

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

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 30 September 2020

	Note	GROUP		BANK	
		30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
ASSETS					
Cash and short-term funds		7,856,760	4,605,357	3,444,353	2,317,369
Deposits and placements with banks and other financial institutions		175,324	-	216,939	41,368
Investment accounts due from designated financial institutions		-	-	1,973,596	1,912,415
Financial assets at fair value through profit or loss ("FVTPL")	A9	597,558	662,132	221,536	170,216
Derivative financial assets	A29	267,149	164,868	153,364	118,225
Financial investments at fair value through other comprehensive income ("FVOCI")	A10	11,337,046	12,496,846	5,646,470	6,373,844
Financial investments at amortised cost ("AC")	A11	145,057	145,066	101,947	100,499
Loans, advances and financing	A12	45,132,134	45,387,865	24,952,817	25,730,059
Trade receivables	A13	934,923	534,388	-	-
Other assets	A14	383,150	159,950	164,493	60,883
Amount due from subsidiaries		-	-	83,270	1,318
Amount due from joint ventures		18,689	28,402	-	-
Amount due from associates		30,887	31,787	30,887	30,887
Tax recoverable		87,280	121,595	78,939	67,940
Deferred tax assets		87,801	22,520	46,228	12,690
Statutory deposits with Bank Negara Malaysia		49,835	1,534,777	38,532	857,377
Investment in subsidiaries		-	-	3,053,899	3,053,899
Investment in joint ventures		165,841	171,913	178,940	178,940
Investment in associates		692,239	659,527	548,482	548,482
Property and equipment		774,302	641,867	743,029	607,322
Right-of-use assets		51,448	57,709	32,554	43,416
Intangible assets		908,811	914,693	206,073	202,670
TOTAL ASSETS		69,696,234	68,341,262	41,916,348	42,429,819
LIABILITIES AND EQUITY					
Deposits from customers	B7	49,504,857	51,088,962	27,720,514	30,135,250
Investment accounts of customers		2,505	1,447	-	-
Deposits and placements of banks and other financial institutions	B7	4,048,815	1,763,252	2,417,093	646,085
Derivative financial liabilities	A29	312,813	186,791	204,445	136,439
Bills and acceptances payable		33,967	32,903	33,967	32,903
Trade payables		1,174,427	787,563	-	-
Lease liabilities	B7	52,654	58,650	32,574	44,219
Other liabilities	A15	1,305,841	1,398,837	533,344	418,548
Amount due to subsidiaries		-	-	2,151	55,899
Provision for taxation		34,907	41	-	-
Deferred tax liabilities		2,080	19,080	-	-
Borrowings	B7	3,586,778	3,607,143	2,514,516	2,548,379
TOTAL LIABILITIES		60,059,644	58,944,669	33,458,604	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 September 2020

	Note	GROUP		BANK	
		30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
EQUITY					
Share capital		4,902,300	4,774,772	4,902,300	4,774,772
Reserves:-					
FVOCI revaluation reserves	A16	268,055	250,661	166,480	148,173
Regulatory reserves	A16	443,249	732,539	273,720	471,925
Other reserves	A16	(61,010)	(61,010)	-	-
Foreign exchange reserves	A16	135	135	-	-
Retained profits	A16	4,030,028	3,640,073	3,115,244	3,017,227
Equity attributable to equity holders of the Bank		9,582,757	9,337,170	8,457,744	8,412,097
Non-controlling interest		53,833	59,423	-	-
TOTAL EQUITY		9,636,590	9,396,593	8,457,744	8,412,097
TOTAL LIABILITIES AND EQUITY		69,696,234	68,341,262	41,916,348	42,429,819
COMMITMENTS AND CONTINGENCIES	A28	35,323,154	30,851,233	21,201,169	19,679,897
CAPITAL ADEQUACY RATIOS	A31				
Before deducting proposed dividends :					
CET 1 capital ratio		15.014%	14.503%	13.675%	13.026%
Tier 1 capital ratio		16.760%	16.284%	15.375%	14.713%
Total capital ratio		23.636%	23.306%	23.067%	22.349%
After deducting proposed dividends :					
CET 1 capital ratio		15.014%	14.441%	13.675%	12.931%
Tier 1 capital ratio		16.760%	16.223%	15.375%	14.617%
Total capital ratio		23.636%	23.245%	23.067%	22.253%
Net assets per share attributable to equity holders of the Bank (RM)		4.61	4.70	4.07	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 September 2020

GROUP	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		30/9/2020	30/9/2019	30/9/2020	30/9/2019
		RM'000	RM'000	RM'000	RM'000
Interest income	A17	428,296	541,671	1,350,335	1,707,546
Interest expense	A18	(235,465)	(361,037)	(826,824)	(1,151,544)
Net interest income		192,831	180,634	523,511	556,002
Income from Islamic banking business		113,083	98,078	350,107	300,195
Modification loss	A18 (a)	-	-	(79,728)	-
		305,914	278,712	793,890	856,197
Fee and commission income	A19 (a)	194,439	155,464	514,289	434,960
Fee and commission expense	A19 (b)	(58,700)	(46,861)	(144,035)	(114,055)
Net fee and commission income	A19	135,739	108,603	370,254	320,905
Net gains on financial instruments	A20	241,060	76,673	635,935	232,050
Other income	A21	11,486	10,272	37,453	35,551
Net income		694,199	474,260	1,837,532	1,444,703
Other operating expenses	A22	(475,818)	(317,304)	(1,190,640)	(932,420)
Operating profit before allowances		218,381	156,956	646,892	512,283
Allowances for credit impairment losses	A23	(112,311)	(43,112)	(283,235)	(6,984)
Allowances for impairment losses on other assets	A24	(11,265)	(1,933)	(12,280)	(1,933)
Operating profit		94,805	111,911	351,377	503,366
Share of results of a joint venture		(2,673)	(4,793)	251	(4,473)
Share of results of associates		6,787	4,617	18,383	17,168
Profit before zakat and taxation		98,919	111,735	370,011	516,061
Zakat		(3,598)	(1,006)	(6,763)	(5,316)
Profit before taxation		95,321	110,729	363,248	510,745
Taxation	B5	(37,806)	(33,178)	(100,375)	(126,371)
Net profit after zakat and taxation		57,515	77,551	262,873	384,374
Attributable to :-					
Equity holders of the Bank		48,718	72,399	239,686	365,661
Non-controlling interest		8,797	5,152	23,187	18,713
		57,515	77,551	262,873	384,374
Earnings per share attributable to equity holders of the Bank (sen) :-					
Basic/fully diluted	B10	2.38	3.65	11.66	18.44

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 September 2020

GROUP	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	57,515	77,551	262,873	384,374
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)	157,973	82,046	422,169	421,443
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	8,323	1,152	15,269	(4,098)
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(76,597)	(82,092)	(442,512)	(219,649)
- Deferred tax on financial investments at FVOCI	(12,733)	(106)	11,679	(49,210)
- Share of other comprehensive income/(loss) of a joint venture	1,202	(158)	(6,323)	2,001
- Share of other comprehensive income of associates	7,929	4,006	14,861	11,500
<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)	660	7,911	2,230	18,116
- Deferred tax on financial investments at FVOCI	-	532	21	(1,917)
Other comprehensive income for the financial period, net of tax	86,757	13,291	17,394	178,186
Total comprehensive income for the financial period	144,272	90,842	280,267	562,560
Total comprehensive income for the financial period attributable to :-				
Equity holders of the Bank	135,475	85,690	257,080	543,847
Non-controlling interest	8,797	5,152	23,187	18,713
	144,272	90,842	280,267	562,560

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 September 2020

	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		30/9/2020 RM'000	30/9/2019 RM'000	30/9/2020 RM'000	30/9/2019 RM'000
<u>BANK</u>					
Interest income	A17	387,945	488,076	1,225,212	1,533,378
Interest expense	A18	(211,375)	(326,124)	(746,585)	(1,029,989)
Net interest income		176,570	161,952	478,627	503,389
Modification loss	A18 (a)	-	-	(50,274)	-
		176,570	161,952	428,353	503,389
Fee and commission income	A19 (a)	25,369	24,947	67,200	76,749
Fee and commission expense	A19 (b)	(1,588)	(2,259)	(4,149)	(6,094)
Net fee and commission income	A19	23,781	22,688	63,051	70,655
Net gains on financial instruments	A20	54,751	34,584	186,784	106,834
Other income	A21	8,244	67,814	66,571	87,023
Net income		263,346	287,038	744,759	767,901
Other operating expenses	A22	(168,380)	(148,737)	(506,046)	(444,863)
Operating profit before allowances		94,966	138,301	238,713	323,038
(Allowances for)/write-back of credit impairment losses	A23	(79,418)	(31,180)	(184,433)	11,547
Profit before zakat and taxation		15,548	107,121	54,280	334,585
Zakat		-	-	-	-
Profit before taxation		15,548	107,121	54,280	334,585
Taxation	B5	(13,134)	(15,775)	(15,447)	(70,261)
Net profit after zakat and taxation		2,414	91,346	38,833	264,324
Earnings per share attributable to equity holders of the Bank (sen) :-					
Basic/fully diluted	B10	0.12	4.61	1.89	13.33

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 September 2020

	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020 RM'000	30/9/2019 RM'000	30/9/2020 RM'000	30/9/2019 RM'000
<u>BANK</u>				
Profit after zakat and taxation	2,414	91,346	38,833	264,324
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)	93,843	16,690	201,266	162,933
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	6,197	(243)	12,769	(1,320)
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(52,131)	(37,404)	(202,922)	(102,386)
- Deferred tax on financial investments at FVOCI	(3,214)	4,972	7,194	(14,531)
<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)	-	8,946	-	8,946
Other comprehensive income/(loss) for the financial period, net of tax	44,695	(7,039)	18,307	53,642
Total comprehensive income for the financial period	47,109	84,307	57,140	317,966

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 September 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	-	-	-	-	-	-	239,686	239,686	23,187	262,873
Other comprehensive income (net of tax) :										
- Financial investments at FVOCI	-	8,856	-	-	-	-	-	8,856	-	8,856
- Share of other comprehensive loss of a joint venture	-	(6,323)	-	-	-	-	-	(6,323)	-	(6,323)
- Share of other comprehensive income of associates	-	14,861	-	-	-	-	-	14,861	-	14,861
Total comprehensive income	-	17,394	-	-	-	-	239,686	257,080	23,187	280,267
Issuance of new shares	127,528	-	-	-	-	-	-	127,528	-	127,528
Transfer from regulatory reserves	-	-	(289,290)	-	-	-	289,290	-	-	-
Dividends	-	-	-	-	-	-	(139,021)	(139,021)	(28,777)	(167,798)
At 30 September 2020	4,902,300	268,055	443,249	135	-	(61,010)	4,030,028	9,582,757	53,833	9,636,590
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	-	-	-	-	-	-	365,661	365,661	18,713	384,374
Other comprehensive income (net of tax) :										
- Financial investments at FVOCI	-	164,685	-	-	-	-	-	164,685	-	164,685
- Net loss on disposal of financial investments designated at FVOCI (equity instruments)	-	3,249	-	-	-	-	(3,249)	-	-	-
- Share of other comprehensive income of a joint venture	-	2,001	-	-	-	-	-	2,001	-	2,001
- Share of other comprehensive income of associates	-	11,500	-	-	-	-	-	11,500	-	11,500
Total comprehensive income	-	181,435	-	-	-	-	362,412	543,847	18,713	562,560
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	-	-	8,937	-	-	-	(8,937)	-	-	-
Issuance of new shares from exercise of employee stock option incentive scheme **	-	-	-	-	(8,328)	-	8,328	-	-	-
Dividends	-	-	-	-	-	-	-	-	(18,500)	(18,500)
At 30 September 2019	4,774,772	291,806	947,992	593	-	-	3,303,194	9,318,357	101,733	9,420,090

