46.40)
Profit Before Tax	93,638	174,289	(80,651)	(46.27)
Profit After Tax	76,253	129,105	(52,852)	(40.94)
Profit attributable to equity holders of the Bank	67,399	123,569	(56,170)	(45.46)

For the current financial quarter, the Group reported a lower PBT of RM93.6 million as compared to RM174.3 million achieved in the preceding financial quarter, mainly due to higher overhead expenses of RM50.7 million, recognition of modification losses on loan financing moratorium accounts of RM79.7 million, lower Islamic banking income of RM31.8 million, lower gain on sales of financial instruments of RM20.3 million and lower net interest income of RM16.2 million. These were partially offset by lower net allowance on credit impairment losses of RM63.3 million and higher share of profit in both joint venture and associates of RM10.2 million and RM11.7 million respectively.

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

B3. ECONOMIC AND BUSINESS OUTLOOK FOR 2020

Following the devastating impact of the Covid-19 pandemic from early 2020, global growth momentum has slowed down sharply in 1H2020, attributed to quarantine and containment measures, with lockdowns, travel restrictions and closure of workplaces/non-essential businesses. This was further exacerbated by the renewed threat of a trade war between the US and China, dampening growth prospects around the world. The International Monetary Fund (IMF) is projecting global growth to contract sharply by -4.9% in 2020. This revision is lower than its previous projection of -3.3% in January 2020, the sharpest decline since the Great Depression and worse than the Global Financial Crisis.

After posting a positive 0.7% growth in 1Q2020, the real GDP growth of Malaysia is likely to contract about -8.0% yoy in 2Q2020, before registering a smaller decline in 2H2020. Real GDP growth will likely decline by -4.2% yoy in 1H2020, before contracting a gradual pace of -3.0% in the 2H2020 and averaging around -3.5% for the full year 2020. This will still be lower than the official forecast of between -2.0% to 0.5% for this year.

On the fiscal policy front, with the economic stimulus package (PRIHATIN) of RM260 billion or 17.3% of GDP nearing completion, the government is now embarking on the introduction of the National Economic Recovery Plan (PENJANA) with an additional stimulus package of RM35 billion or 2.7% of GDP. In total, out of the stimulus packages totaling RM295 billion or about 20% of GDP, about RM45 billion will be a direct fiscal injection by the government. The allocation of the stimulus packages is targeted towards the people's welfare, businesses and SMEs as well as measures to strengthen the economy.

The country's export growth is expected to remain in the negative territory on yearly comparison for 2Q2020 and 3Q2020, given signs that the global trade will likely improve only in 4Q2020. This will be premised on the rate of normalisation after major disruptions to the global supply chain. Manufacturers in the Asean countries are likely to slow down production until more positive economic signs emerge on the global front. The commencement of the Conditional and Recovery Movement Control Order (RMCO) from 4 May to 31 August is however, expected to support the country's trade performance as companies and businesses resume operations. In view of the ongoing external uncertainty, Malaysia's gross export growth is expected to decline by 8% to 9% for 2020 with gross imports contracting by 7% to 8%. Despite a weak exports outlook, it is expected that the fiscal measures introduced through PRIHATIN and PENJANA, especially for the labor market and private consumption, will provide some support to domestic demand in the coming quarters.

STRATEGY MOVING FORWARD

With the present Covid-19 pandemic environment, the Bank is placing utmost importance in ensuring business continuity and providing temporary financial relief to support our customers to get them through this difficult period. Given the challenging economic environment caused by the pandemic, asset preservation and liquidity management are essential to withstand the downside risks. The Bank has identified and is taking proactive measures to address any potential increase in impaired loans as well as the impact to profitability after the 6-month moratorium period comes to a close. At the same time, the Bank will continue to strive to remain agile and is committed to fulfilling stakeholders' needs.

