

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

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 31 December 2019

	Note	GROUP		BANK	
		31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
ASSETS					
Cash and short-term funds		4,605,357	6,331,798	2,317,369	2,569,003
Deposits and placements with banks and other financial institutions		-	71,801	41,368	113,610
Investment accounts due from designated financial institutions		-	-	1,912,415	2,366,711
Financial assets at fair value through profit or loss ("FVTPL")	A9	662,132	606,462	170,216	373,638
Derivative financial assets	A29	164,868	88,805	118,225	61,831
Financial investments at fair value through other comprehensive income ("FVOCI")	A10	12,496,846	15,361,758	6,373,844	9,144,507
Financial investments at amortised cost ("AC")	A11	145,066	163,027	100,499	114,646
Loans, advances and financing	A12	45,387,865	48,392,012	25,730,059	28,498,149
Trade receivables	A13	534,388	369,651	-	-
Commodity Gold at FVTPL		-	42,733	-	-
Other assets	A14	159,950	138,884	60,883	60,423
Amount due from subsidiaries		-	-	1,318	420
Amount due from joint ventures		28,402	31,295	-	-
Amount due from associates		31,787	57,717	30,887	57,217
Tax recoverable		121,595	62,271	67,940	31,182
Deferred tax assets		22,520	114,830	12,690	70,239
Statutory deposits with Bank Negara Malaysia		1,534,777	1,946,669	857,377	1,238,069
Investment in subsidiaries		-	-	3,053,899	3,053,899
Investment in joint ventures		171,913	158,051	178,940	163,640
Investment in associates		659,527	611,996	548,482	548,482
Property and equipment		641,867	520,644	607,322	482,708
Right-of-use assets		57,709	-	43,416	-
Intangible assets		914,693	906,068	202,670	182,235
TOTAL ASSETS		68,341,262	75,976,472	42,429,819	49,130,609
LIABILITIES AND EQUITY					
Deposits from customers	B7	51,088,962	57,346,447	30,135,250	33,561,219
Investment accounts of customers		1,447	875	-	-
Deposits and placements of banks and other financial institutions	B7	1,763,252	4,846,912	646,085	4,300,848
Obligation on securities sold under repurchase agreements		-	142,477	-	-
Derivative financial liabilities	A29	186,791	113,132	136,439	85,660
Bills and acceptances payable		32,903	32,585	32,903	32,585
Trade payables		787,563	600,974	-	-
Lease liabilities	B7	58,650	-	44,219	-
Other liabilities	A15	1,398,837	1,082,148	418,548	571,575
Amount due to subsidiaries		-	-	55,899	109,399
Provision for taxation		41	8,748	-	-
Deferred tax liabilities		19,080	7,126	-	-
Borrowings	B7	3,607,143	3,053,812	2,548,379	2,548,379
TOTAL LIABILITIES		58,944,669	67,235,236	34,017,722	41,209,665

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

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

Condensed Interim Financial Statements

Unaudited Statements of Financial Position as at 31 December 2019

	Note	GROUP		BANK	
		31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
EQUITY					
Share capital		4,774,772	4,684,752	4,774,772	4,684,752
Reserves:-					
FVOCI revaluation reserves	A16	250,661	110,371	148,173	111,161
Regulatory reserves	A16	732,539	939,055	471,925	716,313
Stock option reserves	A16	-	8,328	-	-
Other reserves	A16	(61,010)	-	-	-
Foreign exchange reserves	A16	135	593	-	-
Retained profits	A16	3,640,073	2,928,584	3,017,227	2,408,718
Equity attributable to equity holders of the Bank		9,337,170	8,671,683	8,412,097	7,920,944
Non-controlling interest		59,423	69,553	-	-
TOTAL EQUITY		9,396,593	8,741,236	8,412,097	7,920,944
TOTAL LIABILITIES AND EQUITY		68,341,262	75,976,472	42,429,819	49,130,609
COMMITMENTS AND CONTINGENCIES	A28	30,851,233	30,873,074	19,679,897	20,469,123
CAPITAL ADEQUACY RATIOS	A31				
Before deducting proposed dividends :					
CET 1 capital ratio		14.503%	11.744%	13.026%	9.512%
Tier 1 capital ratio		16.284%	13.380%	14.713%	11.033%
Total capital ratio		23.305%	18.816%	22.349%	16.287%
After deducting proposed dividends :					
CET 1 capital ratio		14.441%	11.924%	12.931%	9.786%
Tier 1 capital ratio		16.223%	13.559%	14.617%	11.307%
Total capital ratio		23.244%	18.996%	22.253%	16.561%
Net assets per share attributable to equity holders of the Bank (RM)		4.70	4.46	4.24	4.08

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

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

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Quarter and Year Ended 31 December 2019