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

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

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 September 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
Comprehensive income :					
Net profit for the financial period	-	-	-	38,833	38,833
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	18,307	-	-	18,307
Total comprehensive income	-	18,307	-	38,833	57,140
Issuance of new shares	127,528	-	-	-	127,528
Transfer from regulatory reserves	-	-	(198,205)	198,205	-
Dividends	-	-	-	(139,021)	(139,021)
At 30 September 2020	4,902,300	166,480	273,720	3,115,244	8,457,744
At 1 January 2019	4,684,752	111,161	716,313	2,408,718	7,920,944
Net profit for the financial period	-	-	-	264,324	264,324
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	53,642	-	-	53,642
Total comprehensive income	-	53,642	-	264,324	317,966
Issuance of new shares	90,020	-	-	-	90,020
Transfer from regulatory reserves	-	-	(14,202)	14,202	-
At 30 September 2019	4,774,772	164,803	702,111	2,687,244	8,328,930

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 September 2020

	GROUP		BANK	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	363,248	510,745	54,280	334,585
Adjustments for items not involving the movement of cash and cash equivalents	(401,606)	(345,670)	(49,947)	(225,742)
Operating profit before changes in working capital	(38,358)	165,075	4,333	108,843
Net changes in operating assets	1,258,132	2,413,690	950,934	3,018,632
Net changes in operating liabilities	762,533	(4,504,670)	(518,825)	(4,827,324)
Tax and zakat paid	(104,492)	(107,630)	(52,791)	(51,252)
Net cash generated/(used in) from operating activities	1,877,815	(2,033,535)	383,651	(1,751,101)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received :				
- financial investments at FVOCI	232,930	329,742	195,993	216,068
- financial investments at AC	6,114	6,228	2,870	4,282
Dividend income :				
- financial assets at FVTPL	5,386	-	732	-
- financial investments at FVOCI	609	2,586	309	232
- subsidiaries	-	-	41,500	61,000
Net disposal/(purchase) of :				
- financial investments at FVOCI	1,482,091	5,142,418	896,480	4,027,317
- financial investments at AC	-	16,223	-	12,993
Purchase of :				
- property and equipment	(184,834)	(131,536)	(178,263)	(124,926)
- intangible assets	(3,280)	(2,947)	(1,340)	(1,578)
Proceeds from disposal of :				
- property and equipment	235	326	-	231
- intangible assets				
- foreclosed properties	1,020	1,860	1,020	4,080
Issuance of new shares	127,528	90,020	127,528	90,020
Subscription of shares in a joint venture	-	(15,300)	-	(15,300)
Exercise of employee stock option incentive scheme	-	44,774	-	-
Net cash generated from investing activities	1,667,799	5,484,394	1,086,829	4,274,419
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	-	600,000	-	-
Interest payment on borrowings	(107,046)	(113,861)	(120,544)	(133,800)
Payment of dividend to the equity holders of the Bank	(139,021)	-	(139,021)	-
Payment of dividend to non-controlling interest	(28,777)	(18,500)	-	-
Lease payments	(28,349)	(18,193)	(20,636)	(18,193)
Net cash (used in)/generated from financing activities	(303,193)	449,446	(280,201)	(151,993)
Net increase in cash and cash equivalents	3,242,421	3,900,305	1,190,279	2,371,325
Effects of foreign exchange	(22,646)	6,213	(3,190)	1,008
Cash and cash equivalents at beginning of the financial period	4,605,357	6,324,663	2,288,797	2,569,003
Cash and cash equivalents at end of the financial period	7,825,132	10,231,181	3,475,886	4,941,336
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	7,856,760	10,275,252	3,444,353	4,970,592
Deposits and placements of banks and other financial institutions	175,324	11,957	216,939	42,352
	8,032,084	10,287,209	3,661,292	5,012,944
Less:				
Amount held on behalf of commissioned dealer's representatives	(63,162)	(46,793)	-	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(143,790)	(9,235)	(185,406)	(71,608)
	7,825,132	10,231,181	3,475,886	4,941,336

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 interim 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 financial 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 financial position and performance of the Group and the Bank since the financial 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 financial year ended 31 December 2019, except for the adoption of the following during the current financial period:

- (a) Accounting standards, annual improvements and amendments to MFRS which are effective for the Group and the Bank for the financial period beginning on or after 1 January 2020:
 - (i) Amendments to the Conceptual Framework for Financial Reporting
 - (ii) Amendments to MFRS 101 and MFRS 108 "Definition of Material"
 - (iii) Amendments to MFRS 3 "Definition of a Business"
 - (iv) Amendments to MFRS 16 "Covid-19 Related Rent Concessions"
 - (v) Amendments to MFRS 123 "Borrowing Costs"
 - (vi) Amendments to MFRS 7, MFRS 9 and MFRS 139 "Interest Rate Benchmark Reform"
 - (vii) Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures".

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Group and the Bank.

- (b) Additional Measures to Assist Borrowers/Customers Affected by the Covid-19 Outbreak by BNM

On 24 March 2020, BNM announced the additional measures to assist borrowers/customers experiencing temporary financial constraints due to the Covid-19. The measures which are aimed at ensuring the financial intermediation function of the financial sector remains intact, access to financing continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances are set out as follows:

- (i) Banking institutions will grant an automatic moratorium on all loan/financing repayments/payments, both principal and interest (except for credit card balances) by individuals and small-medium enterprises ('SMEs') borrowers/customers for a period of 6 months effective 1 April 2020. This automatic moratorium is applicable to loan/financing that are not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit;
- (ii) For credit card balances, banking institutions shall offer customers the options of converting their outstanding balances into a term loan/financing of a tenure of not more than 3 years with an effective interest/profit rate capped at 13% per annum. However, for customers who have not met the minimum repayment of 3 consecutive months, banking institutions shall automatically convert their credit card balances into term loans with the abovementioned terms;
- (iii) For corporate customers, banking institutions will facilitate customers' requests for a moratorium on loan/financing repayment/payment, additional financing to support cashflows or may reschedule and restructure existing facilities in an effort to assist the corporations to preserve jobs and slowly resume economic activities when conditions improve;
- (iv) Banking institutions are given a prudential buffer with immediate effect to drawdown the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio ('LCR') of 100%. This buffer will need to be restored to the minimum regulatory requirements by 30 September 2021;
- (v) Banking institutions are also allowed to implement a lower minimum Net Stable Funding Ratio ('NSFR') of 80% effective 1 July 2020.

The financial impact of the moratorium to interest and profit income are disclosed in Note A18(a) and Note A32(ii).

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 in tandem with the country's economic situation.

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

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

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

A single-tier interim dividend of 7.0 sen per share in respect of the previous financial year ended 31 December 2019 amounting to RM139,021,409 was paid on 9 September 2020.

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

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

	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
<u>At fair value</u>				
<u>Money market instruments</u>				
Malaysian Government Securities	32,577	-	-	-
Malaysian Government Investment Issues	21,920	137,242	-	-
Negotiable Instruments of Deposit	111,917	60,977	111,917	60,977
	<u>166,414</u>	<u>198,219</u>	<u>111,917</u>	<u>60,977</u>
<u>Quoted Securities</u>				
Exchange traded fund	1,939	5,006	-	-
Shares, warrants and REITs in Malaysia	33,050	49,478	-	-
Shares, warrants and REITs outside Malaysia	35,616	35,101	-	-
Unit Trusts in Malaysia	217,585	231,777	-	-
	<u>288,190</u>	<u>321,362</u>	<u>-</u>	<u>-</u>
<u>Unquoted Securities</u>				
Shares in Malaysia	94,207	94,207	94,207	94,207
Corporate Bonds/Sukuk in Malaysia	22,261	21,857	15,412	15,032
Corporate Bonds/Sukuk outside Malaysia	26,486	26,487	-	-
	<u>142,954</u>	<u>142,551</u>	<u>109,619</u>	<u>109,239</u>
	<u>597,558</u>	<u>662,132</u>	<u>221,536</u>	<u>170,216</u>

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

	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
<u>At fair value</u>				
<u>Money market instruments</u>				
Malaysian Government Securities	1,568,207	731,623	932,461	182,017
Malaysian Government Investment Issues	2,842,673	2,948,863	1,035,460	989,435
Cagamas Bonds/Sukuk	16,684	25,965	5,440	-
Negotiable Instruments of Deposit and Islamic Debt Certificates	257,169	7,073	412,122	1,016,287
Khazanah Bonds/Sukuk	-	309,411	-	256,336
	<u>4,684,733</u>	<u>4,022,935</u>	<u>2,385,483</u>	<u>2,444,075</u>
<u>Unquoted Securities</u>				
Shares in Malaysia	211,468	180,881	186,135	157,818
Corporate bonds/Sukuk in Malaysia	6,254,737	8,031,818	2,917,369	3,638,627
Corporate Bonds/Sukuk outside Malaysia	186,108	261,212	157,483	133,324
	<u>6,652,313</u>	<u>8,473,911</u>	<u>3,260,987</u>	<u>3,929,769</u>
	<u>11,337,046</u>	<u>12,496,846</u>	<u>5,646,470</u>	<u>6,373,844</u>

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

A10. FINANCIAL 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 30/9/2020	12-Month	Lifetime ECL	Lifetime ECL	Total
	ECL (Stage 1) RM'000	not credit impaired (Stage 2) RM'000	credit impaired (Stage 3) RM'000	
At beginning of the financial period	4,388	595	12,166	17,149
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)	(2,398)	(1)	-	(2,399)
New financial assets originated or purchased	3,752	-	-	3,752
Changes due to change in credit risk	13,456	466	(25)	13,897
Changes in models/risk parameters	-	-	-	-
Other adjustments :				
- Foreign exchange and other movements	20	(1)	-	19
At end of the financial period	19,406	871	12,141	32,418

Group 31/12/2019	12-Month	Lifetime ECL	Lifetime ECL	Total
	ECL (Stage 1) RM'000	not credit impaired (Stage 2) RM'000	credit impaired (Stage 3) 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	Lifetime ECL			Total
	12-Month ECL (Stage 1)	not credit impaired (Stage 2)	credit impaired (Stage 3)	
30/9/2020	RM'000	RM'000	RM'000	RM'000
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)	(1,949)	-	-	(1,949)
New financial assets originated or purchased	2,060	-	-	2,060
Changes due to change in credit risk	12,336	304	-	12,640
Other adjustments :				
- Foreign exchange and other movements	19	(1)	-	18
At end of the financial period	16,063	870	-	16,933

Bank	Lifetime ECL			Total
	12-Month ECL (Stage 1)	not credit impaired (Stage 2)	credit impaired (Stage 3)	
31/12/2019	RM'000	RM'000	RM'000	RM'000
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	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
At amortised cost				
<u>Unquoted Securities</u>				
Corporate Bonds/Sukuk in Malaysia	143,133	141,119	102,049	100,622
Loan Stock in Malaysia	15,000	15,000	-	-
	<u>158,133</u>	<u>156,119</u>	<u>102,049</u>	<u>100,622</u>
Less : ECL	(13,076)	(11,053)	(102)	(123)
	145,057	145,066	101,947	100,499

Movement in ECL for financial investments at AC

30/9/2020 Group	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	273	-	10,780	11,053
Changes due to change in credit risk	(119)	-	2,142	2,023
At end of the financial period	154	-	12,922	13,076

Bank

At beginning of the financial period	123	-	-	123
Changes due to change in credit risk	(21)	-	-	(21)
At end of the financial period	102	-	-	102

31/12/2019 Group	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial 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	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
(a) BY TYPE				
Overdrafts	2,109,798	1,855,094	1,590,460	1,385,715
Term loans/financing :				
- Housing loans/financing	12,142,692	11,708,126	4,487,291	4,356,953
- Hire purchase receivables	10,441,469	10,649,579	6,548,125	6,829,179
- Syndicated financing	1,414,307	1,526,987	604,626	630,179
- Business term loans/financing	12,883,485	12,968,923	7,787,077	8,083,567
- Other term loans/financing	189,332	341,452	-	-
Bills receivables	172,819	118,753	169,362	107,085
Trust receipts	156,565	172,125	141,342	141,893
Claims on customers under acceptances credits	1,640,553	1,766,513	1,163,686	1,319,027
Staff loans/financing (of which RM Nil to Directors)	206,968	191,604	122,970	122,788
Credit cards	185,469	178,991	151,679	148,162
Revolving credits	3,817,255	3,971,565	2,736,303	2,980,764
Margin financing	574,048	503,486	-	-
Factoring	1,149	8,696	1,149	8,696
Gross loans, advances and financing	45,935,909	45,961,894	25,504,070	26,114,008
Less : ECL	(803,775)	(574,029)	(551,253)	(383,949)
Total net loans, advances and financing	45,132,134	45,387,865	24,952,817	25,730,059

