

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

Condensed Interim Financial Statements
Unaudited Statements of Financial Position as at 30 June 2021

	Note	GROUP		BANK	
		30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
ASSETS					
Cash and short-term funds		7,671,446	5,461,365	2,414,971	1,887,584
Deposits and placements with banks and other financial institutions		230,097	50,058	200,084	-
Investment accounts due from designated financial institutions		-	-	1,734,642	1,743,308
Financial assets at fair value through profit or loss ("FVTPL")	A9	1,083,549	698,266	344,382	227,923
Derivative financial assets	A30	240,825	388,294	128,165	231,182
Financial investments at fair value through other comprehensive income ("FVOCI")	A10	13,146,642	13,034,053	7,974,833	6,587,330
Financial investments at amortised cost ("AC")	A11	232,961	143,037	440,572	361,708
Loans, advances and financing	A12	47,336,519	45,492,878	25,742,703	25,165,425
Trade receivables	A13	767,882	920,417	-	-
Other assets	A14	348,715	269,620	152,877	141,481
Amount due from subsidiaries		-	-	-	299,864
Amount due from joint ventures		14,650	15,073	-	-
Amount due from associates		30,879	30,885	30,879	30,885
Tax recoverable		124,547	101,675	103,549	89,480
Deferred tax assets		221,625	113,521	110,406	54,607
Statutory deposits with Bank Negara Malaysia		79,342	103,267	69,841	84,267
Investment in subsidiaries		-	-	3,053,899	3,053,899
Investment in joint ventures		184,478	180,398	194,240	194,240
Investment in associates		748,745	715,716	548,482	548,482
Property and equipment		967,394	832,381	941,671	805,142
Right-of-use assets		65,429	81,870	51,720	62,875
Intangible assets		889,299	903,750	191,528	202,212
TOTAL ASSETS		74,385,024	69,536,524	44,429,444	41,771,894
LIABILITIES AND EQUITY					
Deposits from customers	B7	53,795,758	49,884,360	30,390,722	27,407,977
Investment accounts of customers		1,600	2,151	-	-
Deposits and placements of banks and other financial institutions	B7	4,855,733	3,720,360	2,164,051	2,407,852
Derivative financial liabilities	A30	225,480	389,819	125,178	228,089
Bills and acceptances payable		38,516	67,010	38,516	67,010
Recourse obligation on loans/financing sold to Cagamas Berhad	A15	50,030	50,034	-	-
Trade payables		956,559	921,392	-	-
Lease liabilities	B7	38,870	50,528	26,402	31,842
Other liabilities	A16	1,526,598	1,460,716	595,527	550,162
Amount due to subsidiaries		-	-	64,377	2,229
Provision for taxation		8,023	6,240	-	-
Deferred tax liabilities		646	1,363	-	-
Borrowings	B7	3,336,224	3,345,455	2,547,347	2,548,241
TOTAL LIABILITIES		64,834,037	59,899,428	35,952,120	33,243,402

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2020.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Condensed Interim Financial Statements
Unaudited Statements of Financial Position as at 30 June 2021

	Note	GROUP		BANK	
		30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
EQUITY					
Share capital		4,969,150	4,902,300	4,969,150	4,902,300
Reserves:-					
FVOCI revaluation reserves	A17	8,182	266,412	77,702	183,078
Regulatory reserves	A17	718,683	781,679	614,103	643,613
Foreign exchange reserves	A17	(205)	(205)	-	-
Other reserves	A17	(65,909)	(65,909)	-	-
Retained profits	A17	3,859,313	3,682,234	2,816,369	2,799,501
Equity attributable to equity holders of the Bank		9,489,214	9,566,511	8,477,324	8,528,492
Non-controlling interest		61,773	70,585	-	-
TOTAL EQUITY		9,550,987	9,637,096	8,477,324	8,528,492
TOTAL LIABILITIES AND EQUITY		74,385,024	69,536,524	44,429,444	41,771,894
COMMITMENTS AND CONTINGENCIES	A29	48,002,062	36,250,193	27,754,617	20,209,442
CAPITAL ADEQUACY RATIOS	A33				
<u>With transitional arrangements</u>					
CET 1 capital ratio		14.047%	14.549%	12.542%	13.112%
Tier 1 capital ratio		15.765%	16.320%	14.209%	14.841%
Total capital ratio		21.413%	22.274%	20.309%	21.305%
CET 1 capital ratio (net of proposed dividends)		14.047%	14.517%	12.542%	13.061%
Tier 1 capital ratio (net of proposed dividends)		15.765%	16.288%	14.209%	14.790%
Total capital ratio (net of proposed dividends)		21.413%	22.242%	20.309%	21.254%
Net assets per share attributable to equity holders of the Bank (RM)		4.47	4.60	3.99	4.10

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 2020.

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

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Quarter Ended 30 June 2021

GROUP	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		30/6/2021	30/6/2020	30/6/2021	30/6/2020
		RM'000	RM'000	RM'000	RM'000
Interest income	A18	419,805	436,632	807,623	922,039
Interest expense	A19	(194,298)	(279,384)	(389,505)	(591,359)
Net interest income		225,507	157,248	418,118	330,680
Modification loss	A19 (a)	-	(79,728)	-	(79,728)
Income from Islamic banking business		126,774	117,353	255,657	237,024
		352,281	194,873	673,775	487,976
Fee and commission income	A20 (a)	240,381	156,348	556,451	319,850
Fee and commission expense	A20 (b)	(66,430)	(38,097)	(220,811)	(85,335)
Net fee and commission income	A20	173,951	118,251	335,640	234,515
Net gains on financial instruments	A21	41,306	136,767	80,659	338,800
Other income	A22	11,364	12,571	26,457	25,967
Net income		578,902	462,462	1,116,531	1,087,258
Other operating expenses	A23	(340,503)	(332,277)	(680,965)	(658,747)
Operating profit before allowances		238,399	130,185	435,566	428,511
Allowances for credit impairment losses	A24	(80,205)	(53,831)	(173,997)	(170,924)
Allowances for impairment losses on other assets	A25	(1,344)	-	(1,344)	(1,015)
Operating profit		156,850	76,354	260,225	256,572
Share of results of a joint venture		3,657	6,585	6,485	2,924
Share of results of an associate		14,268	11,661	17,391	11,596
Profit before zakat and taxation		174,775	94,600	284,101	271,092
Zakat		(697)	(962)	(1,862)	(3,165)
Profit before taxation		174,078	93,638	282,239	267,927
Taxation	B5	(40,614)	(17,385)	(67,167)	(62,569)
Net profit after zakat and taxation		133,464	76,253	215,072	205,358
Attributable to :-					
Equity holders of the Bank		117,948	67,399	186,885	190,968
Non-controlling interest		15,516	8,854	28,187	14,390
		133,464	76,253	215,072	205,358
Earnings per share attributable to equity holders of the Bank (sen) :-					
Basic	B10	5.62	3.40	8.91	9.62
Diluted	B10	5.62	3.30	8.91	9.33

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 2020.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Quarter Ended 30 June 2021

GROUP	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	133,464	76,253	215,072	205,358
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	122,455	396,496	(389,041)	264,196
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	8,871	6,485	49,529	6,946
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(12,018)	(138,183)	(35,550)	(365,915)
- Deferred tax on financial investments at FVOCI	(24,625)	(61,995)	103,781	24,412
- Share of other comprehensive loss of a joint venture	7	(2,526)	(2,405)	(7,525)
- Share of other comprehensive loss of an associate	35,082	13,622	15,638	6,932
<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)	(191)	1,658	(191)	1,570
- Deferred tax on financial investments at FVOCI	-	-	-	21
Other comprehensive income for the financial period, net of tax	129,581	215,557	(258,239)	(69,363)
Total comprehensive income for the financial period	263,045	291,810	(43,167)	135,995
Total comprehensive income for the financial period attributable to :-				
Equity holders of the Bank	247,529	282,956	(71,354)	121,605
Non-controlling interest	15,516	8,854	28,187	14,390
	263,045	291,810	(43,167)	135,995

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 2020.

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

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Quarter Ended 30 June 2021

<u>BANK</u>	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		30/6/2021	30/6/2020	30/6/2021	30/6/2020
		RM'000	RM'000	RM'000	RM'000
Interest income	A18	385,051	402,910	744,274	837,267
Interest expense	A19	(173,091)	(257,790)	(346,770)	(535,210)
Net interest income		211,960	145,120	397,504	302,057
Modification loss	A19 (a)	-	(50,274)	-	(50,274)
		211,960	94,846	397,504	251,783
Fee and commission income	A20 (a)	29,386	17,514	60,489	41,831
Fee and commission expense	A20 (b)	(1,210)	(781)	(2,373)	(2,561)
Net fee and commission income	A20	28,176	16,733	58,116	39,270
Net gains on financial instruments	A21	4,980	50,521	15,901	132,033
Other income	A22	14,886	45,846	59,382	58,327
Net income		260,002	207,946	530,903	481,413
Other operating expenses	A23	(172,206)	(167,340)	(345,925)	(337,666)
Operating profit before allowances		87,796	40,606	184,978	143,747
Allowances for credit impairment losses	A24	(52,417)	(33,820)	(111,080)	(105,015)
Profit before zakat and taxation		35,379	6,786	73,898	38,732
Zakat		-	-	-	-
Profit before taxation		35,379	6,786	73,898	38,732
Taxation	B5	(9,518)	5,769	(13,738)	(2,313)
Net profit after zakat and taxation		25,861	12,555	60,160	36,419
Earnings per share attributable to equity holders of the Bank (sen) :-					
Basic	B10	1.23	0.63	2.87	1.83
Diluted	B10	1.23	0.61	2.87	1.78

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 2020.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Quarter Ended 30 June 2021

	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021 RM'000	30/6/2020 RM'000	30/6/2021 RM'000	30/6/2020 RM'000
<u>BANK</u>				
Profit after zakat and taxation	25,861	12,555	60,160	36,419
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	63,587	187,167	(202,281)	107,423
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	18,023	5,777	53,839	6,572
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(1,920)	(55,514)	(6,973)	(150,791)
- Deferred tax on financial investments at FVOCI	(14,800)	(31,597)	50,221	10,408
<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)	(191)	-	(191)	-
Other comprehensive income for the financial period, net of tax	64,699	105,833	(105,385)	(26,388)
Total comprehensive income for the financial period	90,560	118,388	(45,225)	10,031

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 2020.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statements Of Changes In Equity
for the Financial Quarter Ended 30 June 2021

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

GROUP	FVOCI	Regulatory	Foreign	Other	Retained	Total	Non-	Total	
	Share	Reserves	exchange	reserves*	profits	shareholders'	controlling	equity	
	capital	reserves	reserves	reserves	reserves	equity	interest	equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2021	4,902,300	266,412	781,679	(205)	(65,909)	3,682,234	9,566,511	70,585	9,637,096
Net profit for the financial period	-	-	-	-	-	186,885	186,885	28,187	215,072
Other comprehensive income (net of tax) :									
- Financial investments at FVOCI	-	(271,472)	-	-	-	-	(271,472)	-	(271,472)
- Share of other comprehensive loss of a joint venture	-	(2,405)	-	-	-	-	(2,405)	-	(2,405)
- Share of other comprehensive income of an associate	-	15,638	-	-	-	-	15,638	-	15,638
Total comprehensive income	-	(258,239)	-	-	-	186,885	(71,354)	28,187	(43,167)
Issuance of new shares	66,850	-	-	-	-	-	66,850	-	66,850
Net (gain)/loss on disposal of financial investment designated at FVOCI (equity instruments)	-	9	-	-	-	(9)	-	-	-
Transfer from regulatory reserves	-	-	(62,996)	-	-	62,996	-	-	-
Dividends	-	-	-	-	-	(72,793)	(72,793)	(36,999)	(109,792)
At 30 June 2021	4,969,150	8,182	718,683	(205)	(65,909)	3,859,313	9,489,214	61,773	9,550,987

* Other reserves represents corresponding debts arising from Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 17 (c) (i) and (ii).

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 2020.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statements Of Changes In Equity
for the Financial Quarter Ended 30 June 2021

	----- Attributable to Equity Holders of the Bank ----->								
<u>GROUP</u>	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Other reserves* RM'000	Retained profits RM'000	Total shareholders' equity RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 January 2020	4,774,772	250,661	732,539	135	(61,010)	3,640,073	9,337,170	59,423	9,396,593
Net profit for the financial period	-	-	-	-	-	190,968	190,968	14,390	205,358
Other comprehensive income (net of tax) :									
- Financial investments at FVOCI	-	(68,770)	-	-	-	-	(68,770)	-	(68,770)
- Share of other comprehensive loss of a joint venture	-	(7,525)	-	-	-	-	(7,525)	-	(7,525)
- Share of other comprehensive profit of an associate	-	6,932	-	-	-	-	6,932	-	6,932
Total comprehensive income	-	(69,363)	-	-	-	190,968	121,605	14,390	135,995
Transfer from regulatory reserves	-	-	(130,135)	-	-	130,135	-	-	-
At 30 June 2020	4,774,772	181,298	602,404	135	(61,010)	3,961,176	9,458,775	73,813	9,532,588

* Other reserves represents corresponding debts arising from Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 17 (c) (i) and (ii).