The Consumer Banking Division, now renamed Community Banking Directorate will focus on assisting in the development of the communities that we are operating in by providing necessary banking support to the surrounding individuals and businesses. The rebranding reflects the commitment to provide our customers with personalised attention and the resources needed to meet their financial goals via expanded range of financial products and services. We are adopting a multi-pronged approach to deliver this promise to our customers while delivering value to our stakeholders. To support our existing borrowers during this present Covid-19 pandemic, we will continue to provide financial relief for selected customers after the moratorium period. We will grow our new loans and deposit base through new product offerings as well as focusing on fee-based income by diversifying our wealth management services. We are expanding our customer base via a more direct segment-based approach and improving customer experience via Digitalisation.

The Corporate Banking Division ("CBD") is steadfast in its commitment to support the local corporates through this difficult time. While corporate customers are not eligible for the automatic moratorium, CBD has been extending financial support to them on a case-by-case basis and proactively engaging with corporate customers. CBD will maintain selective balance sheet expansion in tandem with the Group's risk appetite, drive revenue growth and remain focused on the on-going cost discipline.

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

STRATEGY MOVING FORWARD (Cont.)

The Small & Medium Enterprise ("SMEs") Banking Division continues to support SMEs in weathering these challenging times with financial relief programs to help alleviate repayment and cash flow issues in line with overall national initiatives, including affordable funding and the 6-month moratorium. PENJANA Financing Schemes are the latest initiatives supporting the industry. The Division also actively engages with the SME community through live sessions with industry experts on tips and recommendations in sustaining businesses. We are also looking into opportunities for new facilities that will support the Bank's business whilst implementing awareness activities aimed at increasing the Bank's visibility. This is seen in the recent award received in 2020, The Asset Triple A award, SME Banking Digital CX award and others.

AFFIN Islamic Bank will continue to assess the impact of Covid-19 and challenging economic environment towards its portfolio for the remaining period of the financial year. For the benefits of its customers, AFFIN Islamic Bank will be focusing on supporting the implementation of financial measures announced by the Government. Comprehensive products are offered specifically for SMEs, covering various industries to empower their businesses under Government economic stimulus package, i.e. PENJANA. Sustaining stable profitability and preserving strong asset quality will remain as the strategic focus moving forward and continue to ensure prudent risk assessments in managing the credit risks exposure.

AFFIN Hwang Investment Bank Group intends to capture identified growth areas within the industry despite the continuing uncertainty and volatility in the market. Niche opportunities for companies requiring restructuring and refinancing exercises are available to be captured in the current market environment. The Group has observed continued interest from companies to raise equity and/or debt for growth opportunities.

AXA AFFIN Life insurance ("AALI") is focusing on digitalisation by providing digital support to enhance traditional distributors productivity and service quality to serve its customer needs during this trying times. AALI is also emphasising on product innovation and continuous improvement through Robotics Process Automation across the company to improve efficiency and processes amidst the Covid-19 pandemic. The company also participates in initiatives led by Life Insurance Association of Malaysia and fund raising campaigns as part of its efforts to support the society and country.

AXA-AFFIN General Insurance focus is on building a sustainable business portfolio to ensure sustainable profitability and expanding its market share in the preferred segments amidst challenges faced by markets locally and globally due to the impact of the Covid-19 pandemic. Strategies and plans are in place with the key objective of attaining sustainable growth with focus on profitability, customer experience and efficiency.

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	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	45,466	46,537	94,143	65,533
Under provision in prior years	(112)	(9)	3	22
Deferred tax (income)/expense :				
- Relating to originating temporary differences	(27,969)	5,434	(31,577)	27,638
	17,385	51,962	62,569	93,193
Bank				
Malaysian income tax	4,721	25,288	16,309	35,479
Deferred tax (income)/expense :				
- Relating to originating temporary differences	(10,490)	5,505	(13,996)	19,007
	(5,769)	30,793	2,313	54,486