	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
(b) BY MATURITY STRUCTURE				
Maturing within one year	9,158,768	9,265,484	6,210,998	6,422,116
One year to three years	3,739,990	3,899,297	3,109,214	3,062,584
Three years to five years	6,761,775	6,424,181	3,932,714	4,521,683
Over five years	26,275,376	26,372,932	12,251,144	12,107,625
	45,935,909	45,961,894	25,504,070	26,114,008

	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
(c) BY TYPE OF CUSTOMER				
Domestic banking financial institutions	6,001	-	6,001	-
Domestic non-banking institutions :				
- Others	424,427	527,411	175,210	445,100
Domestic business enterprises :				
- Small medium enterprises	7,544,391	7,704,132	5,630,349	5,696,493
- Others	13,742,751	13,796,119	8,920,779	8,953,138
Government and statutory bodies	764,010	797,185	39,847	31,018
Individuals	22,925,501	22,544,174	10,525,180	10,731,724
Other domestic entities	1,047	1,324	498	533
Foreign entities	527,781	591,549	206,206	256,002
	45,935,909	45,961,894	25,504,070	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	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>				
Fixed rate :				
- Housing loans/financing	331,986	339,073	285,997	292,374
- Hire purchase receivables	10,443,936	10,652,049	6,548,125	6,829,178
- Other fixed rate loans/financing	1,942,686	2,106,359	641,358	751,957
Variable rate :				
- Base rate/base lending rate plus	23,727,816	23,258,002	11,882,942	11,544,901
- Cost plus	9,456,118	9,570,276	6,144,152	6,695,598
- Other variable rates	33,367	36,135	1,496	-
	45,935,909	45,961,894	25,504,070	26,114,008
(e) <u>BY ECONOMIC PURPOSE</u>				
Purchase of securities	1,592,952	1,512,781	575,991	612,250
Purchase of transport vehicles	10,997,522	11,161,312	7,011,607	7,247,930
Purchase of landed property of which :				
- Residential	11,844,359	11,502,926	4,030,167	4,006,366
- Non-residential	6,383,943	6,339,626	3,917,166	4,041,513
Fixed assets other than land and building	236,817	334,695	158,432	247,367
Personal use	873,314	833,904	734,488	742,358
Credit card	185,470	178,991	151,679	148,162
Consumer durable	85	108	66	105
Construction	2,527,847	2,706,006	1,478,993	1,506,381
Merger and acquisition	60,012	64,054	60,012	64,054
Working capital	10,220,518	10,277,342	6,864,377	7,082,634
Others	1,013,070	1,050,149	521,092	414,888
	45,935,909	45,961,894	25,504,070	26,114,008
(f) <u>BY ECONOMIC SECTOR</u>				
Primary agriculture	1,456,749	1,577,980	637,036	590,752
Mining and quarrying	328,881	339,360	58,881	42,254
Manufacturing	2,833,403	2,539,605	1,974,513	1,832,096
Electricity, gas and water supply	459,789	562,189	62,928	156,068
Construction	2,032,404	2,012,826	1,348,903	1,354,803
Real estate	6,077,474	6,653,855	4,106,021	4,423,255
Wholesale, retail trade, hotels and restaurants	3,646,982	3,402,916	2,975,120	2,795,481
Transport, storage and communication	1,725,363	1,721,650	1,318,361	1,316,332
Finance, insurance and business services	2,019,636	2,227,531	1,410,392	1,797,562
Education, health and others	2,302,570	2,199,982	1,016,424	997,278
Household	23,052,658	22,677,326	10,595,491	10,808,127
Others	-	46,674	-	-
	45,935,909	45,961,894	25,504,070	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.)

(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>	Group		Bank	
	30/9/2020	31/12/2019	30/9/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Perlis	176,334	216,197	17,426	18,817
Kedah	1,328,190	1,363,555	523,755	557,738
Pulau Pinang	2,529,685	2,545,147	1,582,618	1,639,084
Perak	1,511,829	1,517,296	912,851	932,493
Selangor	14,101,758	13,973,439	7,298,244	7,549,256
Wilayah Persekutuan	10,742,964	10,982,619	6,232,993	6,448,886
Negeri Sembilan	1,551,863	1,524,855	569,682	575,543
Melaka	895,191	879,939	627,285	606,936
Johor	5,944,706	5,869,188	3,519,978	3,456,325
Pahang	1,423,481	1,396,971	774,492	747,361
Terengganu	942,531	941,221	414,939	418,330
Kelantan	297,599	262,813	57,517	58,249
Sarawak	2,243,113	2,201,225	1,628,485	1,662,405
Sabah	2,091,265	2,062,110	1,257,313	1,314,711
Labuan	55,455	43,890	28,506	16,239
Outside Malaysia	99,945	181,429	57,986	111,635
	45,935,909	45,961,894	25,504,070	26,114,008

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

At beginning of the financial period/year	1,379,152	1,589,897	673,058	978,218
Classified as impaired	349,303	791,557	164,066	434,820
Reclassified as non-impaired	(265,380)	(747,009)	(121,199)	(551,848)
Amount written-back	(98,693)	(168,790)	(55,121)	(121,876)
Amount written-off	(52,511)	(86,503)	(18,763)	(66,256)
At end of the financial period/year	1,311,871	1,379,152	642,041	673,058

Ratio of gross impaired loans, advances and financing to gross loans, advances and financing (*)	2.86%	3.00%	3.03%	3.08%
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(*) For the Bank, Restricted Investment Accounts ("RIA") included in the ratio calculation amounting to RM1,994.3 million (2019: RM1,919.3 million).

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

Purchase of securities	26,253	90	13	51
Purchase of transport vehicles	57,524	60,975	39,791	42,355
Purchase of landed property of which :				
- Residential	292,509	340,382	139,936	174,198
- Non-residential	332,692	317,923	120,548	102,381
Fixed assets other than land and building	3,313	3,692	3,313	3,692
Personal use	14,970	17,589	13,966	16,387
Credit card	356	878	314	615
Construction	284,448	287,934	164,682	166,321
Working capital	287,665	330,709	156,609	162,201
Others	12,141	18,980	2,869	4,857
	1,311,871	1,379,152	642,041	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	
	30/9/2020	31/12/2019	30/9/2020	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	15,950	16,041
Mining and quarrying	7,691	7,896	5,319	5,315
Manufacturing	76,063	90,844	8,320	13,248
Electricity, gas and water supply	113	105	68	58
Construction	160,353	164,948	120,759	119,790
Real estate	349,743	343,127	67,904	56,048
Wholesale, retail trade, hotels and restaurants	45,870	40,012	45,111	38,195
Transport, storage and communication	157,617	170,710	73,902	85,055
Finance, insurance and business services	63,255	63,845	62,755	62,806
Education, health and others	94,558	84,024	73,761	63,180
Household	340,616	397,559	168,192	213,322
	1,311,871	1,379,152	642,041	673,058
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>				
Perlis	2,835	2,997	383	455
Kedah	114,943	126,192	108,519	118,113
Pulau Pinang	42,864	38,602	37,511	30,558
Perak	175,807	178,887	73,906	75,901
Selangor	283,905	284,131	143,394	146,530
Wilayah Persekutuan	329,072	342,922	44,581	56,026
Negeri Sembilan	81,050	81,863	64,407	65,086
Melaka	16,698	13,990	13,364	9,096
Johor	38,906	49,416	18,753	29,505
Pahang	32,370	34,616	30,243	32,086
Terengganu	67,655	69,522	64,561	64,856
Kelantan	6,845	6,149	3,838	3,782
Sarawak	55,676	56,628	18,788	19,502
Sabah	21,288	23,461	19,793	21,562
Outside Malaysia	41,957	69,776	-	-
	1,311,871	1,379,152	642,041	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 30/9/2020	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
At beginning of the financial period	139,326	94,359	340,344	574,029
Total transfer between stages due to change in credit risk :	46,122	(841)	(45,281)	-
- Transfer to 12-month ECL (Stage 1)	56,772	(50,975)	(5,797)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(10,630)	59,607	(48,977)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(20)	(9,473)	9,493	-
Loans/financing derecognised (other than write-offs)	(37,799)	(2,109)	(17,129)	(57,037)
New loans/financing originated or purchased	39,230	857	7,940	48,027
Changes due to change in credit risk	(1,022)	107,466	184,836	291,280
Write-offs	-	-	(51,358)	(51,358)
Other adjustments	-	-	(1,166)	(1,166)
At end of the financial period	185,857	199,732	418,186	803,775

Group 31/12/2019	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
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

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

Bank	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
30/9/2020	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 :	35,117	(9,453)	(25,664)	-
- Transfer to 12-month ECL (Stage 1)	42,347	(40,398)	(1,949)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(7,221)	37,846	(30,625)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(9)	(6,901)	6,910	-
Loans/financing derecognised (other than write-offs)	(18,305)	(1,157)	(15,452)	(34,914)
New loans/financing originated or purchased	18,380	154	7,838	26,372
Changes due to change in credit risk	(7,554)	96,636	105,220	194,302
Write-offs	-	-	(17,754)	(17,754)
Other adjustments	-	-	(702)	(702)
At end of the financial period	113,914	162,692	274,647	551,253

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

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

A13. TRADE RECEIVABLES

	Group	
	30/9/2020	31/12/2019
	RM'000	RM'000
Amount due from stock-broking clients :		
- performing accounts	403,241	231,679
- impaired accounts (a)	397	139
Amount due from brokers	33,786	59,478
Amount due from Bursa Securities Clearing Sdn Bhd	110,664	-
Management fees receivable on fund management	51	243,249
Others	387,334	51
	<u>935,473</u>	<u>534,596</u>
Less: ECL (b)	(550)	(208)
	934,923	534,388

(a) Movements of impaired trade receivables

At beginning of the financial period/year	139	424
Classified as impaired	560	419
Amount written-back	(302)	(704)
At end of the financial period/year	397	139

Lifetime ECL

(b) Movements in ECL

	30/9/2020	31/12/2019
	RM'000	RM'000
At beginning of the financial period/year	208	468
Allowance made	837	505
Amount written-back	(495)	(765)
At end of the financial period/year	550	208

A14. OTHER ASSETS

	Group		Bank	
	30/9/2020	31/12/2019	30/9/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Other debtors	240,308	77,125	125,074	12,603
Prepayments and deposits	21,861	22,108	21,291	21,425
Cheque clearing accounts	87,989	42,653	6,039	13,911
Foreclosed properties (a)	16,962	17,817	12,089	12,944
Collaterals pledged for derivative transactions	17,727	33	-	-
Clearing guarantee fund	2,228	2,272	-	-
	<u>387,075</u>	<u>162,008</u>	<u>164,493</u>	<u>60,883</u>
Less: ECL (b)	(3,925)	(2,058)	-	-
	383,150	159,950	164,493	60,883

(a) Foreclosed properties

	30/9/2020	31/12/2019	30/9/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period/year	17,817	26,051	12,944	21,178
Purchased	-	726	-	726
Disposal	(855)	(8,960)	(855)	(8,960)
At end of the financial period/year	16,962	17,817	12,089	12,944

**Group
Lifetime ECL**

(b) Movements in ECL

	30/9/2020	31/12/2019
	RM'000	RM'000
At beginning of the financial period/year	2,058	1,669
Allowance made	2,445	1,489
Amount written-back	(518)	(562)
Amount written-off	(60)	(538)
At end of the financial period/year	3,925	2,058

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A15. OTHER LIABILITIES

	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
BNM and CGC Funding programmes	113,145	21,012	111,524	19,373
Margin and collateral deposits	97,676	100,180	84,145	83,202
Other creditors and accruals	188,979	140,022	62,676	37,737
Sundry creditors	230,783	231,666	169,575	187,374
Treasury and cheque clearing accounts	9,437	342,244	9,437	-
Provision for zakat	8,559	3,082	7	260
Defined contribution plan	18,364	20,008	17,300	18,777
Accrued employee benefits	130,271	110,661	52,895	42,480
Unearned income	23,428	27,375	17,320	20,816
Commissioned dealer's representatives trust balances	63,162	47,483	-	-
Collaterals pledged for derivative transactions	-	2,830	-	-
Securities borrowings and lending - borrow	58,429	160,358	-	-
Amounts payable to commissioned and salaried dealer's representatives	204,076	37,854	-	-
Puttable liabilities	128,708	124,452	-	-
ECL (a) :				
- loan/financing commitments and financial guarantees	30,824	29,610	8,465	8,529
	1,305,841	1,398,837	533,344	418,548

(a) Movement in ECL	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 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	(3,285)	(7,965)	(4,133)	(13,672)
New loan commitments and financial guarantees issued	4,499	10,205	4,069	7,535
Changes in models/risk parameters	-	(84)	-	(621)
At end of the financial period/year	30,824	29,610	8,465	8,529

A16. RESERVES

	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
FVOCI revaluation reserves (a)	268,055	250,661	166,480	148,173
Regulatory reserves (b)	443,249	732,539	273,720	471,925
Other reserves (c)	(61,010)	(61,010)	-	-
Foreign exchange reserves	135	135	-	-
Retained profits	4,030,028	3,640,073	3,115,244	3,017,227
	4,680,457	4,562,398	3,555,444	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.