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 2020.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statements Of Changes In Equity
for the Financial Quarter Ended 30 June 2021

	<-----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 2021	4,902,300	183,078	643,613	2,799,501	8,528,492
Net profit for the financial period	-	-	-	60,160	60,160
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	(105,385)	-	-	(105,385)
Total comprehensive income	-	(105,385)	-	60,160	(45,225)
Issuance of new shares	66,850	-	-	-	66,850
Net (gains)/losses on disposal in financial investments at FVOCI (equity instruments)	-	9	-	(9)	-
Transfer from regulatory reserves	-	-	(29,510)	29,510	-
Dividends	-	-	-	(72,793)	(72,793)
At 30 June 2021	4,969,150	77,702	614,103	2,816,369	8,477,324
At 1 January 2020	4,774,772	148,173	471,925	3,017,227	8,412,097
Net profit for the financial period	-	-	-	36,419	36,419
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	(26,388)	-	-	(26,388)
Total comprehensive income	-	(26,388)	-	36,419	10,031
Transfer from regulatory reserves	-	-	(95,173)	95,173	-
At 30 June 2020	4,774,772	121,785	376,752	3,148,819	8,422,128

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AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statements of Cash Flows
for the Financial Quarter Ended 30 June 2021

	GROUP		BANK	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	282,239	267,927	73,898	38,732
Adjustments for items not involving the movement of cash and cash equivalents	79,530	(248,429)	53,060	(78,532)
Operating profit before changes in working capital	361,769	19,498	126,958	(39,800)
Net changes in operating assets	(2,244,671)	2,708,030	(580,238)	1,544,058
Net changes in operating liabilities	5,485,785	(1,537,233)	2,754,873	(976,798)
Tax and zakat paid	(95,189)	(93,010)	(33,384)	(52,738)
Net cash generated from operating activities	3,507,694	1,097,285	2,268,209	474,722
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received :				
- financial investments at FVOCI	205,637	173,858	129,171	130,973
- financial investments at AC	4,585	4,054	9,608	2,870
Dividend income :				
- financial assets at FVTPL	3,543	2,876	549	549
- financial investments at FVOCI	393	-	180	-
- subsidiaries	-	662	42,400	40,000
Net disposal/(purchase) of :				
- financial investments at FVOCI	(989,294)	2,456,245	(1,603,902)	784,046
- financial investments at AC	(91,166)	(2,400)	(79,985)	-
Purchase of :				
- property and equipment	(149,588)	(121,865)	(146,203)	(117,347)
- intangible assets	(1,260)	(1,858)	(503)	(371)
Proceeds from disposal of :				
- property and equipment	141	139	-	-
- foreclosed properties	-	120	-	120
Net cash (used in)/generated from investing activities	(1,017,009)	2,511,831	(1,648,685)	840,840
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest payment on borrowings	(104,250)	(67,613)	(67,244)	(67,174)
Payment of dividend to the equity holders of the Bank	(72,793)	-	(72,793)	-
Payment of dividend to non-controlling interest	(36,999)	-	-	-
Issuance of new shares	66,850	-	66,850	-
Lease payments	(18,468)	(37,261)	(12,233)	(13,780)
Net cash used in financing activities	(165,660)	(104,874)	(85,420)	(80,954)
Net increase/(decrease) in cash and cash equivalents	2,325,025	3,504,242	534,104	1,234,608
Effects of foreign exchange	(4,366)	3,450	(6,034)	3,215
Cash and cash equivalents at beginning of the financial period	5,511,423	4,605,357	1,886,901	2,288,797
Cash and cash equivalents at end of the financial period	7,832,082	8,113,049	2,414,971	3,526,620
Cash and cash equivalents comprise the following :				
Cash and short-term funds	7,671,446	8,165,241	2,414,971	3,526,620
Deposits and placements of banks and other financial institutions	230,097	-	200,084	43,109
	7,901,543	8,165,241	2,615,055	3,569,729
Less:				
Amount held on behalf of commissioned dealer's representatives	(69,461)	(52,192)	-	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	-	-	(200,084)	(43,109)
	7,832,082	8,113,049	2,414,971	3,526,620

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 2020.

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 MFRS 134 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 2020. 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 2020.

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 2020, except for the adoption of "Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform-Phase 2" that are effective for the Group and the Bank for the financial period beginning on or after 1 January 2021.

Comparative Information

The Group has changed its accounting policy where certain benefits paid to employees are considered incremental and directly attributable to the disposal of the quoted shares. Therefore, these benefits paid can be treated as transaction costs when determining the gain or loss on disposal of the quoted shares. These expenses were previously recognised as employee costs under MFRS 119 "Employee Benefits".

In accordance with MFRS 108 "Accounting Policies, Changes in Estimates and Errors", the change in accounting policy has been accounted for retrospectively.

The change in accounting policy resulted in the following changes in the income statement, Note A21 and Note A23 to the financial statements as set out below. The statements of financial position, comprehensive income, cash flows and changes in equity of the Group and the Bank are not impacted by the change in accounting policy.

	As previously reported 30/6/2020	Reclassification 30/6/2020	As Restated 30/6/2020
The Group			
Income statements (Extract)			
Net gains on financial instruments	394,875	(56,075)	338,800
Net income	1,143,333	(56,075)	1,087,258
Other operating expenses	(714,822)	56,075	(658,747)
A21 - Net gains on financial instruments (Extract)			
Gains/(loss) arising on financial assets at FVTPL			
- net gain on disposal	102,882	(56,075)	46,807
A23 - Other operating expenses (Extract)			
Personnel costs			
- Wages, salaries and bonuses	372,498	(56,075)	316,423

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 2020 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 3.5 sen per ordinary share amounting to dividend payable of RM72,792,688 in respect of the financial year ended 31 December 2020 was approved by the Board of Directors on 27 January 2021. The dividend consisted of an electable portion of 3.5 sen which could be elected to be reinvested into new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP"). Following the completion of the DRP, a total cash dividend of RM5,942,992 was paid on 19 April 2021.

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")

At fair value	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
<u>Money market instruments</u>				
Malaysian Government Securities	50,981	-	-	-
Malaysian Government Investment Issues	184,341	-	-	-
Malaysian Government Treasury Bills	99,439	-	-	-
Negotiable Instruments of Deposit	230,056	113,657	230,056	113,657
	564,817	113,657	230,056	113,657
<u>Quoted Securities</u>				
Exchange traded fund	1,240	891	-	-
Shares, warrants and REITs in Malaysia	43,095	112,168	-	-
Shares, warrants and REITs outside Malaysia	70,350	69,412	-	-
Unit Trusts in Malaysia	231,228	229,378	-	-
	345,913	411,849	-	-
<u>Unquoted Securities</u>				
Shares in Malaysia	99,222	99,222	99,222	99,222
Corporate Bonds/Sukuk in Malaysia	29,108	29,049	15,104	15,044
Corporate Bonds/Sukuk outside Malaysia	44,489	44,489	-	-
	172,819	172,760	114,326	114,266
	1,083,549	698,266	344,382	227,923

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

At fair value	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
<u>Money market instruments</u>				
Malaysian Government Treasury Bills	59,116	-	-	-
Malaysian Government Securities	2,351,114	2,370,147	1,587,035	1,225,896
Malaysian Government Investment Issues	4,029,468	3,472,328	1,737,905	1,261,613
Cagamas Bonds/Sukuk	76,239	116,938	5,282	105,835
Negotiable Instruments of Deposit and Islamic Debt Certificates	226,951	5,581	1,063,621	408,917
Khazanah Bonds/Sukuk	9,526	-	-	-
	6,752,414	5,964,994	4,393,843	3,002,261
<u>Unquoted Securities</u>				
Shares in Malaysia *	211,031	211,465	185,701	186,135
Corporate bonds/Sukuk in Malaysia #	6,006,901	6,742,087	3,246,075	3,312,302
Corporate Bonds/Sukuk outside Malaysia	176,296	115,507	149,214	86,632
	6,394,228	7,069,059	3,580,990	3,585,069
	13,146,642	13,034,053	7,974,833	6,587,330

* Equity securities designated at FVOCI.

Certain unquoted perpetual bonds are designated at FVOCI.

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

A11. FINANCIAL INVESTMENTS AT AMORTISED COST ("AC")

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
At amortised cost				
Malaysian Government securities	18,498	-	18,498	-
Malaysian Government investment certificates	102,118	-	102,118	-
	120,616	-	120,616	-
Unquoted Securities				
Corporate Bonds/Sukuk in Malaysia	110,646	141,119	320,171	361,944
Loan Stock in Malaysia	15,000	15,000	-	-
	125,646	156,119	320,171	361,944
Less : ECL	(13,301)	(13,082)	(215)	(236)
	232,961	143,037	440,572	361,708

Movements in ECL for Financial Investments at AC are as follows:-

30/6/2021 Group	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	160	-	12,922
Financial assets derecognised (other than write-off)	(7)	-	-	(7)
New financial assets originated or purchased	314	-	-	314
Changes due to change in credit risk	(88)	-	-	(88)
At end of the financial period	379	-	12,922	13,301
Bank				
At beginning of the financial period	236	-	-	236
Financial assets derecognised (other than write-off)	(6)	-	-	(6)
New financial assets originated or purchased	5	-	-	5
Changes due to change in credit risk	(20)	-	-	(20)
At end of the financial period	215	-	-	215
31/12/2020 Group	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	273	-	10,780	11,053
Financial assets derecognised (other than write-off)	(96)	-	-	(96)
New financial assets originated or purchased	130	-	-	130
Changes due to change in credit risk	410	-	2,142	2,552
Changes in models/risk parameters	(557)	-	-	(557)
At end of the financial year	160	-	12,922	13,082
Bank				
At beginning of the financial year	123	-	-	123
Financial assets derecognised (other than write-off)	(96)	-	-	(96)
New financial assets originated or purchased	130	-	-	130
Changes due to change in credit risk	643	-	-	643
Changes in models/risk parameters	(564)	-	-	(564)
At end of the financial year	236	-	-	236

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

A12. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
(a) BY TYPE				
Overdrafts	1,832,526	1,871,460	1,313,017	1,404,871
Term loans/financing:				
- Housing loans/financing	12,490,262	11,637,402	4,416,743	3,904,606
- Hire purchase receivables	10,908,125	10,671,849	6,678,496	6,649,369
- Syndicated financing	1,675,480	1,486,237	646,348	619,680
- Business term loans/financing	13,489,000	13,291,096	8,231,081	8,336,099
- Other term loans/financing	138,234	162,163	-	-
Bills receivables	510,287	286,775	414,387	278,346
Trust receipts	239,400	240,688	219,853	227,548
Claims on customers under acceptances credits	1,981,889	1,777,795	1,456,619	1,269,766
Staff loans/financing (of which RM Nil to Directors)	213,916	211,093	112,933	119,961
Credit cards	218,685	209,518	180,177	171,441
Revolving credits	3,802,694	3,819,100	2,680,812	2,746,141
Margin financing	702,014	605,485	-	-
Factoring	1,327	1,994	1,327	1,994
Gross loans, advances and financing	48,203,839	46,272,655	26,351,793	25,729,822
Less: ECL	(867,320)	(779,777)	(609,090)	(564,397)
Total net loans, advances and financing	47,336,519	45,492,878	25,742,703	25,165,425

Included in the Group's business term loans/financing as at reporting date is RM55.2 million (2020: RM55.2 million) of term financing disbursed by AFFIN Islamic Bank Berhad to joint venture AFFIN-i Nadayu Sdn Bhd.