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

For the preceding year's corresponding period, the Group's and 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	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
(i) <u>Deposits from Customers</u>				
<u>By Type of Deposit :</u>				
Demand Deposits	6,777,948	7,417,574	4,076,910	4,468,875
Savings Deposits	2,814,441	2,334,653	1,921,869	1,687,588
Fixed Deposits	36,279,562	39,137,401	20,195,359	22,194,938
Commodity Murabahah Deposits	578,996	402,074	-	-
Money Market Deposits	603,173	1,278,950	603,173	1,278,950
Negotiable Instruments of Deposits ("NID")	1,143,930	485,021	719,596	504,899
Others	96,697	33,289	-	-
	48,294,747	51,088,962	27,516,907	30,135,250
Maturity structure of fixed deposits, NID and others :				
Due within six months	26,407,137	20,975,454	14,644,307	10,939,740
Six months to one year	9,231,719	16,480,637	4,866,098	10,245,509
One year to three years	1,658,934	1,886,591	1,369,033	1,477,277
Three years to five years	222,399	313,029	35,517	37,311
	37,520,189	39,655,711	20,914,955	22,699,837
<u>By Type of Customer :</u>				
Government and statutory bodies	7,608,211	8,022,642	490,445	1,024,448
Business enterprises	10,081,794	12,585,286	6,037,051	7,284,828
Individuals	24,946,616	23,504,126	18,581,937	18,197,263
Domestic banking institutions	1,095,039	494,213	720,010	513,669
Domestic non-banking financial institutions	3,279,745	5,060,498	778,910	2,050,604
Foreign entities	568,090	716,175	413,155	567,667
Others	715,252	706,022	495,399	496,771
	48,294,747	51,088,962	27,516,907	30,135,250
(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>				
<u>By Type of Institution :</u>				
Licensed banks	847,771	614,958	758,418	227,497
Licensed investment banks	227,908	395,889	174,667	-
Bank Negara Malaysia	3,805	4,675	3,805	4,675
Other financial institutions	2,323,119	747,730	1,188,042	413,913
	3,402,603	1,763,252	2,124,932	646,085
<u>Maturity structure of deposits :</u>				
Due within six months	3,402,603	1,763,252	2,124,932	646,085
	3,402,603	1,763,252	2,124,932	646,085
(iii) <u>Lease Liabilities</u>				
At beginning of financial period/year, on adoption of MFRS 16	58,650	70,741	44,219	57,893
Additions	10,835	22,762	3,342	10,610
Termination of contracts	(7)	(104)	-	-
Interest/Profit expense	1,261	2,512	831	1,885
Lease payment	(18,793)	(37,261)	(12,949)	(26,169)
At end of the financial period/year	51,946	58,650	35,443	44,219

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	
	30/6/2020 RM'000	31/12/2019 RM'000	30/6/2020 RM'000	31/12/2019 RM'000
(iv) Borrowings				
(a) Tier-2 Subordinated Medium Term Notes ('MTN')	2,035,845	2,036,143	2,035,845	2,036,143
(b) Additional Tier-1 Capital Securities ('AT1CS')	512,077	512,236	512,077	512,236
(c) Additional Tier-1 Sukuk Wakalah ('AT1S')	303,425	303,425	-	-
(d) MTN Tier-2 Sukuk Murabahah	754,900	755,339	-	-
	<u>3,606,247</u>	<u>3,607,143</u>	<u>2,547,922</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-year 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 ABB.

(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-year basis, 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-year 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 Writ 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 on the Facility which led to the Bank filing a debt recovery action against All in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ("Chenet") being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ("DGI") as receiver of Plaintiff's Estate. The Federal Court reinstated the Plaintiff's bankruptcy on 26 August 2019 and the hearings at the High Court could only proceed on receipt of the sanction from the DGI which was obtained on 6 December 2019. The next Case Management was fixed on 22 January 2020. However, trial was vacated due to the MCO. The matter is now fixed for Case Management on 2 September 2020.