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

A17. INTEREST INCOME

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020 RM'000	30/9/2019 RM'000	30/9/2020 RM'000	30/9/2019 RM'000
Loan, advances and financing	339,546	417,713	1,063,573	1,292,043
Money at call and deposits placements with financial institutions	20,986	25,556	52,598	75,473
Financial investments at FVOCI	63,237	94,691	223,039	329,742
Financial investments at AC	2,060	2,131	6,114	6,228
Others	2,467	1,580	5,011	4,060
	428,296	541,671	1,350,335	1,707,546
of which :-				
Interest income earned on impaired loans, advances and financing	1,790	1,441	3,700	4,911
	387,945	488,076	1,225,212	1,533,378
<u>Bank</u>				
Loan, advances and financing	304,333	374,299	951,733	1,156,859
Money at call and deposits placements with financial institutions	37,006	53,127	104,870	153,377
Financial investments at FVOCI	44,657	58,267	162,803	216,069
Financial investments at AC	1,443	1,443	4,298	4,282
Others	506	940	1,508	2,791
	387,945	488,076	1,225,212	1,533,378
of which :-				
Interest income earned on impaired loans, advances and financing	316	9	255	1,323

A18. INTEREST EXPENSE

<u>Group</u>	30/9/2020 RM'000	30/9/2019 RM'000	30/9/2020 RM'000	30/9/2019 RM'000
Deposits from customers	207,371	303,831	717,740	994,216
Deposits and placements of banks and other financial institutions	5,912	21,415	14,796	51,181
Obligation on securities sold under repurchase agreements	66	1	802	791
Subordinated medium term notes	19,964	33,725	86,681	100,075
Foreign currency borrowing	-	15	57	303
Interest expense on the lease liability	707	780	1,935	1,916
Others	1,445	1,270	4,813	3,062
	235,465	361,037	826,824	1,151,544
<u>Bank</u>				
Deposits from customers	179,564	283,397	628,204	861,317
Deposits and placements of banks and other financial institutions	11,344	8,407	29,507	66,911
Obligation on securities sold under repurchase agreements	66	-	802	-
Subordinated medium term notes	19,964	33,725	86,681	100,075
Interest expense on the lease liability	381	504	1,212	1,402
Others	56	91	179	284
	211,375	326,124	746,585	1,029,989

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A18 (a). MODIFICATION LOSS

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Modification loss	-	-	79,728	-
<u>Bank</u>				
Modification loss	-	-	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

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income :				
Net brokerage	32,159	17,364	81,994	51,823
Portfolio management fees	88,551	75,345	245,758	219,421
Corporate advisory fees	1,446	2,214	5,064	7,952
Commission	8,928	6,196	21,214	18,568
Service charges and fees	11,200	12,506	31,344	38,398
Guarantee fees	4,781	6,499	13,956	22,554
Arrangement fees	120	623	240	1,693
Initial service charges	41,756	30,457	98,600	63,625
Other fee income	5,498	4,260	16,119	10,926
	<u>194,439</u>	<u>155,464</u>	<u>514,289</u>	<u>434,960</u>
(b) Fee and commission expenses :				
Commission and referral expense	(58,700)	(46,861)	(144,035)	(114,055)
Net fee and commission income	<u>135,739</u>	<u>108,603</u>	<u>370,254</u>	<u>320,905</u>
<u>Bank</u>				
(a) Fee and commission income :				
Commission	9,564	6,306	22,416	18,860
Service charges and fees	11,024	12,557	30,828	38,267
Guarantee fees	4,781	6,084	13,956	19,622
	<u>25,369</u>	<u>24,947</u>	<u>67,200</u>	<u>76,749</u>
(b) Fee and commission expense :				
Commission and referral expense	(1,588)	(2,259)	(4,149)	(6,094)
Net fee and commission income	<u>23,781</u>	<u>22,688</u>	<u>63,051</u>	<u>70,655</u>

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A20. NET GAINS ON FINANCIAL INSTRUMENTS

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Income from financial instruments:				
Gains/(loss) arising on financial assets at FVTPL :				
- net gain on disposal	179,505	13,368	282,387	42,520
- unrealised gain	1,079	2,166	1,598	2,667
- interest income	5,867	5,148	16,614	19,786
- gross dividend income	1,961	2,814	5,386	5,918
Gains/(loss) on derivatives instruments :				
- realised	477	221	708	520
- unrealised	(1,882)	(3,552)	(18,331)	(3,226)
- interest (expense)/income	(1,099)	292	(1,673)	897
Gains arising on financial investments at FVOCI :				
- net gain on disposal	54,656	56,535	348,637	160,382
- gross dividend income	496	(319)	609	2,586
	241,060	76,673	635,935	232,050
Bank				
Income from financial instruments:				
Gains arising on financial assets at FVTPL :				
- net gain on disposal	1,221	-	2,162	-
- unrealised (loss)/gain	(98)	(277)	855	(93)
- interest income	1,415	295	3,822	5,509
- gross dividend income	183	732	732	732
Gains/(loss) on derivatives instruments :				
- realised	477	221	708	520
- unrealised	(1,761)	(2,787)	(23,527)	(2,513)
- interest (expense)/income	(1,528)	184	(2,229)	632
Gains arising on financial investments at FVOCI :				
- net gain on disposal	54,533	36,640	203,952	101,815
- gross dividend income	309	(424)	309	232
	54,751	34,584	186,784	106,834

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A21. OTHER INCOME

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss) :				
- realised	36,073	7,598	53,522	21,568
- unrealised	(26,096)	556	(22,646)	6,213
Rental income	-	5	-	9
Gain/(loss) on disposal of property and equipment	59	8	99	(32)
Gain on disposal of foreclosed properties	89	240	165	500
Other non-operating income	1,361	1,865	6,313	7,293
Total other income	11,486	10,272	37,453	35,551
<u>Bank</u>				
Foreign exchange gain/(loss) :				
- realised	12,057	10,101	23,231	19,745
- unrealised	(6,405)	(3,498)	(3,190)	1,008
Rental income	23	28	70	79
Loss on disposal of property and equipment	(27)	(80)	(102)	(234)
Gain on disposal of foreclosed properties	89	240	165	500
Gross dividend received from subsidiaries	1,500	60,000	41,500	61,000
Other non-operating income	1,007	1,023	4,897	4,925
Total other income	8,244	67,814	66,571	87,023

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A22. OTHER OPERATING EXPENSES

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	307,900	151,142	680,398	452,250
Defined contribution plan	29,610	25,417	84,606	74,367
Other personnel costs	26,745	29,724	80,910	79,793
	<u>364,255</u>	<u>206,283</u>	<u>845,914</u>	<u>606,410</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,027	6,625	13,027	19,250
Entertainment	1,726	609	5,150	4,448
Travelling and accommodation	967	2,120	3,280	6,635
Dealers' handling fees	-	3	1	603
Commission and brokerage expenses	3,833	1,622	7,488	8,488
Others marketing expenses	1,591	1,275	4,220	4,059
	<u>12,144</u>	<u>12,254</u>	<u>33,166</u>	<u>43,483</u>
<u>Establishment expenses</u>				
Rental of premises	688	874	2,121	3,171
Equipment rental	1,015	743	2,830	2,215
Repair and maintenance	16,312	18,733	45,763	44,679
Depreciation of property and equipment	7,864	6,847	23,017	19,696
Depreciation of right-of-use assets	8,981	8,874	27,183	26,751
Amortisation of intangible assets	9,842	8,311	28,311	23,766
IT consultancy fee	15,759	10,081	47,715	29,903
Dataline rental	4,257	5,699	15,258	16,372
Security services	5,417	6,007	14,532	15,087
Electricity, water and sewerage	3,104	3,386	9,714	9,709
Insurance/Takaful and indemnities	1,774	5,156	12,576	12,306
Other establishment costs	1,402	988	3,811	3,256
	<u>76,415</u>	<u>75,699</u>	<u>232,831</u>	<u>206,911</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	4,568	3,477	13,406	11,530
Auditors' remuneration :				
(i) Statutory audit fees	777	775	2,313	2,293
(ii) Over provision in prior year	-	-	8	-
(ii) Regulatory related fees	10	90	31	125
(iii) Tax fees	-	(3)	-	5
(iv) Non-audit fees	84	300	374	779
Professional fees	1,918	3,517	16,634	14,400
Property and equipment written-off	79	9	176	25
Mail and courier charges	953	869	2,678	2,612
Stationery and consumables	3,202	2,292	7,301	8,479
Directors' fees and allowances	712	815	2,553	2,385
Donations	(150)	217	2,643	1,584
Settlement, clearing and bank charges	3,777	4,076	11,608	11,745
Stamp duties	298	35	384	158
Operational and litigation write-off expenses	(5)	158	(18)	2,209
Subscription fees	3,292	3,080	9,471	8,833
GST input tax-non recoverable	-	-	-	358
Other administration and general expenses	3,489	3,361	9,167	8,096
	<u>23,004</u>	<u>23,068</u>	<u>78,729</u>	<u>75,616</u>
Total other operating expenses	475,818	317,304	1,190,640	932,420

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

A22. OTHER OPERATING EXPENSES (Cont.)