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
(b) BY MATURITY STRUCTURE				
Maturing within one year	9,514,483	9,186,637	6,377,269	6,333,487
One year to three years	2,906,211	3,236,452	2,367,616	2,662,555
Three years to five years	6,759,919	6,271,623	4,087,132	3,683,085
Over five years	29,023,226	27,577,943	13,519,776	13,050,695
	48,203,839	46,272,655	26,351,793	25,729,822

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
(c) BY TYPE OF CUSTOMER				
Domestic banking financial institutions	10,889	8,443	10,889	8,443
Domestic non-banking institutions:				
- Others	429,220	510,566	242,789	273,876
Domestic business enterprises:				
- Small medium enterprises	8,089,404	7,776,348	5,770,742	5,656,791
- Others	13,318,808	13,264,282	8,709,016	8,837,264
Government and statutory bodies	718,418	739,747	37,299	29,502
Individuals	24,919,736	23,461,279	11,124,533	10,679,880
Other domestic entities	822	1,086	541	578
Foreign entities	716,542	510,904	455,984	243,488
	48,203,839	46,272,655	26,351,793	25,729,822

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>				
Fixed rate:				
- Housing loans/financing	223,841	327,704	178,489	282,091
- Hire purchase receivables	10,910,265	10,674,103	6,678,496	6,649,370
- Other fixed rate loans/financing	1,383,682	966,622	370,455	222,977
Variable rate:				
- Base rate/base lending rate plus	25,540,338	24,271,943	12,766,479	12,128,469
- Cost plus	10,115,990	10,003,507	6,357,874	6,446,915
- Other variable rates	29,723	28,776	-	-
	48,203,839	46,272,655	26,351,793	25,729,822
(e) <u>BY ECONOMIC PURPOSE</u>				
Purchase of securities	1,769,026	1,674,403	505,962	583,275
Purchase of transport vehicles	11,521,541	11,255,358	7,201,506	7,143,469
Purchase of landed property of which:				
- Residential	12,886,709	12,052,394	4,641,573	4,137,906
- Non-residential	6,130,988	6,223,989	3,790,966	3,867,346
Fixed assets other than land and building	230,001	240,007	152,429	160,646
Personal use	1,159,105	886,050	643,701	683,008
Credit card	218,685	209,517	180,177	171,441
Consumer durable	33	126	33	54
Construction	2,333,846	2,299,306	1,358,755	1,339,721
Merger and acquisition	58,757	60,102	58,757	60,102
Working capital	10,572,389	10,288,562	7,029,292	6,955,440
Others	1,322,759	1,082,841	788,642	627,414
	48,203,839	46,272,655	26,351,793	25,729,822
(f) <u>BY ECONOMIC SECTOR</u>				
Primary agriculture	1,371,902	1,405,796	574,212	584,361
Mining and quarrying	292,104	305,029	61,419	60,459
Manufacturing	3,136,656	2,850,316	2,121,336	1,938,354
Electricity, gas and water supply	447,499	443,561	62,855	62,000
Construction	1,868,354	1,995,028	1,224,334	1,331,552
Real estate	5,460,070	5,727,243	3,721,620	4,006,230
Wholesale, retail trade, hotels and restaurants	4,284,835	3,996,064	3,329,529	3,236,141
Transport, storage and communication	1,826,895	1,723,239	1,367,287	1,298,611
Finance, insurance and business services	2,303,691	2,121,030	1,743,660	1,535,886
Education, health and others	2,154,960	2,114,353	941,897	923,591
Household	25,056,873	23,590,996	11,203,644	10,752,637
	48,203,839	46,272,655	26,351,793	25,729,822

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>				
Perlis	164,500	180,835	18,442	17,703
Kedah	1,405,722	1,320,409	516,198	498,619
Pulau Pinang	2,607,920	2,543,717	1,523,836	1,522,359
Perak	1,451,220	1,440,323	833,371	858,616
Selangor	15,051,956	14,306,592	7,842,413	7,515,197
Wilayah Persekutuan	10,933,913	10,795,943	6,237,087	6,387,473
Negeri Sembilan	1,656,668	1,581,862	578,467	566,217
Melaka	937,216	900,188	633,669	624,245
Johor	6,400,023	5,986,844	3,773,046	3,535,350
Pahang	1,477,319	1,445,108	734,643	774,481
Terengganu	943,386	901,074	343,350	352,987
Kelantan	391,590	329,291	55,006	58,629
Sarawak	2,256,738	2,250,452	1,596,023	1,610,497
Sabah	2,167,369	2,135,344	1,332,902	1,279,067
Labuan	109,233	45,134	84,275	18,847
Outside Malaysia	249,066	109,539	249,065	109,535
	48,203,839	46,272,655	26,351,793	25,729,822

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

At beginning of the financial period/year	1,628,669	1,379,152	1,223,906	673,058
Classified as impaired	221,247	1,173,296	146,868	954,923
Reclassified as non-impaired	(162,213)	(325,440)	(97,815)	(152,048)
Amount written-back	(66,463)	(291,818)	(48,798)	(61,222)
Amount written-off	(43,392)	(306,521)	(27,977)	(190,805)
At end of the financial period/year	1,577,848	1,628,669	1,196,184	1,223,906
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing (*)	3.27%	3.52%	4.26%	4.45%

(*) For the Bank, RIA included in the ratio calculation amounting to RM1,740.1 million (2020: RM1,754.9 million) with impaired financing amounting to RM Nil (2020: RM Nil).

(ii) Impaired loans by economic purpose

Purchase of securities	26,206	26,122	59	13
Purchase of transport vehicles	382,067	389,564	354,788	364,662
Purchase of landed property of which:				
- Residential	228,641	267,912	122,290	131,201
- Non-residential	276,883	278,426	257,126	259,473
Fixed assets other than land and building	15,123	15,360	15,123	15,360
Personal use	16,081	24,076	13,685	22,800
Credit card	1,696	825	1,303	694
Construction	318,486	321,892	261,221	264,709
Working capital	297,003	292,618	163,592	162,143
Others	15,662	11,874	6,997	2,851
	1,577,848	1,628,669	1,196,184	1,223,906

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING (Cont.)</u>	Group		Bank	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
(iii) <u>Impaired loans by economic sector</u>	RM'000	RM'000	RM'000	RM'000
Primary agriculture	10,246	15,340	9,917	15,195
Mining and quarrying	7,868	7,576	5,504	5,176
Manufacturing	78,379	75,558	7,502	8,053
Electricity, gas and water supply	58	371	58	326
Construction	99,508	135,860	59,541	96,184
Real estate	154,355	115,968	107,568	68,840
Wholesale, retail trade, hotels and restaurants	57,374	48,113	54,184	46,733
Transport, storage and communication	391,959	399,225	309,392	315,971
Finance, insurance and business services	74,600	65,869	73,048	65,438
Education, health and others	413,853	419,194	412,975	419,002
Household	289,648	345,595	156,495	182,988
	1,577,848	1,628,669	1,196,184	1,223,906
(iv) <u>Impaired loans by geographical distribution</u>				
Perlis	2,665	2,765	178	304
Kedah	96,457	94,239	88,793	86,941
Pulau Pinang	35,199	36,772	25,584	30,250
Perak	91,962	94,872	11,467	13,245
Selangor	243,936	279,626	127,190	148,586
Wilayah Persekutuan	155,047	146,307	68,633	53,899
Negeri Sembilan	73,958	82,311	58,778	65,131
Melaka	17,493	16,300	15,833	14,281
Johor	445,223	447,942	430,201	430,760
Pahang	32,171	32,282	30,326	30,682
Terengganu	302,541	309,714	299,844	306,195
Kelantan	6,986	6,853	3,646	3,608
Sarawak	55,552	57,994	18,706	21,110
Sabah	18,653	20,692	17,000	18,914
Outside Malaysia	5	-	5	-
	1,577,848	1,628,669	1,196,184	1,223,906

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) Movements in ECL for loans, advances and financing

Group	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
30/6/2021				
At beginning of the financial period	177,087	151,204	451,486	779,777
Total transfer between stages due to change in credit risk:	16,342	29,611	(45,953)	-
- Transfer to 12-month ECL (Stage 1)	22,505	(16,347)	(6,158)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(6,046)	52,667	(46,621)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(117)	(6,709)	6,826	-
Loans/financing derecognised (other than write-off)	(31,783)	(8,050)	(3,878)	(43,711)
New loans/financing originated or purchased	37,878	7,362	-	45,240
Changes due to change in credit risk	1,355	17,684	102,450	121,489
Write-off	-	-	(35,475)	(35,475)
At end of the financial period	200,879	197,811	468,630	867,320
31/12/2020				
At beginning of the financial year	139,326	94,359	340,344	574,029
Total transfer between stages due to change in credit risk:	47,123	(117,807)	70,684	-
- Transfer to 12-month ECL (Stage 1)	72,061	(62,251)	(9,810)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(24,906)	84,743	(59,837)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(32)	(140,299)	140,331	-
Loans/financing derecognised (other than write-off)	(51,471)	(6,704)	(19,387)	(77,562)
New loans/financing originated or purchased	56,113	1,994	7,970	66,077
Changes due to change in credit risk	23,416	188,044	359,203	570,663
Changes in model/risk parameters	(37,420)	(8,682)	(844)	(46,946)
Write-off	-	-	(305,880)	(305,880)
Other adjustments	-	-	(604)	(604)
At end of the financial year	177,087	151,204	451,486	779,777

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) Movements in ECL for loans, advances and financing (Cont.)

Bank	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
30/6/2021				
At beginning of the financial period	128,045	88,348	348,004	564,397
Total transfer between stages due to change in credit risk:	8,531	19,109	(27,640)	-
- Transfer to 12-month ECL (Stage 1)	11,942	(8,879)	(3,063)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(3,299)	32,463	(29,164)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(112)	(4,475)	4,587	-
Loans/financing derecognised (other than write-off)	(14,017)	(7,517)	(2,840)	(24,374)
New loans/financing originated or purchased	16,545	7,056	-	23,601
Changes due to change in credit risk	(1,812)	9,519	60,302	68,009
Write-off	-	-	(22,543)	(22,543)
At end of the financial period	137,292	116,515	355,283	609,090

Bank	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
31/12/2020				
At beginning of the financial year	86,276	76,512	221,161	383,949
Total transfer between stages due to change in credit risk:	36,569	(132,914)	96,345	-
- Transfer to 12-month ECL (Stage 1)	52,055	(47,666)	(4,389)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(15,472)	51,874	(36,402)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14)	(137,122)	137,136	-
Loans/financing derecognised (other than write-off)	(24,797)	(4,120)	(16,643)	(45,560)
New loans/financing originated or purchased	26,124	1,013	7,864	35,001
Changes due to change in credit risk	25,948	152,955	243,353	422,256
Changes in model/risk parameters	(22,075)	(5,098)	(593)	(27,766)
Write-off	-	-	(202,766)	(202,766)
Other adjustments	-	-	(717)	(717)
At end of the financial year	128,045	88,348	348,004	564,397

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	
	30/6/2021 RM'000	31/12/2020 RM'000
Amount due from stock-broking clients:		
- performing accounts	405,327	564,841
- impaired accounts (i)	622	1,387
Amount due from brokers	84,111	95,488
Management fees receivable on fund management	279,582	261,510
Others	72	-
	769,714	923,226
Less: ECL (ii)	(1,832)	(2,809)
	767,882	920,417
(i) Movements of impaired trade receivables		
At beginning of the financial period/year	1,387	139
Classified as impaired	1,299	2,104
Amount written-back	(2,064)	(856)
At end of the financial period/year	622	1,387
(ii) Movements in ECL in trade receivables		
At beginning of the financial period/year	2,809	208
Allowance made	2,408	9,621
Amount written-back	(3,385)	(7,020)
At end of the financial period/year	1,832	2,809

A14. OTHER ASSETS

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
Other debtors	235,541	212,278	107,856	101,778
Prepayments and deposits	33,189	21,925	32,281	20,942
Cheque clearing accounts	31,814	6,226	940	6,672
Foreclosed properties (i)	16,673	16,962	11,800	12,089
Collaterals pledged for derivative transactions	33,673	13,782	-	-
Clearing guarantee fund	2,334	2,413	-	-
	353,224	273,586	152,877	141,481
Less: ECL (ii)	(4,509)	(3,966)	-	-
	348,715	269,620	152,877	141,481
(i) Foreclosed properties				
At beginning of the financial period/year	16,962	17,817	12,089	12,944
Disposal	(289)	(855)	(289)	(855)
At end of the financial period/year	16,673	16,962	11,800	12,089
(ii) Movements in ECL				
At beginning of the financial period/year			3,966	2,058
Allowance made			1,942	3,550
Amount written-back			(1,399)	(1,584)
Amount written-off			-	(58)
At end of the financial period/year			4,509	3,966

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A15. RECOURSE OBLIGATION ON LOANS/FINANCING SOLD TO CAGAMAS BERHAD

	Group		Group	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Recourse obligation on loans/financing sold to Cagamas Berhad	50,030	50,034		
	At	At	At	At
	1 January	Cash	Profit	30 June
	2021	flow	expense	2021
	RM'000	RM'000	RM'000	RM'000
Recourse obligation on loans/financing sold to Cagamas Berhad	50,034	(620)	616	50,030
	At	At	At	At
	1 January	Cash	Profit	31 December
	2020	flow	expense	2020
	RM'000	RM'000	RM'000	RM'000
Recourse obligation on loans/financing sold to Cagamas Berhad	-	50,000	34	50,034

This represents the proceeds received from housing loans/ financing sold directly to Cagamas Berhad with recourse to the Group. Under this agreement, the Group undertakes to administer the loans/ financing on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria set by Cagamas Berhad. Such financing transactions and the obligation to buy back the loans/ financing are reflected as a liability on the statements of financial position. These financial liabilities are stated at amortised cost.