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") with regards to each of the alleged wrongful act on the following merits:-

- 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.

- b) There are various legal suits against ABB in respect of claims and counter claims of approximately RM19.0 million (2019: RM19.1 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.

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

B9. DIVIDENDS

In view of the MCO and the uncertainty in determining the Annual General Meeting date of the Bank, the Board had on 27 April 2020, resolved the following:

- i) reclassification of the proposed final dividend (which was included in the announcement on the quarterly report on consolidated results for the year ended 31 December 2019 dated 27 February 2020) as interim dividend for the financial year ended 31 December 2019;
- ii) revision of the interim dividend from 7.0 sen to 5.0 sen, amounting to a dividend payable of RM99,301,006 in respect of financial year ended 31 December 2019; and
- iii) application of Dividend Reinvestment Plan ("DRP") to interim dividend and 100% of the interim dividend can be elected to be reinvested in new ABB shares. Any part of the reinvestment option which is not exercised by the shareholders into new ABB shares will be paid in cash.

On 6 May 2020, the Bank announced that Bursa Securities ("Bursa") had via its letter dated 6 May 2020 resolved not to approve the Bank's application for the proposed waiver to comply with Paragraph 8.26 (1) of the Main Market Listing Requirements of Bursa, for the revision of the interim dividend from 7.0 sen to 5.0 sen per share for the financial year ended 31 December 2019. In view of the said decision from Bursa, the Bank had thus resolved to reinstate the said interim dividend to 7.0 sen per share.

The details of the proposed interim single-tier dividend in respect of the financial year ended 31 December 2019 of 7.0 sen per ordinary share amounting to RM139,021,409 (based on 1,986,020,123 ordinary shares in issue as at 31 December 2019) is as follows:

Amount per share	: 7.0 sen
Date payable	: 9 September 2020
Date of entitlement	: 12 August 2020

B10. EARNINGS PER SHARE

(a) Basic

The basic earnings per ordinary share for the Group and the Bank have been calculated by dividing the net profit attributable to equity holders of the Group and the Bank by the weighted average number of ordinary shares in issue during the financial period.

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
Net profit attributable to equity holders of the Bank (RM'000)	67,399	156,031	190,968	293,262
Weighted average number of ordinary shares in issue	1,986,020,123	1,981,022,868	1,986,020,123	1,981,022,868
Basic earnings per share (sen)	3.40	7.86	9.62	14.80

Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
Net profit attributable to equity holders of the Bank (RM'000)	12,555	92,976	36,419	172,978
Weighted average number of ordinary shares in issue	1,986,020,123	1,981,022,868	1,986,020,123	1,981,022,868
Basic earnings per share (sen)	0.63	4.69	1.83	8.73

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

B10. EARNINGS PER SHARE (Cont.)

(b) Diluted

The diluted earnings per ordinary share has been calculated by dividing the net profit attributable to equity holders of the Group and the Bank as stated above by the weighted average number of shares in issue during the financial period including the dilution from the potential issuance of new ordinary shares arising from DRP.

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
Net profit attributable to equity holders of the Bank (RM'000)	67,399	156,031	190,968	293,262
Diluted weighted average number of ordinary shares in issue	2,047,788,115	1,981,022,868	2,047,788,115	1,981,022,868
Diluted earnings per share (sen)	3.30	7.86	9.33	14.80
	<hr/>		<hr/>	
Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
Net profit attributable to equity holders of the Bank (RM'000)	12,555	92,976	36,419	172,978
Diluted weighted average number of ordinary shares in issue	2,047,788,115	1,981,022,868	2,047,788,115	1,981,022,868
Diluted earnings per share (sen)	0.61	4.69	1.78	8.73
	<hr/>		<hr/>	
	Group and Bank			
	30/6/2020			
Number of ordinary shares in issue	1,986,020,123			
Number of potential ordinary shares in issue	61,767,992			
Diluted weighted average number of ordinary shares in issue	2,047,788,115			