<u>Bank</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020 RM'000	30/9/2019 RM'000	30/9/2020 RM'000	30/9/2019 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	80,165	64,964	231,544	193,350
Defined contribution plan	13,500	10,719	39,662	32,147
Other personnel costs	11,672	12,065	38,083	36,000
	<u>105,337</u>	<u>87,748</u>	<u>309,289</u>	<u>261,497</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	2,132	3,270	5,948	9,777
Entertainment	694	(522)	2,321	1,301
Travelling and accommodation	336	959	1,061	2,590
Commission and brokerage expenses	3,557	1,592	6,534	7,067
Others marketing expenses	627	415	1,443	1,401
	<u>7,346</u>	<u>5,714</u>	<u>17,307</u>	<u>22,136</u>
<u>Establishment expenses</u>				
Equipment rental	733	412	1,981	1,317
Repair and maintenance	6,552	12,868	17,006	27,800
Depreciation of property and equipment	4,784	4,208	13,800	11,838
Depreciation of right-of-use assets	6,213	6,263	18,574	18,835
Amortisation of intangible assets	6,083	4,612	17,086	12,719
IT consultancy fee	11,429	5,453	34,699	17,374
Dataline rental	2,840	2,625	10,997	8,366
Security services	4,687	2,781	12,312	6,752
Electricity, water and sewerage	1,044	1,213	3,541	3,731
Insurance/Takaful and indemnities	1,563	4,468	9,774	9,804
Other establishment costs	824	(20)	2,077	2,097
	<u>46,752</u>	<u>44,883</u>	<u>141,847</u>	<u>120,633</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	860	312	2,781	2,318
Auditors' remuneration :				
(i) Statutory audit fees	402	426	1,215	1,246
(ii) Non-audit fees	120	186	350	603
Professional fees	160	1,829	11,119	9,953
Property and equipment written-off	27	7	27	19
Mail and courier charges	725	626	2,006	1,853
Stationery and consumables	1,246	1,431	3,581	5,568
Directors' fees and allowances	713	655	2,304	1,914
Donations	2	180	1,424	1,533
Settlement, clearing and bank charges	2,931	3,191	9,000	9,112
Stamp duties	291	30	357	122
Operational and litigation write-off expenses	(5)	158	(18)	2,209
GST input tax-non recoverable	-	-	-	349
Other administration and general expenses	1,473	1,361	3,457	3,798
	<u>8,945</u>	<u>10,392</u>	<u>37,603</u>	<u>40,597</u>
Total other operating expenses	168,380	148,737	506,046	444,863

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

A23. ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
ECL (written-back)/made on :				
- loans, advances and financing	110,199	50,876	282,270	38,857
- trade receivables	250	(164)	342	52
- securities and placements	11,529	1,442	20,176	515
- loan and financing commitments and financial guarantee	(941)	(3,529)	1,214	(10,561)
Bad debts and financing :				
- recovered	(9,202)	(7,425)	(23,279)	(25,476)
- written-off	476	1,912	2,512	3,597
	112,311	43,112	283,235	6,984
<u>Bank</u>				
ECL (written-back)/made on :				
- loans, advances and financing	79,068	38,205	185,760	15,058
- securities and placements	7,597	(250)	15,464	(1,522)
- loan and financing commitments and financial guarantee	164	(2,227)	(64)	(5,884)
Bad debts and financing :				
- recovered	(7,836)	(6,377)	(18,905)	(22,577)
- written-off	425	1,829	2,178	3,378
	79,418	31,180	184,433	(11,547)

A24. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
ECL made on :				
- amount due from joint ventures	11,265	1,933	12,280	1,933

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

A25. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

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

	<----- Current year's individual quarter ended 30 September 2020 ----->					
	Commercial	Investment	Insurance	Others	Elimination	Group
	Banking	Banking				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	378,946	312,246	-	3,007	-	694,199
Intersegment revenue	(119)	2,305	-	229	(2,415)	-
Segment revenue	<u>378,827</u>	<u>314,551</u>	<u>-</u>	<u>3,236</u>	<u>(2,415)</u>	<u>694,199</u>
Operating expenses of which :-	(228,403)	(245,536)	-	(2,794)	915	(475,818)
Depreciation of property and equipment	(4,956)	(2,870)	-	(38)	-	(7,864)
Depreciation of right-of-use assets	(6,463)	(2,430)	-	(88)	-	(8,981)
Amortisation of intangible assets	(6,136)	(3,701)	-	(5)	-	(9,842)
(Allowances for)/write-back of credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	<u>(118,508)</u>	<u>(6,436)</u>	<u>-</u>	<u>-</u>	<u>1,368</u>	<u>(123,576)</u>
Segment results	<u>31,916</u>	<u>62,579</u>	<u>-</u>	<u>442</u>	<u>(132)</u>	<u>94,805</u>
Share of results of a joint venture (net of tax)	-	-	(2,673)	-	-	(2,673)
Share of results of associates (net of tax)	-	-	6,787	-	-	6,787
Profit before zakat and taxation	<u>31,916</u>	<u>62,579</u>	<u>4,114</u>	<u>442</u>	<u>(132)</u>	<u>98,919</u>
Zakat	(2,540)	(1,058)	-	-	-	(3,598)
Profit before taxation	<u>29,376</u>	<u>61,521</u>	<u>4,114</u>	<u>442</u>	<u>(132)</u>	<u>95,321</u>
Taxation						(37,806)
Net profit for the individual quarter						<u><u>57,515</u></u>

	<----- Preceding year's individual quarter ended 30 September 2019 ----->					
	Commercial	Investment	Insurance	Others	Elimination	Group
	Banking	Banking				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	357,288	113,719	-	3,253	-	474,260
Intersegment revenue	30,500	29,599	-	281	(60,380)	-
Segment revenue	<u>387,788</u>	<u>143,318</u>	<u>-</u>	<u>3,534</u>	<u>(60,380)</u>	<u>474,260</u>
Operating expenses of which :-	(220,186)	(94,748)	-	(2,750)	380	(317,304)
Depreciation of property and equipment	(4,403)	(2,408)	-	(36)	-	(6,847)
Depreciation of right-of-use assets	(6,599)	(2,275)	-	-	-	(8,874)
Amortisation of intangible assets	(4,657)	(3,642)	-	(12)	-	(8,311)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	<u>(42,910)</u>	<u>(2,082)</u>	<u>-</u>	<u>-</u>	<u>(53)</u>	<u>(45,045)</u>
Segment results	<u>124,692</u>	<u>46,488</u>	<u>-</u>	<u>784</u>	<u>(60,053)</u>	<u>111,911</u>
Share of results of a joint venture (net of tax)	-	-	(4,793)	-	-	(4,793)
Share of results of associates (net of tax)	-	-	4,617	-	-	4,617
Profit before zakat and taxation	<u>124,692</u>	<u>46,488</u>	<u>(176)</u>	<u>784</u>	<u>(60,053)</u>	<u>111,735</u>
Zakat	(3,000)	1,994	-	-	-	(1,006)
Profit before taxation	<u>121,692</u>	<u>48,482</u>	<u>(176)</u>	<u>784</u>	<u>(60,053)</u>	<u>110,729</u>
Taxation						(33,178)
Net profit for the individual quarter						<u><u>77,551</u></u>

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

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

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

	< ----- Current year's cumulative quarter ended 30 September 2020 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	1,035,688	792,671	-	9,173	-	1,837,532
Intersegment revenue	35,533	7,171	-	710	(43,414)	-
Segment revenue	<u>1,071,221</u>	<u>799,842</u>	<u>-</u>	<u>9,883</u>	<u>(43,414)</u>	<u>1,837,532</u>
Operating expenses of which :-	(690,497)	(493,792)	-	(8,265)	1,914	(1,190,640)
Depreciation of property and equipment	(14,358)	(8,551)	-	(108)	-	(23,017)
Depreciation of right-of-use assets	(19,478)	(7,441)	-	(264)	-	(27,183)
Amortisation of intangible assets	(17,245)	(11,044)	-	(22)	-	(28,311)
(Allowances for)/write-back of credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(260,306)	(38,484)	-	-	3,275	(295,515)
Segment results	<u>120,418</u>	<u>267,566</u>	<u>-</u>	<u>1,618</u>	<u>(38,225)</u>	<u>351,377</u>
Share of results of a joint venture (net of tax)	-	-	251	-	-	251
Share of results of an associate (net of tax)	(750)	-	19,133	-	-	18,383
Profit before zakat and taxation	<u>119,668</u>	<u>267,566</u>	<u>19,384</u>	<u>1,618</u>	<u>(38,225)</u>	<u>370,011</u>
Zakat	(2,540)	(4,223)	-	-	-	(6,763)
Profit before taxation	<u>117,128</u>	<u>263,343</u>	<u>19,384</u>	<u>1,618</u>	<u>(38,225)</u>	<u>363,248</u>
Taxation						(100,375)
Net profit for the cumulative quarter						<u>262,873</u>

	< ----- Preceding year's cumulative quarter ended 30 September 2019 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	1,034,069	401,163	-	9,471	-	1,444,703
Intersegment revenue	41,173	20,202	-	1,004	(62,379)	-
Segment revenue	<u>1,075,242</u>	<u>421,365</u>	<u>-</u>	<u>10,475</u>	<u>(62,379)</u>	<u>1,444,703</u>
Operating expenses of which :-	(642,953)	(282,686)	-	(8,160)	1,379	(932,420)
Depreciation of property and equipment	(12,461)	(7,114)	-	(121)	-	(19,696)
Depreciation of right-of-use assets	(19,846)	(6,905)	-	-	-	(26,751)
Amortisation of intangible assets	(12,849)	(10,879)	-	(38)	-	(23,766)
(Allowances for)/write-back of credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(9,137)	(17)	-	-	237	(8,917)
Segment results	<u>423,152</u>	<u>138,662</u>	<u>-</u>	<u>2,315</u>	<u>(60,763)</u>	<u>503,366</u>
Share of results of a joint venture (net of tax)	-	-	(4,473)	-	-	(4,473)
Share of results of an associate (net of tax)	-	-	17,168	-	-	17,168
Profit before zakat and taxation	<u>423,152</u>	<u>138,662</u>	<u>12,695</u>	<u>2,315</u>	<u>(60,763)</u>	<u>516,061</u>
Zakat	(3,000)	(2,316)	-	-	-	(5,316)
Profit before taxation	<u>420,152</u>	<u>136,346</u>	<u>12,695</u>	<u>2,315</u>	<u>(60,763)</u>	<u>510,745</u>
Taxation						(126,371)
Net profit for the cumulative quarter						<u>384,374</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	
	30/9/2020	31/12/2019	30/9/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes *	501,529	556,462	436,083	445,758
Transaction-related contingent items	1,704,486	1,969,168	1,248,285	1,494,531
Short-term self-liquidating trade-related contingencies	416,664	454,792	175,297	175,032
Irrevocable commitments to extend credit				
- Maturity less than one year	5,459,603	6,020,758	3,781,605	4,556,911
- Maturity more than one year	1,555,172	1,913,716	784,402	797,622
Foreign exchange related contracts #				
- Less than one year	17,628,729	13,000,360	11,752,728	9,812,356
- One year to less than five years	1,105,480	927,491	208,213	207,100
Interest rate related contracts #				
- Less than one year	497,000	873,148	27,000	23,148
- One year to less than five years	4,263,000	3,710,000	1,543,000	1,480,000
- Five years and above	545,000	300,000	545,000	270,000
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	892,300	578,072	152,679	37,322
Unutilised credit card lines	754,191	547,266	546,877	380,117
	35,323,154	30,851,233	21,201,169	19,679,897

* Included in direct credit substitutes are financial guarantee contracts of RM501.5 million and RM436.1 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.