A16. OTHER LIABILITIES

	Group		Bank	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
BNM and CGC Funding programmes (a)	223,630	113,938	217,080	112,339
Margin and collateral deposits	87,306	101,630	69,633	83,367
Other creditors and accruals	216,837	297,651	76,031	78,915
Sundry creditors	191,236	196,774	124,587	172,205
Treasury and cheque clearing accounts	17,556	3,312	17,556	-
Provision for zakat	7,149	2,141	343	216
Defined contribution plan (b)	17,285	19,941	16,588	18,526
Accrued employee benefits	134,234	171,511	38,153	52,218
Unearned income	24,685	22,814	18,054	16,468
Commissioned dealer's representatives trust balances	69,461	65,792	-	-
Securities borrowings and lending - borrow	166,999	76,079	-	-
Amounts payable to commissioned and salaried dealer's representatives	125,976	150,305	-	-
Puttable liabilities	203,693	200,380	-	-
Add : ECL (c)				
- loan/financing commitments and financial guarantees	40,551	38,448	17,502	15,908
	1,526,598	1,460,716	595,527	550,162

(a) Includes monies received by the Group and the Bank under government financing scheme 'BNM SRF SME Fund' and 'SRF Tourism Fund' as part of the government support measures in response to Covid-19 for the purpose of SME lending with a six-year maturity amounting to RM196.7 million. The financing under the government scheme is for lending at concession rates to SMEs.

(b) The Group and the Bank contribute to EPF, the national defined contribution plan. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

	Group		Bank	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
(c) Movement in ECL				
At beginning of financial period/year	38,448	29,610	15,908	8,529
Net remeasurement of loss allowance	360	1,323	152	1,028
New loan commitments and financial guarantees issued	1,743	6,522	1,442	5,578
Changes in models/risk parameters	-	993	-	773
At end of the financial period/year	40,551	38,448	17,502	15,908

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

A17. RESERVES

	Group		Bank	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
FVOCI revaluation reserves (a)	8,182	266,412	77,702	183,078
Regulatory reserves (b)	718,683	781,679	614,103	643,613
Foreign exchange reserves	(205)	(205)	-	-
Other reserves (c)	(65,909)	(65,909)	-	-
Retained profits	3,859,313	3,682,234	2,816,369	2,799,501
	4,520,064	4,664,211	3,508,174	3,626,192

- (a) FVOCI revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments at FVOCI. The gains or losses are transferred to the income statement upon disposal or when the securities become 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. However, banking institutions are allowed to reduce the regulatory reserves held against expected losses to 0% and to be restored by 30 September 2021.
- (c) Other reserves represents the Group's obligation to purchase subsidiaries' shares held by non-controlling interest.
- (i) Obligation to buy Affin Hwang Asset Management Berhad's ("AHAM") shares from non-controlling interest.

On 8 March 2019, under the Employee Stock Option Incentive Scheme, the options holders have fully exercised the 1000 employee stock options 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. As at 31 December 2020, the option holders have collectively agreed to not exercise their rights in relation to the buy back at first window, i.e. 1 March 2021.

The SCR provision represents a purchase of AHAM'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 statements. In the event of a change in the estimated future redemption amount of SCR, the remeasurement amounts will be recognised in equity as the changes in the Bank's ownership interest in AHAM does not result in the Bank losing control of AHAM.

- (ii) Option to buy AccelVantage Academy Sdn Bhd's ("AVA") shares from non-controlling interest

This represents the present value of an option to purchase AccelVantage Academy Sdn Bhd's ("AVA") shares pursuant to the terms of the exit mechanism in a shareholders agreement entered into between the Bank's subsidiary, AHAM and GV Capital Dynamic Sdn Bhd ("GVCD").

AHAM is granted a call option to acquire the entire 49% equity shares in AVA held by GVCD within 90 days of the call option period. The exercise price under the call option is determined based on pre-agreed formula.

The financial liability at Group is initially recognised at the present value of the redemption amount and accreted through finance charges in the income statements over the contract period, up to the final redemption amount. In the event of a change in the exercise price under the call option, the remeasurement amounts will be recognised in equity as the changes in AHAM's ownership interest in AVA does not result in AHAM losing control of AVA.

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

A18. INTEREST INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	334,092	344,634	636,360	724,027
Money at call and deposits placements with financial institutions	9,014	17,896	15,881	31,612
Financial investments at FVOCI	70,315	70,816	143,885	159,802
Financial investments at AC	2,495	2,040	4,585	4,054
Others	3,889	1,246	6,912	2,544
	419,805	436,632	807,623	922,039
Bank				
Loan, advances and financing	298,368	308,846	577,750	647,400
Money at call and deposits placements with financial institutions	19,914	35,143	40,869	67,864
Financial investments at FVOCI	60,034	56,992	113,573	118,146
Financial investments at AC	5,150	1,428	10,002	2,855
Others	1,585	501	2,080	1,002
	385,051	402,910	744,274	837,267

A19. INTEREST EXPENSE

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	148,501	239,801	304,016	510,369
Deposits and placements of banks and other financial institutions	7,725	2,037	13,174	8,884
Obligation on securities sold under repurchase agreements	-	736	-	736
Subordinated medium term notes	33,358	33,359	66,350	66,717
Foreign currency borrowing	-	-	38	57
Interest expense on the lease liability	448	591	988	1,228
Others	4,266	2,860	4,939	3,368
	194,298	279,384	389,505	591,359
Bank				
Deposits from customers	125,605	211,055	255,210	448,640
Deposits and placements of banks and other financial institutions	12,342	12,187	23,071	18,163
Obligation on securities sold under repurchase agreements	-	736	-	736
Subordinated medium term notes	33,358	33,359	66,350	66,717
Interest expense on the lease liability	299	396	652	831
Others	1,487	57	1,487	123
	173,091	257,790	346,770	535,210

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A19 (a). MODIFICATION LOSS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Modification loss	-	79,728	-	79,728
Bank				
Modification loss	-	50,274	-	50,274

The modification loss represents the cost of deferring cashflows of the loans/financing impacted by the payment moratorium. The modification loss/financing 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.

A20. NET FEE AND COMMISSION INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income:				
Net brokerage	25,210	25,520	58,761	49,835
Portfolio management fees	138,919	78,323	253,519	157,207
Corporate advisory fees	1,847	1,564	3,616	3,618
Commission	11,545	5,026	22,740	12,286
Service charges and fees	13,094	7,802	28,041	20,144
Guarantee fees	3,992	4,442	8,002	9,175
Arrangement fees	104	40	529	120
Initial service charges	35,713	27,103	162,195	56,844
Other fee income	9,957	6,528	19,048	10,621
	240,381	156,348	556,451	319,850
(b) Fee and commission expenses:				
Commission and referral expense	(66,430)	(38,097)	(220,811)	(85,335)
Net fee and commission income	173,951	118,251	335,640	234,515
Bank				
(a) Fee and commission income:				
Commission	12,143	5,441	24,289	12,852
Service charges and fees	13,251	7,631	28,198	19,804
Guarantee fees	3,992	4,442	8,002	9,175
	29,386	17,514	60,489	41,831
(b) Fee and commission expense:				
Commission and referral expense	(1,210)	(781)	(2,373)	(2,561)
Net fee and commission income	28,176	16,733	58,116	39,270

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A21. NET GAINS ON FINANCIAL INSTRUMENTS

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021 RM'000	30/6/2020 RM'000	30/6/2021 RM'000	30/6/2020 RM'000
Income from financial instruments:				
Gains/(Loss) arising on financial assets at FVTPL:				
- net gain on disposal	10,300	29,499	26,659	46,807
- unrealised gain	8,816	8,577	(8,936)	519
- interest income	9,027	4,418	15,047	10,747
- gross dividend income	2,078	1,363	3,543	3,425
Gains/(Loss) on derivatives instruments:				
- realised	12	231	12	231
- unrealised	(232)	(5,380)	12,898	(16,449)
- interest (expense)/income	(2,088)	(500)	(4,296)	(574)
Gains arising on financial investments at FVOCI:				
- net gain on disposal	13,000	98,446	35,339	293,981
- gross dividend income	393	113	393	113
	41,306	136,767	80,659	338,800

Bank

Income from financial instruments:				
Gains arising on financial assets at FVTPL:				
- net gain on disposal	-	941	-	941
- unrealised gain/(loss)	2,932	(271)	(5,300)	953
- interest income	2,704	1,203	4,750	2,407
- gross dividend income	549	549	549	549
Gains/(Loss) on derivatives instruments:				
- realised	-	231	-	231
- unrealised	(1,547)	(5,876)	12,507	(21,766)
- interest (expense)/income	(1,871)	(685)	(3,894)	(701)
Gains arising on financial investments at FVOCI:				
- net gain on disposal	2,033	54,429	7,109	149,419
- gross dividend income	180	-	180	-
	4,980	50,521	15,901	132,033

A22. OTHER INCOME

Group

Foreign exchange gain/(loss):				
- realised	764	(13,183)	28,090	17,449
- unrealised	9,832	24,258	(4,366)	3,450
Rental income	(6)	1	(4)	-
Gain/(Loss) on sale of property and equipment	1	115	115	40
Gain on disposal of foreclosed properties	-	-	-	76
Other non-operating income	773	1,380	2,622	4,952
Total other income	11,364	12,571	26,457	25,967

Bank

Foreign exchange gain/(loss):				
- realised	597	(7,960)	20,569	11,174
- unrealised	6,088	12,642	(6,034)	3,215
Rental income	18	24	43	47
Loss on sale of property and equipment	-	-	-	(75)
Gain on disposal of foreclosed properties	-	-	-	76
Gross dividend received from subsidiaries	7,400	40,000	42,400	40,000
Other non-operating income	783	1,140	2,404	3,890
Total other income	14,886	45,846	59,382	58,327

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

A23. OTHER OPERATING EXPENSES

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	176,609	160,315	350,463	316,423
Defined contribution plan	32,204	28,123	62,481	54,996
Other personnel costs	24,063	28,682	49,839	54,165
	232,876	217,120	462,783	425,584
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	5,417	3,906	11,236	9,000
Entertainment	1,510	1,365	2,928	3,424
Travelling and accommodation	763	767	1,388	2,313
Dealers' handling fees	-	-	-	1
Commission and brokerage expenses	1,885	1,709	3,845	3,655
Others marketing expenses	1,426	970	2,728	2,629
	11,001	8,717	22,125	21,022
<u>Establishment expenses</u>				
Rental of premises	720	636	1,431	1,433
Equipment rental	1,189	802	1,433	1,815
Repair and maintenance	14,342	15,487	29,682	29,451
Depreciation of property and equipment	7,461	7,828	14,770	15,153
Depreciation of right-of-use assets	11,028	9,147	21,987	18,202
Amortisation of intangible assets	8,329	9,238	15,719	18,469
IT consultancy fee	11,877	16,575	26,246	31,956
Dataline rental	4,797	5,692	9,731	11,001
Security services	3,503	4,186	7,404	9,115
Electricity, water and sewerage	2,732	2,991	5,488	6,610
Insurance/Takaful and indemnities	5,055	5,696	10,601	10,802
Other establishment costs	1,385	1,068	3,054	2,409
	72,418	79,346	147,546	156,416
<u>General and administrative expenses</u>				
Telecommunication expenses	2,108	4,546	6,363	8,838
Auditors' remuneration:				
(i) Statutory audit fees	667	805	1,267	1,534
(ii) Over provision in prior year	-	8	-	8
(ii) Regulatory related fees	11	11	21	21
(iii) Tax fees	(2)	-	49	2
(iv) Non-audit fees	(262)	162	(83)	290
Professional fees	4,170	6,854	5,984	14,716
Property and equipment written-off	123	85	136	97
Mail and courier charges	1,067	812	2,108	1,725
Stationery and consumables	2,425	1,973	4,621	4,099
Directors' fees and allowances	760	850	1,369	1,841
Donations	765	1,606	1,698	2,793
Settlement, clearing and bank charges	5,883	3,663	10,414	7,831
Stamp duties	71	32	134	86
Operational and litigation write-off expenses	452	-	880	(13)
Subscription fees	3,046	3,021	7,128	6,179
Other administration and general expenses	2,924	2,666	6,422	5,678
	24,208	27,094	48,511	55,725
Total other operating expenses	340,503	332,277	680,965	658,747

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

A23. OTHER OPERATING EXPENSES (Cont.)

Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	89,328	74,210	174,242	151,379
Defined contribution plan	15,864	12,874	30,250	26,162
Other personnel costs	9,450	13,935	21,069	26,411
	114,642	101,019	225,561	203,952
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	3,329	1,566	6,752	3,816
Entertainment	781	713	1,478	1,627
Travelling and accommodation	405	157	659	725
Commission and brokerage expenses	1,700	1,310	3,957	2,977
Others marketing expenses	829	279	1,342	816
	7,044	4,025	14,188	9,961
<u>Establishment expenses</u>				
Equipment rental	1,026	474	1,143	1,248
Repair and maintenance	3,216	5,620	7,574	10,454
Depreciation of property and equipment	4,825	4,508	9,516	9,016
Depreciation of right-of-use assets	8,366	6,153	16,644	12,361
Amortisation of intangible assets	5,318	5,514	11,196	11,003
IT consultancy fee	7,052	13,176	16,580	23,270
Dataline rental	2,942	4,592	6,009	8,157
Security services	1,768	3,570	3,938	7,625
Electricity, water and sewerage	942	313	1,972	2,497
Insurance/Takaful and indemnities	4,432	4,353	8,536	8,211
Other establishment costs	(522)	299	163	1,253
	39,365	48,572	83,271	95,095
<u>General and administrative expenses</u>				
Telecommunication expenses	(1,157)	930	(239)	1,921
Auditors' remuneration :				
(i) Statutory audit fees	324	418	648	813
(ii) Non-audit fees	(96)	132	66	230
Professional fees	1,275	5,069	2,712	10,959
Property and equipment written-off	122	-	135	-
Mail and courier charges	562	592	1,130	1,281
Stationery and consumables	1,512	1,066	2,760	2,335
Directors' fees and allowances	760	782	1,369	1,591
Donations	730	850	1,533	1,422
Settlement, clearing and bank charges	5,007	2,796	8,907	6,069
Stamp duties	56	26	115	66
Operational and litigation write-off expenses	452	-	880	(13)
GST input tax-non recoverable	-	14	-	-
Other administration and general expenses	1,608	1,049	2,889	1,984
	11,155	13,724	22,905	28,658
Total other operating expenses	172,206	167,340	345,925	337,666

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

A24. ALLOWANCES FOR CREDIT IMPAIRMENT LOSSES

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
ECL (written-back)/made on:				
- loans, advances and financing	61,265	50,509	123,018	172,071
- trade receivables	(1,131)	(23)	(977)	92
- securities and placements	22,976	7,995	63,784	8,647
- loan/financing commitments and financial guarantee	2,304	(1,397)	2,104	2,155
Bad debts and financing :				
- recovered	(6,119)	(3,827)	(14,890)	(14,077)
- written-off	910	574	958	2,036
	80,205	53,831	173,997	170,924
Bank				
ECL (written-back)/made on :				
- loans, advances and financing	36,360	30,715	67,236	106,692
- securities and placements	18,754	6,869	54,005	7,867
- loan/financing commitments and financial guarantee	2,064	(921)	1,594	(228)
Bad debts and financing :				
- recovered	(5,418)	(3,328)	(12,473)	(11,069)
- written-off	657	485	718	1,753
	52,417	33,820	111,080	105,015

A25. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses on other assets	1,344	-	1,344	1,015

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

A26. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2021 and 30 June 2020 are as follows:

	<----- Current year's individual quarter ended 30 June 2021 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	380,491	195,730	-	2,681	-	578,902
Intersegment revenue	8,269	(51)	-	273	(8,491)	-
Segment revenue	388,760	195,679	-	2,954	(8,491)	578,902
Operating expenses	(230,634)	(108,401)	-	(2,559)	1,091	(340,503)
of which :-						
Depreciation of property and equipment	(4,954)	(2,480)	-	(27)	-	(7,461)
Depreciation of right-of-use assets	(8,481)	(2,459)	-	(88)	-	(11,028)
Amortisation of intangible assets	(5,371)	(2,953)	-	(5)	-	(8,329)
(Allowances for)/write-back of impairment advances, financing and trade receivables/ securities/ other assets	(69,193)	(12,103)	-	-	(253)	(81,549)
Segment results	88,933	75,175	-	395	(7,653)	156,850
Share of results of a joint venture (net of tax)	-	-	3,657	-	-	3,657
Share of results of associates (net of tax)	-	-	14,268	-	-	14,268
Profit before zakat and taxation	88,933	75,175	17,925	395	(7,653)	174,775
Zakat	-	(697)	-	-	-	(697)
Profit before taxation	88,933	74,478	17,925	395	(7,653)	174,078
Taxation						(40,614)
Net profit for the individual quarter						133,464

	<----- Preceding year's individual quarter ended 30 June 2020 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	260,526	199,392	-	2,544	-	462,462
Intersegment revenue	36,808	3,368	-	228	(40,404)	-
Segment revenue	297,334	202,760	-	2,772	(40,404)	462,462
Operating expenses	(229,754)	(100,402)	-	(2,525)	404	(332,277)
of which :-						
Depreciation of property and equipment	(4,699)	(3,093)	-	(36)	-	(7,828)
Depreciation of right-of-use assets	(6,472)	(2,499)	-	(176)	-	(9,147)
Amortisation of intangible assets	(5,567)	(3,666)	-	(5)	-	(9,238)
(Allowances for)/write-back of impairment advances, financing and trade receivables/ securities/ other assets	(31,378)	(24,007)	-	-	1,554	(53,831)
Segment results	36,202	78,351	-	247	(38,446)	76,354
Share of results of a joint venture (net of tax)	-	-	6,585	-	-	6,585
Share of results of associates (net of tax)	-	-	11,661	-	-	11,661
Profit before zakat and taxation	36,202	78,351	18,246	247	(38,446)	94,600
Zakat	-	(962)	-	-	-	(962)
Profit before taxation	36,202	77,389	18,246	247	(38,446)	93,638
Taxation						(17,385)
Net profit for the individual quarter						76,253

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

A26. SEGMENTAL INFORMATION ON REVENUE AND PROFIT (Cont.)

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2021 and 30 June 2020 are as follows (Cont.):

	< ----- Current year's cumulative quarter ended 30 June 2021 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	737,052	373,422	-	6,057	-	1,116,531
Intersegment revenue	43,306	1,832	-	474	(45,612)	-
Segment revenue	<u>780,358</u>	<u>375,254</u>	-	<u>6,531</u>	<u>(45,612)</u>	<u>1,116,531</u>
Operating expenses	(466,818)	(211,779)	-	(5,580)	3,212	(680,965)
of which :-						
Depreciation of property and equipment	(9,786)	(4,945)	-	(39)	-	(14,770)
Depreciation of right-of-use assets	(16,875)	(4,937)	-	(175)	-	(21,987)
Amortisation of intangible assets	(11,302)	(4,411)	-	(6)	-	(15,719)
(Allowances for)/write-back of impairment advances, financing and trade receivables/ securities/ other assets	(153,618)	(21,837)	-	-	114	(175,341)
Segment results	<u>159,922</u>	<u>141,638</u>	-	<u>951</u>	<u>(42,286)</u>	<u>260,225</u>
Share of results of a joint venture (net of tax)	-	-	6,485	-	-	6,485
Share of results of an associate (net of tax)	-	-	17,391	-	-	17,391
Profit before zakat and taxation	<u>159,922</u>	<u>141,638</u>	<u>23,876</u>	<u>951</u>	<u>(42,286)</u>	<u>284,101</u>
Zakat	-	(1,862)	-	-	-	(1,862)
Profit before taxation	<u>159,922</u>	<u>139,776</u>	<u>23,876</u>	<u>951</u>	<u>(42,286)</u>	<u>282,239</u>
Taxation						(67,167)
Net profit for the cumulative quarter						<u><u>215,072</u></u>

	< ----- Preceding year's cumulative quarter ended 30 June 2020 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	656,742	424,350	-	6,166	-	1,087,258
Intersegment revenue	35,652	4,866	-	481	(40,999)	-
Segment revenue	<u>692,394</u>	<u>429,216</u>	-	<u>6,647</u>	<u>(40,999)</u>	<u>1,087,258</u>
Operating expenses	(462,094)	(192,181)	-	(5,471)	999	(658,747)
of which :-						
Depreciation of property and equipment	(9,402)	(5,681)	-	(70)	-	(15,153)
Depreciation of right-of-use assets	(13,015)	(5,011)	-	(176)	-	(18,202)
Amortisation of intangible assets	(11,109)	(7,343)	-	(17)	-	(18,469)
(Allowances for)/write-back of impairment advances, financing and trade receivables/ securities/ other assets	(141,798)	(32,048)	-	-	1,907	(171,939)
Segment results	<u>88,502</u>	<u>204,987</u>	-	<u>1,176</u>	<u>(38,093)</u>	<u>256,572</u>
Share of results of a joint venture (net of tax)	-	-	2,924	-	-	2,924
Share of results of an associate (net of tax)	(750)	-	12,346	-	-	11,596
Profit before zakat and taxation	<u>87,752</u>	<u>204,987</u>	<u>15,270</u>	<u>1,176</u>	<u>(38,093)</u>	<u>271,092</u>
Zakat	-	(3,165)	-	-	-	(3,165)
Profit before taxation	<u>87,752</u>	<u>201,822</u>	<u>15,270</u>	<u>1,176</u>	<u>(38,093)</u>	<u>267,927</u>
Taxation						(62,569)
Net profit for the cumulative quarter						<u><u>205,358</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

A27. 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.

A28. CHANGES IN THE COMPOSITION OF THE GROUP

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

A29. COMMITMENTS AND CONTINGENCIES

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

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

	Group		Bank	
	Principal Amount		Principal Amount	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes *	501,749	501,472	432,334	432,764
Transaction-related contingent items	1,429,891	1,640,080	995,755	1,184,737
Short-term self-liquidating trade-related contingencies	375,116	450,212	115,185	156,180
Forward asset purchases	65,000	-	-	-
Obligations under an on-going underwriting agreement	-	17,792	-	-
Irrevocable commitments to extend credit				
- Maturity less than one year	5,474,391	5,114,530	3,948,921	3,716,393
- Maturity more than one year	1,905,981	1,749,812	1,071,595	912,498
Foreign exchange related contracts #				
- Less than one year	29,600,572	18,864,614	17,489,235	10,640,270
- One year to less than five years	943,702	1,019,409	83,340	207,100
Interest rate related contracts #				
- Less than one year	1,077,000	447,000	347,000	57,000
- One year to less than five years	3,743,000	4,063,000	1,533,000	1,513,000
- Five years and above	900,000	755,000	900,000	755,000
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	930,500	783,018	-	-
Unutilised credit card lines	1,055,160	844,254	838,252	634,500
	48,002,062	36,250,193	27,754,617	20,209,442

* Included in direct credit substitutes are financial guarantee contracts of RM501.7 million and RM432.3 million at the Group and the Bank respectively (2020: RM501.5 million and RM432.8 million at the Group and the Bank respectively), of which fair value at the time of issuance is zero.

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

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A30. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 30 June 2021												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	9,698,218	168,257	216,560	10,083,035	96,740	205	385	97,330	13,399	3,546	3,578	20,523
- Cross currency swaps	13,890,277	83,340	-	13,973,617	48,640	-	-	48,640	65,554	1,422	-	66,976
- Currency swaps	6,012,077	258,790	216,755	6,487,622	10,874	4,591	3,702	19,167	53,024	1,166	330	54,520
Interest rate contracts :												
- Interest rate swaps	1,077,000	2,538,000	2,105,000	5,720,000	3,998	34,606	37,084	75,688	10,005	46,243	27,213	83,461
	30,677,572	3,048,387	2,538,315	36,264,274	160,252	39,402	41,171	240,825	141,982	52,377	31,121	225,480
As at 31 December 2020												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	7,717,177	75,022	330,978	8,123,177	34,639	179	402	35,220	201,841	2,416	9,346	213,603
- Cross currency swaps	7,121,340	207,100	-	7,328,440	165,064	7,411	-	172,475	40,621	109	-	40,730
- Currency swaps	4,026,096	75,074	331,236	4,432,406	75,886	2,462	9,542	87,890	21,535	175	359	22,069
Interest rate contracts :												
- Interest rate swaps	447,000	2,295,000	2,523,000	5,265,000	1,600	37,769	53,340	92,709	20,812	43,945	48,660	113,417
	19,311,613	2,652,196	3,185,214	25,149,023	277,189	47,821	63,284	388,294	284,809	46,645	58,365	389,819

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

A30. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

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

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
BANK												
As at 30 June 2021												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	3,190,263	-	-	3,190,263	37,386	-	-	37,386	2,183	-	-	2,183
- Cross currency swaps	14,298,972	83,340	-	14,382,312	49,674	-	-	49,674	67,895	1,422	-	69,317
Interest rate contracts :												
- Interest rate swaps	347,000	848,000	1,585,000	2,780,000	1,743	10,098	29,264	41,105	4,176	23,699	25,803	53,678
	17,836,235	931,340	1,585,000	20,352,575	88,803	10,098	29,264	128,165	74,254	25,121	25,803	125,178
As at 31 December 2020												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	3,518,930	-	-	3,518,930	3,300	-	-	3,300	119,105	-	-	119,105
- Cross currency swaps	7,121,340	207,100	-	7,328,440	178,757	7,411	-	186,168	41,693	109	-	41,802
Interest rate contracts :												
- Interest rate swaps	57,000	775,000	1,493,000	2,325,000	670	9,725	31,319	41,714	470	21,681	45,031	67,182
	10,697,270	982,100	1,493,000	13,172,370	182,727	17,136	31,319	231,182	161,268	21,790	45,031	228,089

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

A30. 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 RM100.8 million (2020 : RM22.6 million), while the notional amount of interest rate contract was RM1,190.9 million (2020 : RM819.8 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 RM454.5 million (2020 : RM443.8 million) and RM164.2 million (2020 : RM170.9 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 2020.