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

A29. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 30 September 2020												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	6,685,578	146,719	327,727	7,160,024	16,133	4,303	264	20,700	102,602	6,671	6,124	115,397
- Cross currency swaps	7,946,294	207,100	-	8,153,394	104,350	1,129	-	105,479	57,041	811	-	57,852
- Currency swaps	2,978,612	95,960	327,973	3,402,545	29,405	4,387	6,311	40,103	14,786	183	226	15,195
- Currency options	18,246	-	-	18,246	(2)	-	-	(2)	150	-	-	150
Interest rate contracts :												
- Interest rate swaps	497,000	2,355,000	2,453,000	5,305,000	2,046	40,794	58,029	100,869	1,874	46,673	75,672	124,219
	18,125,730	2,804,779	3,108,700	24,039,209	151,932	50,613	64,604	267,149	176,453	54,338	82,022	312,813
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)

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
BANK												
As at 30 September 2020												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	3,788,188	1,113	-	3,789,301	2,192	19	-	2,211	74,611	-	-	74,611
- Cross currency swaps	7,946,294	207,100	-	8,153,394	106,528	1,129	-	107,657	57,453	811	-	58,264
- Currency options	18,246	-	-	18,246	(2)	-	-	(2)	150	-	-	150
Interest rate contracts :												
- Interest rate swaps	27,000	665,000	1,423,000	2,115,000	76	9,380	34,042	43,498	476	17,566	53,378	71,420
	11,779,728	873,213	1,423,000	14,075,941	108,794	10,528	34,042	153,364	132,690	18,377	53,378	204,445
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 RM29.9 million (2019 : RM50.1 million), while the notional amount of interest rate contract was RM892.0 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 RM342.0 million (2019 : RM279.8 million) and RM167.9 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 September 2020				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	166,414	-	166,414
- Shares and unit trusts	288,190	-	94,207	382,397
- Corporate bonds/Sukuk	-	33,335	15,412	48,747
Derivative financial assets	-	267,149	-	267,149
Financial investments at FVOCI :				
- Money market instruments	-	5,089,823	-	5,089,823
- Shares, unit trusts and REITs	-	-	211,468	211,468
- Corporate bonds/Sukuk	-	6,035,755	-	6,035,755
	288,190	11,592,476	321,087	12,201,753
Liabilities				
Derivative financial liabilities	-	312,813	-	312,813
Puttable liability - investment in funds	27,817	-	-	27,817
	27,817	312,813	-	340,630
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 September 2020				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	111,917	-	111,917
- Unquoted shares	-	-	94,207	94,207
- Corporate bonds/Sukuk	-	-	15,412	15,412
Derivative financial assets	-	153,364	-	153,364
Financial investments at FVOCI :				
- Money market instruments	-	2,385,483	-	2,385,483
- Unquoted shares	-	-	186,135	186,135
- Corporate bonds/Sukuk	-	3,074,852	-	3,074,852
	-	5,725,616	295,754	6,021,370
Liabilities				
Derivative financial liabilities	-	204,445	-	204,445
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.

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

A30. FAIR VALUE MEASUREMENTS (Cont.)

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial period (2019: Nil).

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

	Group		Bank	
	30/9/2020	31/12/2019	30/9/2020	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	335	(18)	321	(18)
Total gains recognised in other comprehensive income	<u>30,693</u>	<u>15,406</u>	<u>28,376</u>	<u>14,225</u>
At end of the financial period/year	<u>321,087</u>	<u>290,059</u>	<u>295,754</u>	<u>267,057</u>

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 September 2020.

	Group #		Bank	
	30/9/2020	31/12/2019	30/9/2020	31/12/2019
	RM'000	RM'000	RM'000	RM'000
a) The components of CET 1, Tier 1 and Tier 2 capital :				
<u>CET 1</u>				
Paid-up share capital	4,902,300	4,774,772	4,902,300	4,774,772
Retained profits	4,010,240	3,640,073	3,076,411	3,017,227
Unrealised gains on FVOCI instruments	268,055	250,661	166,480	148,173
Other disclosed reserves	(61,010)	(61,010)	-	-
Foreign exchange reserves	135	135	-	-
	<u>9,119,720</u>	<u>8,604,631</u>	<u>8,145,191</u>	<u>7,940,172</u>
Less: Regulatory adjustments :				
- Goodwill and other intangibles	(908,810)	(914,693)	(206,073)	(202,670)
- Deferred tax assets	(85,721)	(3,440)	(46,228)	(12,690)
- 55% of cumulative unrealised gains on FVOCI instruments	(147,430)	(137,864)	(91,564)	(81,495)
- Investment in subsidiaries, joint ventures and associates	(858,080)	(831,440)	(3,781,321)	(3,781,321)
Total CET 1 Capital	<u>7,119,679</u>	<u>6,717,194</u>	<u>4,020,005</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	27,527	25,329	-	-
	<u>827,527</u>	<u>825,329</u>	<u>500,000</u>	<u>500,000</u>
Total Tier 1 Capital	<u>7,947,206</u>	<u>7,542,523</u>	<u>4,520,005</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 [^]	541,546	533,058	341,934	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>3,260,632</u>	<u>3,252,144</u>	<u>2,261,020</u>	<u>2,263,867</u>
Total Capital	<u>11,207,838</u>	<u>10,794,667</u>	<u>6,781,025</u>	<u>6,625,863</u>
b) The breakdown of risk-weighted assets :				
Credit risk	43,323,708	42,644,676	27,354,688	27,582,457
Market risk	644,827	488,422	407,349	290,399
Operational risk	3,450,238	3,184,235	1,635,576	1,774,869
Total risk-weighted assets	<u>47,418,773</u>	<u>46,317,333</u>	<u>29,397,613</u>	<u>29,647,725</u>
c) Capital adequacy ratios :				
<u>Before deducting proposed dividends :</u>				
CET 1 capital ratio	15.014%	14.503%	13.675%	13.026%
Tier 1 capital ratio	16.760%	16.284%	15.375%	14.713%
Total capital ratio	<u>23.636%</u>	<u>23.306%</u>	<u>23.067%</u>	<u>22.349%</u>
<u>After deducting proposed dividends :</u>				
CET 1 capital ratio	15.014%	14.441%	13.675%	12.931%
Tier 1 capital ratio	16.760%	16.223%	15.375%	14.617%
Total capital ratio	<u>23.636%</u>	<u>23.245%</u>	<u>23.067%</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.)

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are included in calculation of capital adequacy for the Bank. As at 30 September 2020, RIA assets included in the Total Capital Ratio calculation amounted to RM1,994.3 million (2019 : RM1,919.3 million).

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

	Economic Entity		Bank	
	30/9/2020	31/12/2019	30/9/2020	31/12/2019
CET 1 capital ratio	11.928%	11.720%	11.928%	11.720%
Tier 1 capital ratio	13.944%	13.826%	13.944%	13.826%
Total capital ratio	<u>20.510%</u>	<u>20.631%</u>	<u>20.510%</u>	<u>20.631%</u>

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

	The Group		Bank	
	30/9/2020	31/12/2019	30/9/2020	31/12/2019
<u>Before deducting proposed dividends :</u>				
CET 1 capital ratio	37.767%	34.432%	51.104%	44.406%
Tier 1 capital ratio	38.576%	35.186%	51.104%	44.406%
Total capital ratio	<u>39.323%</u>	<u>35.958%</u>	<u>51.863%</u>	<u>45.235%</u>
<u>After deducting proposed dividends :</u>				
CET 1 capital ratio	33.361%	33.238%	44.763%	42.745%
Tier 1 capital ratio	34.170%	33.991%	44.763%	42.745%
Total capital ratio	<u>34.917%</u>	<u>34.764%</u>	<u>45.521%</u>	<u>43.574%</u>

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

A32. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD

(i) Unaudited Statements of Financial Position

	Economic Entity	
	30/9/2020	31/12/2019
	RM'000	RM'000
ASSETS		
Cash and short-term funds	3,304,149	1,588,868
Derivative financial assets	1,673	1,000
Financial investments at FVOCI	2,726,151	2,390,806
Financing, advances and other financing	19,237,320	18,580,253
Other assets	146,689	34,593
Amount due from holding company	-	53,946
Amount due from joint ventures	18,689	28,402
Amount due from associate	-	900
Taxation recoverable	6,180	15,550
Deferred tax assets	9,078	-
Statutory deposits with Bank Negara Malaysia	-	526,000
Investment in associate	-	750
Property and equipment	1,466	1,980
Right-of-use assets	800	1,554
Intangible assets	611	771
TOTAL ASSETS	25,452,806	23,225,373
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers	18,451,164	17,306,338
Investment accounts of customers	2,505	1,447
Deposits and placements of banks and other financial institutions	1,755,387	536,011
Investment accounts due to designated financial institutions	1,981,425	1,918,295
Derivative financial liabilities	5,023	6,757
Other liabilities	100,317	422,685
Amount due to holding company	83,269	-
Deferred tax liabilities	-	2,604
Lease liabilities	1,927	1,568
Subordinated term financing and medium term notes	1,125,372	1,111,034
TOTAL LIABILITIES	23,506,389	21,306,739
ISLAMIC BANKING CAPITAL FUNDS		
Share capital	1,060,000	1,060,000
Reserves	886,417	858,634
Total Islamic Banking Capital Funds	1,946,417	1,918,634
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	25,452,806	23,225,373
COMMITMENTS AND CONTINGENCIES	4,233,003	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

A32. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(ii) Unaudited Income Statements

	Economic Entity			
	Individual Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000	Cumulative Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000
Income derived from investment of depositors' funds and others	236,503	288,220	727,171	849,963
Income derived from investment of investment accounts	23,045	26,063	74,895	79,382
Income derived from investment of shareholders' funds	22,488	26,177	75,948	76,766
Modification loss	-	-	(29,454)	-
Allowances for impairment losses on financing, advances and other financing	(30,131)	(9,784)	(68,086)	(17,245)
Allowance for impairment losses on other assets	(11,265)	(1,933)	(12,280)	(1,933)
Total distributable income	240,640	328,743	768,194	986,933
Income attributable to the depositors and others	(166,588)	(239,933)	(522,273)	(700,193)
Total net income	74,052	88,810	245,921	286,740
Other operating expenses	(60,067)	(71,497)	(184,591)	(198,252)
Share of results of an associate	-	-	(750)	-
Profit before zakat and taxation	13,985	17,313	60,580	88,488
Zakat	(2,540)	-	(2,540)	(3,000)
Profit before taxation	11,445	17,313	58,040	85,488
Taxation	(10,093)	(2,854)	(22,121)	(21,139)
Net profit for the financial period	1,352	14,459	35,919	64,349

(iii) Unaudited Statements of Comprehensive Income

	Economic Entity			
	Individual Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000	Cumulative Quarter Ended 30/9/2020 RM'000	30/9/2019 RM'000
Net profit for the financial period	1,352	14,459	35,919	64,349
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	33,098	29,611	84,787	101,614
- Net credit impairment loss change in financial investments at FVOCI	1,229	115	2,472	272
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal	(24,364)	(25,309)	(98,745)	(57,881)
- Deferred tax on financial investments at FVOCI	(2,096)	(1,033)	3,350	(10,496)
Other comprehensive income/(loss) for the financial period, net of tax	7,867	3,384	(8,136)	33,509
Total comprehensive income for the financial period	9,219	17,843	27,783	97,858

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

A32. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(iv) **Unaudited Condensed Statement Of Changes In Equity**

Economic Entity	<-----Attributable to Equity Holder of the Bank----->				
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2020	1,060,000	19,492	236,882	602,260	1,918,634
Comprehensive income :					
- Net profit for the financial period	-	-	-	35,919	35,919
Other comprehensive loss (net of tax) :					
- Financial investments at FVOCI	-	(8,136)	-	-	(8,136)
Total comprehensive (loss)/income	-	(8,136)	-	35,919	27,783
Transfer (from)/to regulatory reserves	-	-	(81,445)	81,445	-
At 30 September 2020	1,060,000	11,356	155,437	719,624	1,946,417
At 1 January 2019	1,060,000	3,172	194,384	577,671	1,835,227
Comprehensive income :					
- Net profit for the financial period	-	-	-	64,349	64,349
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	33,509	-	-	33,509
Total comprehensive income	-	33,509	-	64,349	97,858
Transfer (from)/to regulatory reserves	-	-	33,150	(33,150)	-
At 30 September 2019	1,060,000	36,681	227,534	608,870	1,933,085

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

A32. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

	Economic Entity	
	30/9/2020	31/12/2019
	RM'000	RM'000
(v) Financing, advances and other financing		
By type		
Cash line	519,337	469,379
Term financing		
- Housing financing	7,655,401	7,351,173
- Syndicated financing	-	746,036
- Hire purchase receivables	3,893,345	3,820,401
- Business term financing	5,743,048	4,885,355
Bills receivables	3,457	11,668
Trust receipts	15,223	30,232
Claims on customers under acceptance credits	476,867	447,486
Staff financing (of which RM Nil to Directors)	78,105	62,760
Credit/charge cards	33,791	30,828
Revolving credit	1,026,628	897,505
Gross financing, advances and other financing	19,445,202	18,752,823
Less : ECL	(207,882)	(172,570)
Total net financing, advances and other financing	19,237,320	18,580,253
(vi) Movements of impaired financing		
At beginning of the financial period/year	607,312	530,829
Classified as impaired	88,486	315,874
Reclassified as non-impaired	(74,281)	(183,350)
Amount recovered	(28,629)	(35,889)
Amount written-off	(33,747)	(20,152)
At end of the financial period/year	559,141	607,312
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (excludes RIA).	2.11%	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

A32. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

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

	12-Month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Economic Entity				
30/9/2020				
At beginning of the financial period	51,043	17,171	104,356	172,570
Total transfer between stages due to change in credit risk :	10,889	7,577	(18,466)	-
- Transfer to 12-month ECL (Stage 1)	13,150	(10,577)	(2,573)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,251)	19,333	(17,082)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(10)	(1,179)	1,189	-
Financing, advances and other financing derecognised (other than write-offs)	(19,387)	(931)	(1,677)	(21,995)
New financing, advances and other financing originated or purchased	20,830	703	102	21,635
Changes due to change in credit risk	7,796	6,900	55,043	69,739
Write-offs	-	-	(33,604)	(33,604)
Other adjustments	1	-	(464)	(463)
At end of the financial period	71,172	31,420	105,290	207,882
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	
	30/9/2020 RM'000	31/12/2019 RM'000
<u>Qard</u>		
Demand deposits	2,992,646	2,954,059
Savings deposits	932,136	647,064
	3,924,782	3,601,123
<u>Mudarabah</u>		
General investment deposits	58,793	61,558
<u>Tawarruq</u>		
Demand deposit	48,790	111
Savings deposits	68,650	157
Murabahah term deposits	13,340,617	13,241,472
Commodity Murabahah Deposit	1,009,532	401,917
	14,467,589	13,643,657
Total deposits from customers	18,451,164	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	
	30/9/2020 RM'000	30/9/2019 RM'000	RM'000	%	30/9/2020 RM'000	30/9/2019 RM'000	RM'000	%
Net Income	694,199	474,260	219,939	46.4	1,837,532	1,444,703	392,829	27.2
Operating Profit	94,805	111,911	(17,106)	(15.3)	351,377	503,366	(151,989)	(30.2)
Profit Before Zakat and Tax	98,919	111,735	(12,816)	(11.5)	370,011	516,061	(146,050)	(28.3)
Profit Before Tax	95,321	110,729	(15,408)	(13.9)	363,248	510,745	(147,497)	(28.9)
Profit After Tax	57,515	77,551	(20,036)	(25.8)	262,873	384,374	(121,501)	(31.6)
Profit attributable to equity holders of the Bank	48,718	72,399	(23,681)	(32.7)	239,686	365,661	(125,975)	(34.5)

(i) Current Period-to-Date vs Previous Corresponding Period-to-Date

The Group posted a profit before tax of RM363.2 million for the nine-month financial period ended 30 September 2020, a decrease of RM147.5 million or 28.9% as compared to the previous corresponding nine-month period ended 30 September 2019 of RM510.7 million.

The Group's allowances for impairment losses on loans, advances, financing and other assets increased by RM286.6 million to RM295.5 million as compared to the previous corresponding nine-month financial period ended 30 September 2019 of RM8.9 million.

The Group provided a one-off modification loss related to Covid-19 relief measures by BNM amounting to RM79.7 million.

The Group's net interest income for the nine-month financial period ended 30 September 2020 decreased by RM32.5 million or 5.8% to RM523.5 million for the nine-month financial period ended 30 September 2020 as compared to the previous corresponding nine-month financial period ended 30 September 2019 of RM556.0 million. Income from Islamic Banking operations increased by RM49.9 million or 16.6% to RM350.1 million for the nine-month financial period ended 30 September 2020 as compared to the previous corresponding nine-month financial period ended 30 September 2019 of RM300.2 million.

The non-interest income of the Group for the nine-month financial period ended 30 September 2020 was RM1,043.6 million, a significant increase of RM455.1 million or 77.3% from RM588.5 million in the previous corresponding nine-month financial period ended 30 September 2019. The main contributor for the increase was higher net gain on sales of financial instruments of RM403.9 million and higher fees and commission income of RM49.3 million.

The Group's overhead expenses for the nine-month financial period ended 30 September 2020 recorded an increase of RM258.2 million or 27.7% to RM1,190.6 million as compared to RM932.4 million in the previous corresponding nine-month financial period ended 30 September 2019. The increase in overhead expenses was mainly attributable to higher personnel expenses, establishment expenses and general and administration expenses of RM239.5 million, RM25.9 million and RM3.1 million respectively, offset by lower marketing expenses of RM10.3 million.

The Group's profit before tax for the nine-month financial period ended 30 September 2020 as compared to the previous corresponding nine-month financial period ended 30 September 2019 is further segmented based on the operating segments of the Group as follows:

Commercial Banking

AFFIN Bank Berhad's profit before tax decreased by RM280.3 million or 83.8% to RM54.3 million for the nine-month financial period ended 30 September 2020 from RM334.6 million for the previous corresponding nine-month financial period ended 30 September 2019. The decrease was mainly due to higher net allowance for impairment losses on loans, advances and financing and overhead expenses of RM196.0 million and RM61.1 million respectively, lower net interest income of RM24.8 million, lower other income of RM20.5 million and lower net fee and commission income of RM7.6 million coupled with one-off modification loss arising from the moratorium given to borrowers of RM50.3 million. The decreases were, however, mitigated by higher net gain on sales of financial instruments of RM80.0 million.

AFFIN Islamic Bank Berhad's profit before tax decreased by RM27.4 million or 32.1% to RM58.0 million for the nine-month financial period ended 30 September 2020 from RM85.4 million for the previous corresponding nine-month financial period ended 30 September 2019. The decrease was mainly due to higher net allowance for impairment losses on financing, advances and other assets of RM61.2 million, recognition of one-off modification loss of RM29.5 million and lower other income of RM7.4 million. The decreases were, however, cushioned by higher net gain on sales of financial instruments of RM38.3 million, higher net interest income of RM17.8 million and lower overhead expenses of RM13.7 million.

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

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

(i) Current Period-to-Date vs Previous Corresponding Period-to-Date (Cont.)

The Group's profit before tax for the nine-month financial period ended 30 September 2020 as compared to the previous corresponding nine-month financial period ended 30 September 2019 is further segmented based on the operating segments of the Group as follows (cont.):

Investment Banking

AFFIN Hwang IB Group's profit before tax increased by RM127.0 million or 87.4% to RM272.3 million for the nine-month financial period ended 30 September 2020 from RM145.3 million for the previous corresponding nine-month financial period ended 30 September 2019. The improved performance was attributable to higher net gain on sales of financial instruments of RM323.9 million and higher fee and commission income of RM58.1 million. These were offset by higher overhead expenses of RM211.1 million, higher net allowance for impairment losses on loans, advances and financing of RM38.5 million and lower net interest income of RM7.3 million.

The 63%-owned subsidiary namely AFFIN Hwang Asset Management Berhad's profit before tax increased by RM10.1 million or 13.6% to RM84.2 million for the nine-month financial period ended 30 September 2020 from RM74.1 million for the previous corresponding nine-month financial period ended 30 September 2019. The increase was mainly due to higher fee and commission income of RM29.2 million, offset by higher overhead expenses of RM19.4 million.

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 profit before tax of RM6.9 million for the nine-month financial period ended 30 September 2020 as compared to loss before tax of RM9.6 million for the previous corresponding nine-month financial period ended 30 September 2019. The improved performance was mainly due to the gain on disposal of equities of RM11.9 million, higher earned premium of RM8.8 million and lower net claims incurred of RM3.8 million, offset by higher overhead expenses of RM5.8 million and lower investment income of RM2.3 million.

AAGI's profit before tax increased by RM1.1 million or 2.4% to RM44.1 million for the nine-month financial period ended 30 September 2020 from RM43.0 million for the previous corresponding nine-month financial period ended 30 September 2019. The increase was mainly due to improvement in underwriting results by RM10.6 million and lower interest expense by RM3.1 million, offset by lower investment income by RM12.1 million.

Other business segment

AFFIN Moneybrokers Sdn Bhd's profit before tax decreased by RM0.4 million or 20.0% to RM1.6 million for the nine-month financial period ended 30 September 2020 from RM2.0 million for the previous corresponding nine-month financial period ended 30 September 2019. The decrease was mainly due to lower net brokerage income of RM0.3 million and higher overhead expenses of RM0.1 million.

(ii) Current Quarter vs Previous Period Corresponding Quarter

The Group recorded a profit before tax of RM95.3 million for the quarter ended 30 September 2020, representing a decrease of RM15.4 million or 13.9% as compared to the previous period corresponding quarter ended 30 September 2019 of RM110.7 million.

The Group's allowance for impairment losses on loans, advances, financing and other assets increased by RM78.6 million to RM123.6 million as compared to the previous period corresponding quarter ended 30 September 2019 of RM45.0 million.

The Group's net interest income and Islamic Banking income for quarter ended 30 September 2020 increased by RM27.2 million or 9.8% to RM305.9 million as compared to the previous period corresponding quarter ended 30 September 2019 of RM278.7 million.

The Group's non-interest income increased by RM192.8 million to RM388.3 million for the quarter ended 30 September 2020 as compared to the previous period corresponding quarter ended 30 September 2019 of RM195.5 million. The increase was mainly due to higher net gain on sales of financial instruments of RM164.4 million and higher fee and commission income of RM27.1 million.

The Group incurred higher overhead expenses for the quarter ended 30 September 2020 of RM475.8 million, an increase of RM158.5 million or 50.0% from RM317.3 million in the previous period corresponding quarter ended 30 September 2019. The increase in overhead expenses was mainly due to higher personnel expenses.

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.)

(ii) Current Quarter vs Previous Period Corresponding Quarter (Cont.)

The Group's profit before tax for the quarter ended 30 September 2020 as compared to the previous corresponding quarter ended 30 September 2019 is further segmented based on the operating segments of the Group as follows:

Commercial Banking

AFFIN Bank Berhad's profit before tax decreased by RM91.6 million or 85.5% to RM15.5 million for the quarter ended 30 September 2020 from RM107.1 million for the previous corresponding quarter ended 30 September 2019. The decrease was mainly due to lower other income of RM59.6 million and higher overhead expenses and net allowance for impairment losses on loans, advances and financing of RM19.6 million and RM48.2 million respectively. The decreases were, however mitigated by higher net gain on sales of financial instruments of RM20.2 million, higher net interest income of RM14.6 million and higher net fee and commission income of RM1.0 million.

AFFIN Islamic Bank Berhad's profit before tax decreased by RM5.9 million or 33.9% to RM11.4 million for the quarter ended 30 September 2020 from RM17.3 million for the previous corresponding quarter ended 30 September 2019. The decrease was mainly due to higher net allowance for impairment losses on financing, advances and other assets of RM29.7 million, higher zakat of RM2.5 million, lower net gain on sales of financial instruments of RM1.7 million and lower other income of RM1.3 million. These were cushioned by lower overhead expenses of RM11.4 million, higher net interest income of RM17.0 million and higher net fee and commission income of RM0.9 million.

Investment Banking

AFFIN Hwang IB Group's profit before tax increased by RM16.0 million or 33.1% to RM64.5 million for the quarter ended 30 September 2020 from RM48.5 million for the previous corresponding quarter ended 30 September 2019. The increase was mainly due to higher net gain on sales of financial instruments of RM144.2 million and higher fee and commission income of RM26.8 million, offset by higher overhead expenses of RM150.8 million and higher net allowance for impairment losses on loans, advances and financing of RM4.4 million.

The 63%-owned subsidiary namely AFFIN Hwang Asset Management Berhad's profit before tax increased by RM8.2 million or 34.5% to RM32.1 million for the quarter ended 30 September 2020 from RM23.9 million for the previous corresponding quarter ended 30 September 2019. The increase was mainly due to higher fee and commission income of RM11.3 million and higher net gain on sales of financial instruments of RM3.6 million, offset by higher overhead expenses of RM5.7 million and lower other income of RM1.2 million.

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's loss before tax improved by RM7.7 million or 61.2% to RM4.9 million for the quarter ended 30 September 2020 from RM12.6 million for the previous corresponding quarter ended 30 September 2019. The improved performance was mainly due to higher underwriting profit of RM13.0 million, offset by higher reserves for future policyholders' liabilities of RM3.3 million and lower investment income of RM2.3 million.