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

A31. FAIR VALUE MEASUREMENTS

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

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

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2021				
Financial Assets				
Financial assets at FVTPL:				
- Money market instruments	-	564,817	-	564,817
- Shares and unit trusts	345,913	-	99,222	445,135
- Corporate bonds/Sukuk	-	58,493	15,104	73,597
Derivative financial assets	-	240,825	-	240,825
Financial investments at FVOCI:				
- Money market instruments	-	6,752,414	-	6,752,414
- Shares, unit trusts and REITs	-	11	211,020	211,031
- Corporate bonds/Sukuk	-	6,183,197	-	6,183,197
	345,913	13,799,757	325,346	14,471,016
Financial Liabilities				
Derivative financial liabilities	-	225,480	-	225,480
Puttable liability - investment in funds	84,268	-	-	84,268
Other liabilities - equities trading	1,835	-	-	1,835
	86,103	225,480	-	311,583
31 December 2020				
Financial Assets				
Financial assets at FVTPL :				
- Money market instruments	-	113,657	-	113,657
- Shares and unit trusts	411,849	-	99,222	511,071
- Corporate bonds/Sukuk	-	58,494	15,044	73,538
Derivative financial assets	-	388,294	-	388,294
Financial investments at FVOCI :				
- Money market instruments	-	5,964,994	-	5,964,994
- Shares, unit trusts and REITs	-	11	211,454	211,465
- Corporate bonds/Sukuk	-	6,857,594	-	6,857,594
	411,849	13,383,044	325,720	14,120,613
Financial Liabilities				
Derivative financial liabilities	-	389,819	-	389,819
Puttable liability - investment in funds	84,268	-	-	84,268
Other liabilities - equities trading	394	-	-	394
	84,662	389,819	-	474,481

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

A31. FAIR VALUE MEASUREMENTS (Cont.)

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2021				
Financial Assets				
Financial assets at FVTPL:				
- Money market instruments	-	230,056	-	230,056
- Unquoted shares	-	-	99,222	99,222
- Corporate bonds/Sukuk	-	-	15,104	15,104
Derivative financial assets	-	128,165	-	128,165
Financial investments at FVOCI:				
- Money market instruments	-	4,393,843	-	4,393,843
- Unquoted shares	-	-	185,701	185,701
- Corporate bonds/Sukuk	-	3,395,289	-	3,395,289
	-	8,147,353	300,027	8,447,380
Financial Liabilities				
Derivative financial liabilities	-	125,178	-	125,178
31 December 2020				
Financial Assets				
Financial assets at FVTPL:				
- Money market instruments	-	113,657	-	113,657
- Unquoted shares	-	-	99,222	99,222
- Corporate bonds/Sukuk	-	-	15,044	15,044
Derivative financial assets	-	231,182	-	231,182
Financial investments at FVOCI:				
- Money market instruments	-	3,002,261	-	3,002,261
- Unquoted shares	-	-	186,135	186,135
- Corporate bonds/Sukuk	-	3,398,934	-	3,398,934
	-	6,746,034	300,401	7,046,435
Financial Liabilities				
Derivative financial liabilities	-	228,089	-	228,089

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

A31. 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 (2020: Nil).

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

	Group		Bank	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period/year	325,720	290,059	300,401	267,057
Sales/Redemption	(252)	-	(252)	-
Net changes in income accrued	(4)	4	(4)	4
Total gains recognised in other comprehensive income	(118)	35,657	(118)	33,340
At end of the financial period/year	325,346	325,720	300,027	300,401

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.

A32. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

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

	The Group		Bank	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	5,423,439	4,708,237	3,506,931	3,049,997
(ii) The percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	7.0%	6.0%	7.9%	7.0%
(iii) The percentage of outstanding credit exposures with connected parties which is impaired or in default	Nil	Nil	Nil	Nil

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A33. CAPITAL ADEQUACY

Capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) updated on 9 December 2020.

The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum capital adequacy requirement by BNM for Common Equity Tier 1 Capital Ratio ("CET1"), Tier 1 Capital Ratio and Total Capital Ratio are 7.00%, 8.50% and 10.50% respectively for year 2019 onwards.

The Group and the Bank have elected to apply BNM's transitional arrangement for four financial years beginning on 1 January 2020. Under the transitional arrangements, a financial institution is allowed to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures (which is Stage 1 and Stage 2 provisions), to CET1 capital.

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
a) The components of CET 1, Tier 1 and Tier 2 capital :				
<u>CET 1</u>				
Paid-up share capital	4,969,150	4,902,300	4,969,150	4,902,300
Retained profits	3,770,896	3,682,234	2,756,209	2,799,501
Unrealised gains on FVOCI instruments	8,182	266,412	77,702	183,078
Other disclosed reserves	(65,909)	(65,909)	-	-
Foreign exchange reserves	(205)	(205)	-	-
	8,682,114	8,784,832	7,803,061	7,884,879
Less: Regulatory adjustments:				
- Goodwill and other intangibles	(889,299)	(903,750)	(191,528)	(202,212)
- Deferred tax assets	(220,979)	(112,158)	(110,406)	(54,607)
- 55% of cumulative unrealised gains on FVOCI instruments	(4,500)	(146,527)	(42,736)	(100,693)
- Investment in subsidiaries, joint ventures and associates	(933,223)	(896,114)	(3,796,621)	(3,796,621)
- Other CET1 transitional adjustment	173,156	100,517	100,099	61,224
Total CET 1 Capital	6,807,269	6,826,800	3,761,869	3,791,970
<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	32,458	31,015	-	-
	832,458	831,015	500,000	500,000
Total Tier 1 Capital	7,639,727	7,657,815	4,261,869	4,291,970
<u>Tier 2 Capital</u>				
Subordinated MTNs	2,490,000	2,500,000	2,000,000	2,000,000
Expected loss provisions [#]	277,783	324,592	170,815	200,424
Less: Regulatory adjustments:				
- Investment in capital instruments of unconsolidated financial and insurance entities	(30,914)	(30,914)	(340,914)	(330,914)
Total Tier 2 Capital	2,736,869	2,793,678	1,829,901	1,869,510
Total Capital	10,376,596	10,451,493	6,091,770	6,161,480
b) The breakdown of risk-weighted assets:				
Credit risk	44,164,296	42,706,201	27,777,183	26,888,591
Market risk	804,586	814,122	549,138	373,667
Operational risk	3,490,313	3,403,072	1,668,487	1,657,613
Total risk-weighted assets	48,459,195	46,923,395	29,994,808	28,919,871
c) Capital adequacy ratios:				
<u>With transitional arrangements</u>				
CET 1 capital ratio	14.047%	14.549%	12.542%	13.112%
Tier 1 capital ratio	15.765%	16.320%	14.209%	14.841%
Total capital ratio	21.413%	22.274%	20.309%	21.305%
CET 1 capital ratio (net of proposed dividends) ^{Note 1}	14.047%	14.517%	12.542%	13.061%
Tier 1 capital ratio (net of proposed dividends) ^{Note 1}	15.765%	16.288%	14.209%	14.790%
Total capital ratio (net of proposed dividends) ^{Note 1}	21.413%	22.242%	20.309%	21.254%

[#] 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

A33. CAPITAL ADEQUACY (Cont.)

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
c) Capital adequacy ratios (cont.):				
<u>Without transitional arrangements</u>				
CET 1 capital ratio	13.690%	14.335%	12.208%	12.900%
Tier 1 capital ratio	15.408%	16.105%	13.875%	14.629%
Total capital ratio	21.413%	22.274%	20.309%	21.305%
CET 1 capital ratio (net of proposed dividends) ^{Note 1}	13.690%	14.303%	12.208%	12.849%
Tier 1 capital ratio (net of proposed dividends) ^{Note 1}	15.408%	16.074%	13.875%	14.578%
Total capital ratio (net of proposed dividends) ^{Note 1}	21.413%	22.242%	20.309%	21.254%

Note 1 :

Under the Dividend Reinvestment Plan ("DRP"), the amount of declared dividend to be deducted in the calculation of CET 1 Capital Ratio is determined in accordance with BNM's Implementation Guidance on Capital Adequacy Framework (Capital Components) (Implementation Guidance) issued on 2 February 2019.

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

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

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

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are excluded from calculation of capital adequacy. As at 30 June 2021, RIA assets excluded from Total Capital Ratio calculation amounted to RM1,740.1 million (2020: RM1,754.9 million).

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

	Economic Entity		Bank	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
<u>With transitional arrangements</u>				
CET 1 capital ratio	11.795%	12.234%	11.795%	12.234%
Tier 1 capital ratio	13.701%	14.226%	13.701%	14.226%
Total capital ratio	19.378%	20.271%	19.378%	20.271%
<u>Without transitional arrangements</u>				
CET 1 capital ratio	11.410%	12.025%	11.410%	12.025%
Tier 1 capital ratio	13.316%	14.017%	13.316%	14.017%
Total capital ratio	19.378%	20.271%	19.378%	20.271%

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

	Group		Bank	
	30/6/2021	31/12/2020	30/6/2021	31/12/2020
<u>With transitional arrangements</u>				
CET 1 capital ratio	31.062%	35.119%	45.068%	47.060%
Tier 1 capital ratio	31.968%	36.047%	45.068%	47.060%
Total capital ratio	32.345%	36.463%	45.631%	47.666%
CET 1 capital ratio (net of proposed dividends)	28.272%	34.071%	40.673%	45.531%
Tier 1 capital ratio (net of proposed dividends)	29.177%	34.999%	40.673%	45.531%
Total capital ratio (net of proposed dividends)	29.554%	35.415%	41.237%	46.136%
<u>Without transitional arrangements</u>				
CET 1 capital ratio	30.676%	34.817%	44.497%	46.623%
Tier 1 capital ratio	31.582%	35.746%	44.497%	46.623%
Total capital ratio	31.959%	36.427%	45.281%	47.326%
CET 1 capital ratio (net of proposed dividends)	27.886%	33.769%	40.102%	45.094%
Tier 1 capital ratio (net of proposed dividends)	28.791%	34.698%	40.102%	45.094%
Total capital ratio (net of proposed dividends)	29.168%	35.379%	40.886%	45.797%

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

A34. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD

(i) Unaudited Statements of Financial Position

	Economic Entity	
	30/6/2021	31/12/2020
	RM'000	RM'000
ASSETS		
Cash and short-term funds	3,935,695	2,794,278
Deposits and placements with banks and other financial institutions	30,013	50,058
Derivative financial assets	5,702	11,558
Financial investments at FVOCI	2,759,754	2,828,166
Financial investments at amortised cost ("AC")	19,898	-
Financing, advances and other financing	20,574,180	19,380,090
Other assets	96,579	64,563
Amount due from holding company	61,998	-
Amount due from joint ventures	14,650	15,073
Deferred tax assets	40,268	12,390
Property and equipment	1,352	1,383
Right-of-use assets	859	1,085
Intangible assets	452	558
TOTAL ASSETS	27,541,400	25,159,202
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers	20,013,087	18,665,991
Investment accounts of customers	1,600	2,151
Deposits and placements of banks and other financial institutions	2,573,152	1,225,873
Investment accounts due to designated financial institutions	1,741,829	1,751,038
Derivative financial liabilities	7,046	25,572
Recourse obligation on financing sold to Cagamas Berhad	50,030	50,034
Other liabilities	104,257	67,912
Amount due to holding company	-	299,815
Provision for taxation	7,520	6,234
Lease liabilities	875	2,433
Subordinated term financing and medium term notes	1,111,034	1,111,034
TOTAL LIABILITIES	25,610,430	23,208,087
ISLAMIC BANKING CAPITAL FUNDS		
Share capital	1,060,000	1,060,000
Reserves	870,970	891,115
Total Islamic Banking Capital Funds	1,930,970	1,951,115
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	27,541,400	25,159,202
COMMITMENTS AND CONTINGENCIES	4,708,158	4,357,811