AAGI's profit before tax increased by RM3.9 million or 32.3% to RM16.1 million for the quarter period ended 30 September 2020 from RM12.2 million for the previous corresponding quarter ended 30 September 2019. The increase was mainly due to improvement in underwriting results by RM9.4 million, lower interest expense by RM1.0 million and higher realised gains on disposal of investments of RM0.8 million, offset by lower investment income by RM7.3 million.

Other business segment

AFFIN Moneybrokers Sdn Bhd's profit before tax decreased by RM0.3 million or 37.5% to RM0.4 million for the quarter ended 30 September 2020 from RM0.7 million for the previous corresponding quarter ended 30 September 2019. The decrease was mainly due to lower net brokerage income of RM0.2 million and higher overhead expenses of RM0.1 million.

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

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

	Current Financial Quarter	Preceding Financial Quarter	Changes	
	30/9/2020 RM'000	30/6/2020 RM'000	RM'000	%
Net income	694,199	512,958	181,241	35.3
Operating Profit	94,805	76,354	18,451	24.2
Profit Before Zakat and Tax	98,919	94,600	4,319	4.6
Profit Before Tax	95,321	93,638	1,683	1.8
Profit After Tax	57,515	76,253	(18,738)	-24.6
Profit attributable to equity holders of the Bank	48,718	67,399	(18,681)	-27.7

The Group's profit before tax for the quarter ended 30 September 2020 increased by RM1.7 million or 1.8% to RM95.3 million against the preceding quarter ended 30 June 2020 of RM93.6 million.

The one-off modification loss related to Covid-19 relief measures by BNM amounting to RM79.7 million was recognized in the preceding quarter ended 30 June 2020.

The Group's net interest income for quarter ended 30 September 2020 increased by RM35.6 million or 22.6% to RM192.8 million against the preceding quarter ended 30 June 2020 of RM157.2 million. Income from Islamic Banking operations decreased by RM4.3 million or 3.6% to RM113.1 million against the preceding quarter ended 30 June 2020 of RM117.4 million.

The non-interest income of the Group for the quarter ended 30 September 2020 increased by RM70.2 million or 22.1% to RM388.3 million as compared to RM318.1 million in the preceding quarter ended 30 June 2020. The increase was mainly due to higher net gain on sales of financial instruments of RM53.8 million and higher fees and commission income of RM17.5 million.

The Group's overhead expenses for quarter ended 30 September 2020 increased by RM93.0 million or 24.3% to RM475.8 million as compared to RM382.8 million in the preceding quarter ended 30 June 2020. The increase in overhead expenses was mainly attributable to higher personnel expenses of RM96.6 million and higher marketing expenses of RM3.4 million, offset by lower general and administration expenses of RM4.1 million and lower establishment expenses of RM2.9 million.

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

B3. ECONOMIC AND BUSINESS OUTLOOK FOR 2020

The Malaysian economy contracted sharply by -17.1% in 2Q2020, the lowest recorded GDP since the financial crisis in 1998 as containment measures and lockdowns to control the spread of the Covid-19 virus impacted almost all business activities. Following from this, BNM recently revised its real GDP growth projection for 2020 down to a range of -3.5% to -5.5% from -2.0% to +0.5% earlier. Similarly, the World Bank had forecasted that Malaysia's real GDP for 2020 would contract by -4.9% instead of its earlier forecasted -3.1%. Despite the downward revision of these forecasts, Malaysia could see a return to growth in 4Q2020 if containment efforts are successful, it will translate into improvements in consumption, external trade and overall employment rate.

The domestic economy was given a further boost on 23 September 2020, when the Prime Minister announced an additional stimulus measure named KITA PRIHATIN worth RM10 billion to support the economy and safeguard the people's well-being. This was in addition to the earlier stimulus announced, PRIHATIN Stimulus Package of RM260 billion and PENJANA of RM35 billion. In total, the stimulus measures introduced by the Government amounted to RM305 billion or about 20.7% of GDP. All this will provide some support to domestic demand and assist the labour market conditions in the near term.

On the fiscal front, the government raised its debt ceiling rate from 55% of GDP to 60% of GDP starting from February 2020 until 31 December 2022. This will enable the government to finance the economic stimulus packages needed to mitigate the impact of the pandemic on the domestic economy which in turn will help the businesses and individuals suffering from the impact of the pandemic.

STRATEGY MOVING FORWARD

During these unprecedented times, the Bank is focused on ensuring business continuity and providing support to its customers most affected by this situation by providing them financial relief where required. At the same time, the Bank is closely monitoring its overall health of its loan portfolio and is taking proactive measures to address any potential increase in impaired loans. The Bank is constantly striving to remain agile and is committed to fulfilling stakeholders' needs.

The Community Banking Division continues to grow its loan base through new product offerings such as our newly launched AFFIN Duo credit card and targeted personal financing loan options. At the same time, it is focused on growing its current account and savings account base through its retail internet banking offering, payroll acquisitions and cross selling efforts. All have contributed to its increasing loan book, deposit base and net interest income. Efforts are also expanded to increase the division's fee-based income by diversifying its wealth management services and expanding its customer base via a segment-based approach and improved customer experience via digitalisation.

SMEs remain one of the hardest hit segments during this period and our Enterprise Banking Division is working to support its customers through the implementation of the Financial Assistance and Instalment Relief ("FAIR") program. The FAIR program is designed to assist individuals and companies impacted by the Covid-19 pandemic by providing some relief and indulgence on existing financing obligations. Aside from assisting its customers, the division continues to grow its loan and deposit portfolio in targeted areas through customer engagement activities and campaigns.

The Corporate Banking Division will continue to grow loans and financing while keeping a prudent approach towards asset quality. The Division will use digital tools and analytics to accurately identify the customers' needs in addition to its usual account planning exercise. The new cash management offering, AFFINMAX is expected to enhance its user experience and assist with the growth in CASA.

AFFIN Islamic Bank Berhad is set to strengthen its balance sheet management to manage its liquidity and funding cost effectively while complying with all regulatory requirements. Sustaining profitability, preserving asset quality as well as maintaining an effective cost structure shall remain as key considerations of the Bank to navigate through the challenging economic landscape of 2020.

AFFIN Hwang IB Group will continue to identify and capitalise on the opportunities within the Malaysian Capital Market despite a challenging global economic outlook amidst the Covid-19 pandemic crisis. The Group will focus on diversifying its revenue base to complement its Capital Market activities by expanding and strengthening its product and service offerings with the aim of delivering value added proposition to its clients and stakeholders. In an effort to further strengthen the clients "end-to-end journey", the Group will continue to develop best practices to be adopted with the aim of delivering a seamless investment experience for customers.

AAGI's focus is on building a sustainable business portfolio to ensure profitability and on 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 a focus on profitability, customer experience and efficiency. AAGI will find ways to adapt and adopt this new normal and at the same time, protecting the health and safety of its employees.

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

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	76,697	47,221	170,840	112,754
Under/(over) provision in prior years	114	(56,713)	117	(56,691)
Deferred tax (income)/expense :				
- Relating to originating temporary differences	(39,005)	42,670	(70,582)	70,308
	37,806	33,178	100,375	126,371

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

Bank

Malaysian income tax	25,481	28,156	41,790	63,635
(Over)/under provision in prior years	1	(42,577)	1	(42,577)
Deferred tax (income)/expense :				
- Relating to originating temporary differences	(12,348)	30,196	(26,344)	49,203
	13,134	15,775	15,447	70,261

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

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

B6. STATUS OF CORPORATE PROPOSALS

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

B7. DEPOSITS, LEASE LIABILITIES AND BORROWINGS

	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
(i) <u>Deposits from Customers</u>				
<u>By Type of Deposit :</u>				
Demand Deposits	7,273,558	7,417,574	4,232,647	4,468,875
Savings Deposits	2,959,681	2,334,653	1,958,895	1,687,588
Fixed Deposits	36,211,651	39,137,401	20,213,747	22,194,938
Commodity Murabahah Deposits	1,009,532	402,074	-	-
Money Market Deposits	599,248	1,278,950	599,248	1,278,950
Negotiable Instruments of Deposits ("NID")	1,328,994	485,021	715,977	504,899
Others	122,193	33,289	-	-
	<u>49,504,857</u>	<u>51,088,962</u>	<u>27,720,514</u>	<u>30,135,250</u>
<u>By Maturity structure of fixed deposits, NID and others :</u>				
Due within six months	27,956,157	20,975,454	14,951,437	10,939,740
Six months to one year	8,082,053	16,480,637	4,910,690	10,245,509
One year to three years	1,404,083	1,886,591	1,035,474	1,477,277
Three years to five years	220,545	313,029	32,123	37,311
	<u>37,662,838</u>	<u>39,655,711</u>	<u>20,929,724</u>	<u>22,699,837</u>
<u>By Type of Customer :</u>				
Government and statutory bodies	7,866,522	8,022,642	789,456	1,024,448
Business enterprises	10,601,234	12,585,286	6,160,571	7,284,828
Individuals	25,207,650	23,504,126	18,577,322	18,197,263
Domestic banking institutions	1,325,496	494,213	711,097	513,669
Domestic non-banking financial institutions	3,213,090	5,060,498	555,070	2,050,604
Foreign entities	562,805	716,175	402,964	567,667
Others	728,060	706,022	524,034	496,771
	<u>49,504,857</u>	<u>51,088,962</u>	<u>27,720,514</u>	<u>30,135,250</u>
(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>				
<u>By Type of Institution :</u>				
Licensed banks	740,835	614,958	271,909	227,497
Licensed investment banks	-	395,889	-	-
Bank Negara Malaysia	166,244	4,675	166,244	4,675
Other financial institutions	3,141,736	747,730	1,978,940	413,913
	<u>4,048,815</u>	<u>1,763,252</u>	<u>2,417,093</u>	<u>646,085</u>
<u>By Maturity structure of deposits :</u>				
Due within six months	3,948,490	1,763,252	2,417,093	646,085
Six months to one year	100,325	-	-	-
	<u>4,048,815</u>	<u>1,763,252</u>	<u>2,417,093</u>	<u>646,085</u>
(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	20,432	22,762	6,568	10,610
Termination of contracts	(7)	(104)	-	-
Interest/Profit expense	2,007	2,512	1,212	1,885
Lease payment	(28,428)	(37,261)	(19,425)	(26,169)
At end of the financial period/year	<u>52,654</u>	<u>58,650</u>	<u>32,574</u>	<u>44,219</u>

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

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

	Group		Bank	
	30/9/2020 RM'000	31/12/2019 RM'000	30/9/2020 RM'000	31/12/2019 RM'000
(iv) Borrowings				
(a) Tier-2 Subordinated Medium Term Notes ('MTN')	2,009,590	2,036,143	2,009,590	2,036,143
(b) Additional Tier-1 Capital Securities ('AT1CS')	504,926	512,236	504,926	512,236
(c) Additional Tier-1 Sukuk Wakalah ('AT1S')	307,662	303,425	-	-
(d) MTN Tier-2 Sukuk Murabahah	764,600	755,339	-	-
	3,586,778	3,607,143	2,514,516	2,548,379

(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 Security For Cost application is now fixed for hearing on 14 December 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 RM15.0 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

No dividend has been proposed for the quarter ended 30 September 2020.

B10. EARNINGS PER SHARE

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	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
Net profit attributable to equity holders of the Bank (RM'000)	48,718	72,399	239,686	365,661
Weighted average number of ordinary shares in issue	2,054,785,504	1,982,706,925	2,054,785,504	1,982,706,925
Basic earnings per share (sen)	2.38	3.65	11.66	18.44
	<hr/>		<hr/>	
Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
Net profit attributable to equity holders of the Bank (RM'000)	2,414	91,346	38,833	264,324
Weighted average number of ordinary shares in issue	2,054,785,504	1,982,706,925	2,054,785,504	1,982,706,925
Basic earnings per share (sen)	0.12	4.61	1.89	13.33
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