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

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

(ii) Unaudited Income Statements

	Economic Entity			
	Individual Quarter Ended 30/6/2021 RM'000	30/6/2020 RM'000	Cumulative Quarter Ended 30/6/2021 RM'000	30/6/2020 RM'000
Income derived from investment of depositors' funds and others	216,224	238,841	422,957	490,668
Income derived from investment of investment accounts	17,875	25,171	36,381	51,850
Income derived from investment of shareholders' funds	19,525	26,016	39,725	53,460
Modification loss	-	(29,454)	-	(29,454)
Allowances for impairment losses on financing, advances and other financing	(15,076)	489	(40,250)	(37,955)
Allowance for impairment losses on other assets	(1,344)	-	(1,344)	(1,015)
Total distributable income	237,204	261,063	457,469	527,554
Income attributable to the depositors and others	(124,912)	(171,257)	(249,704)	(355,685)
Total net income	112,292	89,806	207,765	171,869
Other operating expenses	(58,472)	(62,469)	(120,995)	(124,524)
Share of results of an associate	-	-	-	(750)
Profit before zakat and taxation	53,820	27,337	86,770	46,595
Zakat	-	-	-	-
Profit before taxation	53,820	27,337	86,770	46,595
Taxation	(13,939)	(5,837)	(22,884)	(12,028)
Net profit for the financial period	39,881	21,500	63,886	34,567

(iii) Unaudited Statements of Comprehensive Income

	Economic Entity			
	Individual Quarter Ended 30/6/2021 RM'000	30/6/2020 RM'000	Cumulative Quarter Ended 30/6/2021 RM'000	30/6/2020 RM'000
Net profit for the financial period	39,881	21,500	63,886	34,567
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	35,279	105,743	(107,000)	51,689
- Net credit impairment loss change in financial investments at FVOCI	(401)	1,117	(1,249)	1,243
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal	(252)	(39,847)	(1,924)	(74,381)
- Deferred tax on financial investments at FVOCI	(8,406)	(15,815)	26,142	5,446
Other comprehensive income/(loss) for the financial period, net of tax	26,220	51,198	(84,031)	(16,003)
Total comprehensive income/(loss) for the financial period	66,101	72,698	(20,145)	18,564

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

A34. 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 2021	1,060,000	(4,919)	127,093	768,941	1,951,115
Comprehensive income :					
- Net profit for the financial period	-	-	-	63,886	63,886
Other comprehensive loss (net of tax) :					
- Financial investments at FVOCI	-	(84,031)	-	-	(84,031)
Total comprehensive (loss)/income	-	(84,031)	-	63,886	(20,145)
Transfer from regulatory reserves	-	-	(33,092)	33,092	-
At 30 June 2021	1,060,000	(88,950)	94,001	865,919	1,930,970

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	-	-	-	34,567	34,567
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	(16,003)	-	-	(16,003)
Total comprehensive (loss)/income	-	(16,003)	-	34,567	18,564
Transfer from regulatory reserves	-	-	(26,895)	26,895	-
At 30 June 2020	1,060,000	3,489	209,987	663,722	1,937,198

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

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

	Economic Entity	
	30/6/2021 RM'000	31/12/2020 RM'000
(v) Financing, advances and other financing		
By type		
Cashline	519,509	466,589
Term financing		
- Housing financing	8,073,519	7,732,796
- Syndicated financing	925,400	759,504
- Hire purchase receivables	4,229,629	4,022,480
- Business term financing	5,257,919	4,954,997
Bills receivables	95,900	8,429
Trust receipts	19,547	13,140
Claims on customers under acceptance credits	525,270	508,029
Staff financing (of which RM Nil to Directors)	95,193	85,141
Credit/charge cards receivables	38,508	38,076
Revolving financing	1,008,146	975,306
Gross financing, advances and other financing	20,788,540	19,564,487
Less : ECL	(214,360)	(184,397)
Total net financing, advances and other financing	20,574,180	19,380,090
(vi) Movements of impaired financing		
At beginning of the financial period/year	315,471	607,312
Classified as impaired	74,379	121,621
Reclassified as non-impaired	(64,398)	(103,492)
Amount recovered	(17,665)	(214,880)
Amount written-off	(13,061)	(95,090)
At end of the financial period/year	294,726	315,471
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (exclude restricted investment accounts)	1.55%	1.77%

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

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

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

	12-Month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Economic Entity				
30/6/2021				
At beginning of the financial period	47,261	54,706	82,430	184,397
Total transfer between stages due to change in credit risk :	8,552	9,761	(18,313)	-
- Transfer to 12-month ECL (Stage 1)	10,556	(7,461)	(3,095)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,999)	19,456	(17,457)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(5)	(2,234)	2,239	-
Financing, advances and other financing derecognised (other than write-off)	(17,701)	(533)	(1,035)	(19,269)
New financing, advances and other financing originated or purchased	21,298	306	-	21,604
Changes due to change in credit risk	2,689	3,961	33,910	40,560
Write-off	-	-	(12,932)	(12,932)
At end of the financial period	62,099	68,201	84,060	214,360
Economic Entity				
31/12/2020				
At beginning of the financial year	51,043	17,171	104,356	172,570
Total transfer between stages due to change in credit risk :	10,438	14,072	(24,510)	-
- Transfer to 12-month ECL (Stage 1)	18,731	(14,585)	(4,146)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(8,276)	30,441	(22,165)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(17)	(1,784)	1,801	-
Financing, advances and other financing derecognised (other than write-off)	(26,531)	(2,557)	(2,595)	(31,683)
New financing, advances and other financing originated or purchased	29,947	981	106	31,034
Changes due to change in credit risk	(2,291)	28,623	87,699	114,031
Changes in models/risk parameters	(15,345)	(3,584)	(251)	(19,180)
Write-off	-	-	(82,488)	(82,488)
Other adjustments	-	-	113	113
At end of the financial year	47,261	54,706	82,430	184,397

(viii) Deposits from customers

	Economic Entity	
	30/6/2021 RM'000	31/12/2020 RM'000
<u>Qard</u>		
Demand deposits	3,752,317	3,539,236
Savings deposits	1,002,973	1,005,821
	4,755,290	4,545,057
<u>Mudarabah</u>		
General investment deposits	57,168	57,313
<u>Tawarruq</u>		
Murabahah term deposits	13,742,266	13,333,675
Commodity Murabahah Deposit	835,576	516,492
Savings deposits	139,459	102,574
Demand deposit	483,328	110,880
	15,200,629	14,063,621
Total deposits from customers	20,013,087	18,665,991

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

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

Table 1 : Financial review for individual and cumulative quarter ended 30 June 2021 against preceding year's corresponding quarter

	Individual Quarter Ended		Changes		Cumulative Quarter Ended		Changes	
	30/6/2021 RM'000	30/6/2020 RM'000	RM'000	%	30/6/2021 RM'000	30/6/2020 RM'000	RM'000	%
Net Income	578,902	462,462	116,440	25.2	1,116,531	1,087,258	29,273	2.7
Operating Profit	156,850	76,354	80,496	105.4	260,225	256,572	3,653	1.4
Profit Before Zakat and Tax	174,775	94,600	80,175	84.8	284,101	271,092	13,009	4.8
Profit Before Tax	174,078	93,638	80,440	85.9	282,239	267,927	14,312	5.3
Profit After Tax	133,464	76,253	57,211	75.0	215,072	205,358	9,714	4.7
Profit attributable to equity holders of the Bank	117,948	67,399	50,549	75.0	186,885	190,968	(4,083)	(2.1)

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

The Group registered a profit before tax of RM282.2 million for the half year ended 30 June 2021, higher by RM14.3 million or 5.3% as compared to RM267.9 million recorded in the previous corresponding period.

This was attributed to higher net interest income, Islamic Banking income, net fee and commission income and lower modification loss, offset by lower gain on sales from financial instruments, higher operating expenses and allowance for impairment losses. The share of profits from the joint venture and associate were also higher by RM3.6 million and RM5.8 million respectively.

Net interest income improved by RM87.4 million or 26.4% to RM418.1 million against the previous corresponding period of RM330.7 million, attributed to lower interest expense contributed by the repricing down of high cost fixed deposits and increased CASA which has recorded a growth of 24.06% year-on-year. Income from Islamic Banking operations recorded an increase of RM18.6 million or 7.9% to RM255.7 million year-on-year.

Non-interest income of the Group for the half year ended 30 June 2021 was RM442.8 million, a contraction of RM156.5 million or 26.1% from the RM599.3 million registered in the previous corresponding period. The decline was largely due to lower net gain on sales of financial instruments of RM258.1 million due to unfavourable market conditions, mitigated by higher net fee and commission income of RM101.1 million.

Operating expenses showed an increase of RM22.2 million or 3.4% to RM681.0 million as compared to RM658.7 million a year ago. The higher operating expenses were contributed by higher personnel expenses of RM37.2 million, offset by lower establishment expenses and general and administration expenses of RM8.9 million and RM7.2 million respectively.

Allowances for impairment losses showed a slight increase of RM3.4 million to RM175.3 million year-on-year.

Gross loans and financing grew by 7.1% year-on-year to RM48.2 billion. Customer deposits increased by 11.4% year-on-year to RM53.8 billion, whilst the CASA ratio stood at 22.12% as at 30 June 2021.

Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio were 14.047%, 15.765% and 21.413% respectively as at 30 June 2021.

Profit before tax for the 6 months financial period ended 30 June 2021 as compared to the previous corresponding 6 months financial period ended 30 June 2020 is further segmented as follows:

Commercial Banking

AFFIN Bank Berhad recorded a profit before tax of RM73.9 million for the half year ended 30 June 2021, an increase of RM35.2 million or 90.8% as compared to RM38.7 million in the previous corresponding period. The improved performance was due to higher net interest income and net fee and commission income of RM95.4 million and RM18.8 million respectively with lower modification loss of RM50.3 million. This was offset by lower net gain on sales of financial instruments of RM116.1 million and higher allowance for impairment loss of RM6.1 million.

AFFIN Islamic Bank Berhad recorded an increase in profit before tax of RM39.5 million or 83.3% for the half year ended 30 June 2021, to RM86.8 million from RM47.3 million in the previous corresponding period. The increase was contributed by higher net income of RM38.5 million and lower operating expenses of RM3.5 million, offset by higher allowance for impairment losses of RM2.6 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.)

Profit before tax for the 6 months financial period ended 30 June 2021 as compared to the previous corresponding 6 months financial period ended 30 June 2020 is further segmented as follows (Cont.):

Investment Banking

AFFIN Hwang Investment Bank ("AHIB") Group reported a profit before tax of RM142.8 million for the half year ended 30 June 2021, a decline of RM65.0 million or 31.3% year-on-year. The decline was due to lower net gain on sales of financial instruments of RM142.0 million and higher operating expenses of RM22.6 million, offset by higher net fee and commission income of RM84.3 million and lower allowance for impairment losses of RM10.2 million.

The 63% owned subsidiary namely AFFIN Hwang Asset Management Berhad, however reported an increase in profit before tax by RM44.3 million or 85.0% to RM96.4 million, due to higher net income of RM60.0 million, offset by higher operating expenses of RM15.5 million.

Insurance

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

AALI registered a profit before tax of RM16.5 million for the half year ended 30 June 2021, up by of RM4.7 million or 40.6% as compared to RM11.8 million in the previous corresponding period. The increase was due to improved underwriting results of RM28.5 million, lower reserves for future policyholders' liabilities of RM11.9 million, offset by lower investment income of RM21.7 million, lower gains on disposal of equities of RM9.4 million and higher overhead expenses of RM4.8 million.

For the current period under review, AAGI posted a profit before tax of RM37.6 million against RM27.9 million, improved by RM9.7 million or 36.9% year-on-year. The improved performance was due to better underwriting results of RM9.2 million with lower net claims incurred particularly in Motor and Health, higher other income and realised gains on disposal of investment of RM5.0 million, cushioned by lower investment income of RM4.5 million.

(ii) Current Quarter vs Previous Corresponding Quarter

The Group reported a profit before tax of RM174.1 million for the quarter ended 30 June 2021, higher by RM80.4 million or 85.9% as compared to the previous corresponding quarter ended 30 June 2020 of RM93.6 million.

This was attributed to higher net interest income and net fee and commission income and lower modification loss, offset by lower gain on sales of financial instruments and higher allowance for impairment losses and operating expenses.

Net interest income for the quarter ended 30 June 2021 increased by RM68.3 million or 43.4% to RM225.5 million as compared to the previous corresponding quarter ended 30 June 2020 of RM157.2 million.

Non-interest income of the Group for the quarter under review was RM226.6 million, a drop of RM41.0 million or 15.3% from RM267.6 million in the previous corresponding quarter, due to lower net gain on sales of financial instruments of RM95.5 million, offset by higher net fee and commission income of RM55.7 million.

Operating expenses for the quarter ended 30 June 2021 was RM340.5 million, an increase of RM8.2 million or 2.5% from RM332.3 million reported in the previous corresponding quarter ended 30 June 2020 due to higher personnel expenses of RM15.8 million and partially cushioned by lower establishment expenses of RM6.9 million.

Allowances for impairment losses increased by RM27.7 million to RM81.5 million as compared to the same quarter last year of RM53.8 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.)

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

Profit before tax for the financial quarter ended 30 June 2021 as compared to the previous corresponding financial quarter ended 30 June 2020 is further segmented as follows:

Commercial Banking

AFFIN Bank Berhad reported a profit before tax of RM35.4 million, an increase of RM28.6 million for the current quarter ended 30 June 2021 from RM6.8 million for the previous corresponding quarter ended 30 June 2020. The increase was due to higher net income of RM52.1 million, offset by higher allowance for impairment losses and operating expenses of RM18.6 million and RM4.9 million respectively.

For the quarter under review, AFFIN Islamic Bank Berhad also registered an improvement in profit before tax by RM26.5 million or 96.9% to RM53.8 million against RM27.3 million for the same period last year. The increase was contributed by higher net financing and other income of RM39.5 million, mainly attributed to lower modification loss of RM29.4 million and operating expenses of RM4.0 million. These were offset by higher allowance for impairment losses of RM16.9 million.

Investment Banking

The profit before tax of AHIB Group is lower by RM3.7 million or 4.6% to RM76.7 million for the second quarter ended 30 June 2021 from RM80.4 million in the same quarter last year. The decrease was largely due to lower net gain on sales of financial instruments of RM50.0 million and higher operating expenses of RM8.7 million, mitigated by higher net fee and commission income of RM44.5 million and lower allowance for impairment losses of RM11.9 million.

AFFIN Hwang Asset Management Berhad however posted a higher profit before tax of RM55.3 million, an increase of RM24.5 million or 79.5% from RM30.8 million in the previous corresponding quarter ended 30 June 2020. The increase was mainly due to higher net fee and commission income of RM41.0 million, offset by higher operating expenses of RM11.4 million.

Insurance

The profit before tax of AALI declined by RM10.5 million to RM10.3 or 50.3% million for the current quarter ended 30 June 2021 from RM20.8 million for the same quarter last year. The decline was due to lower investment income of RM8.6 million and higher overhead expenses of RM2.8 million.

The profit before tax of AAGI increased by RM10.8 million or 39.5% to RM38.2 million for the current quarter under review from RM27.4 million registered for the previous corresponding quarter. The improved performance was due to better underwriting results by RM6.7 million, higher other income and realised gains on disposal of investments of RM3.3 million and RM2.2 million respectively, offset by lower investment income of RM1.4 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	
	30/6/2021 RM'000	31/03/2021 RM'000	RM'000	%
Net income	578,902	537,629	41,273	7.7
Operating Profit	156,850	103,375	53,475	51.7
Profit Before Zakat and Tax	174,775	109,326	65,449	59.9
Profit Before Tax	174,078	108,161	65,917	60.9
Profit After Tax	133,464	81,608	51,856	63.5
Profit attributable to equity holders of the Bank	117,948	68,937	49,011	71.1

Profit before tax for the quarter ended 30 June 2021 improved by RM65.9 million or 60.9% to RM174.1 million against the preceding quarter ended 31 March 2021 of RM108.2 million, mainly attributed to higher net interest income of RM32.9 million, lower allowance for impairment losses of RM12.2 million, higher net fee and commission income and share of results in an associate of RM12.3 million and RM12.0 million respectively.

Net interest income for the quarter under review was higher by RM32.9 million or 17.1% to RM225.5 million against the previous quarter of RM192.6 million. Income from Islamic Banking operations was lower by RM2.1 million or 1.6% to RM126.8 million as compared to RM128.9 million achieved in the preceding quarter.

Allowances for impairment losses decreased by RM12.2 million to RM81.5 million quarter-on-quarter.

B3. PROSPECTS FOR FINANCIAL YEAR 2021

In June 2021, the World Bank lowered its Gross Domestic Product (“GDP”) growth projection for Malaysia from 6.0% to 4.5% for 2021. This is to reflect the impact that the prolonged Movement Control Order (“MCO”) had on the economy. The MCO has also impacted the banking industry as it resulted in slower loan and financing growth and overall lower banking activities.

The Government expects the whole nation to move to the Phase 2 of the National Recovery Plan by August 2021 through the acceleration of the national vaccination programme. The Bank is optimistic that the national vaccination programme will achieve its objective of allowing most economic sectors and social activities to recommence by the end of 2021. The Bank recently launched its New Repayment Assistance (“NRA”) 2.0 programme on 7 July 2021 together with all other banks in the banking industry which aims to provide financial relief to all customers during this challenging time. The Bank will remain committed to helping all customers who have been impacted by the current Covid-19 pandemic and will continue to offer the Financial Assistance and Instalment Relief (“FAIR”) programme to all customers who require such assistance.

The Bank will continue to build sustainable profit through the implementation of the AIM 22 Transformation Programme anchored on 5 key elements of value creation; technology, services, innovation, rewards and people & culture, in line with the Group’s key strategic priorities which are to increase productivity and build a strong foundation with focus on digital initiatives, cost optimisation and managing asset quality.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

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

B5. TAXATION

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
Current tax	46,490	45,466	72,491	94,143
Under/(Over) provision in prior financial year	6	(112)	(284)	3
Deferred tax (income)/expense :				
- Relating to originating temporary differences	(5,882)	(27,969)	(5,040)	(31,577)
	40,614	17,385	67,167	62,569
Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
Current tax	17,920	4,721	19,315	16,309
Deferred tax (income)/expense :				
- Relating to originating temporary differences	(8,402)	(10,490)	(5,577)	(13,996)
	9,518	(5,769)	13,738	2,313

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

B6. STATUS OF CORPORATE PROPOSALS

On 22 June 2021, The Bank announced that it had entered into an Implementation Agreement with Generali Asia N.V. ("Generali") in respect of the following proposals:

- (i) Disposal of 21.00% equity interest in AXA Affin Life Insurance Berhad ("AALI") ("Proposed AALI Disposal"); and
- (ii) Disposal of approximately 2.95% equity interest in AXA Affin General Insurance Berhad ("AAGI") ("Proposed AAGI Disposal").

Further, upon completion of the Proposed AAGI Disposal, AAGI will acquire certain assets and liabilities of MPI Generali Insurans Berhad ("MPIGI") via a business transfer to AAGI ("Proposed Merger").

(Proposed AALI Disposal, Proposed AAGI Disposal and Proposed Merger are collectively referred to as the "Proposals").

Simultaneously with the Proposed AALI Disposal and Proposed AAGI Disposal, AXA Asia is also selling its entire 49.00% shareholding in AALI and 49.99% shareholding in AAGI.

Subsequent to the completion of the Proposals, The Bank will hold 30% equity interest each, in AALI and the enlarged equity interest in AAGI after the Proposed Merger, with the remaining 70% equity interest will be held by Generali.

The Bank had on 30 June 2021 submitted the applications to BNM to seek the approval of BNM and the Minister of Finance, Malaysia through BNM, for the Bank to undertake the Proposed AALI Disposal and Proposed AAGI Disposal, the approvals of which are pending.

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

B7. DEPOSITS, LEASE LIABILITIES AND BORROWINGS

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
(i) <u>Deposits from Customers</u>				
<u>By Type of Deposit:</u>				
Demand Deposits	8,728,081	8,069,963	4,492,918	4,420,378
Savings Deposits	3,172,074	3,012,259	2,029,643	1,903,864
Fixed Deposits	39,005,511	36,345,493	22,008,297	19,875,252
Commodity Murabahah Deposits	835,576	516,492	-	-
Money Market Deposits	669,544	707,536	669,544	707,536
Negotiable Instruments of Deposits ("NID")	1,291,267	1,107,155	1,190,320	500,947
Others	93,705	125,462	-	-
	53,795,758	49,884,360	30,390,722	27,407,977
<u>By Maturity structure of fixed deposits, NID and others:</u>				
Due within six months	25,607,449	24,532,548	13,622,156	12,036,396
Six months to one year	13,631,466	11,592,067	8,665,790	7,311,400
One year to three years	1,125,171	1,416,837	888,609	997,357
Three years to five years	25,914	36,658	21,659	31,046
Five years and above	483	-	403	-
	40,390,483	37,578,110	23,198,617	20,376,199
<u>By Type of Customer:</u>				
Government and statutory bodies	10,337,778	7,560,637	1,946,786	691,865
Business enterprises	10,887,703	11,449,078	6,489,796	6,556,940
Individuals	26,272,142	25,198,064	18,743,529	18,187,743
Domestic banking institutions	1,311,822	1,130,080	1,210,479	516,399
Domestic non-banking financial institutions	3,655,336	3,284,303	1,052,159	573,173
Foreign entities	546,977	557,451	392,872	388,837
Others	784,000	704,747	555,101	493,020
	53,795,758	49,884,360	30,390,722	27,407,977
(ii) <u>Deposits and placement of banks and other financial institutions</u>				
<u>By Type of Institution:</u>				
Licensed banks	1,275,791	921,929	799,813	532,958
Licensed investment banks	524,348	170,219	183,792	67,023
Bank Negara Malaysia	62,280	103,703	62,280	103,703
Other financial institutions	2,993,314	2,524,509	1,118,166	1,704,168
	4,855,733	3,720,360	2,164,051	2,407,852
<u>By Maturity structure of deposits:</u>				
Due within six months	4,855,733	3,720,360	2,164,051	2,407,852
(iii) <u>Lease Liabilities</u>	RM'000	RM'000	RM'000	RM'000
At beginning of financial period/year	50,528	58,650	31,842	44,219
Additions	5,785	27,156	5,489	12,049
Termination of contracts	-	(84)	-	-
Interest/Profit expense	1,025	2,581	652	1,582
Lease payment	(18,468)	(37,775)	(11,581)	(26,008)
At end of the financial period/year	38,870	50,528	26,402	31,842

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

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

	Group		Bank	
	30/6/2021 RM'000	31/12/2020 RM'000	30/6/2021 RM'000	31/12/2020 RM'000
(iv) Borrowings				
(a) Tier-2 Subordinated Medium Term Notes ("MTN")	2,035,269	2,036,005	2,035,270	2,036,005
(b) Additional Tier-1 Capital Securities ("AT1CS")	512,077	512,236	512,077	512,236
(c) Additional Tier-1 Sukuk Wakalah ("AT1S")	303,425	303,425	-	-
(d) MTN Tier-2 Sukuk Murabahah	485,453	493,789	-	-
	3,336,224	3,345,455	2,547,347	2,548,241

(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 the ABB.

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

ABB had, on 31 July 2018, issued AT1CS of RM500.0 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 ABB.

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

AiBB had, on 18 October 2018, issued a tranche of AT1S of RM300.0 million out of its approved BASEL III Complaint Islamic MTN programme ('Sukuk Programme') of up to RM5.0 billion in nominal value. The Sukuk Wakalah was on a perpetual non-callable 5 years basis, 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.

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
- 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 above Claim against the Bank by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which 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 RM16.1 million (2020: RM15.0 million). Based on legal advice, the Directors are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B9. DIVIDENDS

No dividend has been proposed for the quarter under review.

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

B10. EARNINGS PER SHARE

(a) Basic

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

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
Net profit attributable to equity holders of the Bank (RM'000)	117,948	67,399	186,885	190,968
Weighted average number of ordinary shares in issue	2,097,646,379	1,986,020,123	2,097,646,379	1,986,020,123
Basic earnings per share (sen)	5.62	3.40	8.91	9.62
Bank				
Net profit attributable to equity holders of the Bank (RM'000)	25,861	12,555	60,160	36,419
Weighted average number of ordinary shares in issue	2,097,646,379	1,986,020,123	2,097,646,379	1,986,020,123
Basic earnings per share (sen)	1.23	0.63	2.87	1.83

(b) Diluted

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

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2021	30/6/2020	30/6/2021	30/6/2020
Net profit attributable to equity holders of the Bank (RM'000)	117,948	67,399	186,885	190,968
Diluted weighted average number of ordinary shares in issue	2,097,646,379	2,047,788,115	2,097,646,379	2,047,788,115
Diluted earnings per share (sen)	5.62	3.30	8.91	9.33
Bank				
Net profit attributable to equity holders of the Bank (RM'000)	25,861	12,555	60,160	36,419
Diluted weighted average number of ordinary shares in issue	2,097,646,379	2,047,788,115	2,097,646,379	2,047,788,115
Diluted earnings per share (sen)	1.23	0.61	2.87	1.78
Group and Bank				
	30/6/2021	30/6/2020		
Number of ordinary shares in issue	2,097,646,379	1,986,020,123		
Number of potential ordinary shares in issue	-	61,767,992		
Diluted weighted average number of ordinary shares in issue	2,097,646,379	2,047,788,115		