GROUP	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
		RM'000	RM'000	RM'000	RM'000
Interest income	A17	535,212	621,172	2,231,836	2,419,367
Interest expense	A18	(348,097)	(413,646)	(1,488,719)	(1,573,967)
Net interest income		187,115	207,526	743,117	845,400
Income from Islamic banking business		110,488	97,821	410,683	398,190
		297,603	305,347	1,153,800	1,243,590
Fee and commission income	A19 (a)	159,774	134,401	594,734	620,874
Fee and commission expense	A19 (b)	(39,272)	(26,439)	(153,327)	(164,009)
Net fee and commission income	A19	120,502	107,962	441,407	456,865
Net gains on financial instruments	A20	55,038	20,311	287,088	146,037
Other income	A21	13,904	19,938	49,455	74,110
Net income		487,047	453,558	1,931,750	1,920,602
Other operating expenses	A22	(291,513)	(293,539)	(1,223,933)	(1,217,509)
Operating profit before allowances		195,534	160,019	707,817	703,093
(Allowances for)/write-back of credit impairment losses	A23	(42,875)	16,477	(49,859)	(58,668)
Allowances for impairment losses on other assets	A24	(3,684)	(98)	(5,617)	(12,243)
Operating profit		148,975	176,398	652,341	632,182
Share of results of a joint venture		613	(671)	(3,860)	(3,098)
Share of results of an associate		16,852	11,536	34,020	50,025
Profit before zakat and taxation		166,440	187,263	682,501	679,109
Zakat		(214)	(236)	(5,530)	(4,113)
Profit before taxation		166,226	187,027	676,971	674,996
Taxation	B5	(34,509)	(35,113)	(160,880)	(147,576)
Net profit after zakat and taxation		131,717	151,914	516,091	527,420
Attributable to :-					
Equity holders of the Bank		122,105	143,750	487,766	503,086
Non-controlling interest		9,612	8,164	28,325	24,334
		131,717	151,914	516,091	527,420
Earnings per share attributable to equity holders of the Bank (sen) :-					
Basic	B10	6.15	7.40	24.59	25.89
Diluted	B10	5.93	7.24	23.67	25.33

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 2018.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Quarter and Year Ended 31 December 2019

GROUP	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	131,717	151,914	516,091	527,420
Other comprehensive income/(losses):				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	155,138	16,240	431,556	61,659
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	(1,614)	13,547	(5,712)	14,156
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(222,917)	(13,432)	(282,674)	(18,812)
- Exchange differences on translation of foreign operations	(727)	631	(727)	631
- Deferred tax on financial investments at FVOCI	14,160	45,311	(36,967)	35,702
- Share of other comprehensive income/(loss) of a joint venture	421	(115)	2,422	555
- Share of other comprehensive income/(loss) of an associate	(1,124)	(119)	10,376	(4,307)
<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)	19,939	(24,263)	19,939	(24,263)
- Deferred tax on financial investments at FVOCI	(5,148)	1,935	(1,899)	1,935
Other comprehensive income for the financial period/year, net of tax	(41,872)	39,735	136,314	67,256
Total comprehensive income for the financial period/year	89,845	191,649	652,405	594,676
Total comprehensive income for the financial period/year attributable to :-				
Equity holders of the Bank	80,502	183,296	624,349	570,153
Non-controlling interest	9,343	8,353	28,056	24,523
	89,845	191,649	652,405	594,676

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

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

Condensed Interim Financial Statements

Unaudited Income Statements for the Financial Quarter and Year Ended 31 December 2019

	Note	Individual Quarter Ended		Cumulative Quarter Ended	
		31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>BANK</u>					
Interest income	A17	479,695	553,816	2,013,073	2,154,823
Interest expense	A18	(311,304)	(365,994)	(1,341,293)	(1,398,061)
Net interest income		168,391	187,822	671,780	756,762
Fee and commission income	A19 (a)	26,287	26,002	103,036	109,839
Fee and commission expense	A19 (b)	(1,756)	(2,219)	(7,850)	(9,103)
Net fee and commission income	A19	24,531	23,783	95,186	100,736
Net gains on financial instruments	A20	32,237	6,587	139,071	62,808
Other income	A21	23,850	118,582	110,873	413,347
Net income		249,009	336,774	1,016,910	1,333,653
Other operating expenses	A22	(138,096)	(161,273)	(582,959)	(633,933)
Operating profit before allowances		110,913	175,501	433,951	699,720
Write-back of/(allowances for) credit impairment losses	A23	14,626	27,383	26,173	(24,811)
Profit before zakat and taxation		125,539	202,884	460,124	674,909
Zakat		-	-	-	-
Profit before taxation		125,539	202,884	460,124	674,909
Taxation	B5	(25,742)	(18,571)	(96,003)	(80,903)
Net profit after zakat and taxation		99,797	184,313	364,121	594,006
Earnings per share attributable to equity holders of the Bank (sen) :-					
Basic	B10	5.03	9.49	18.36	30.57
Diluted	B10	4.84	9.49	17.67	29.91

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AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Quarter and Year Ended 31 December 2019

<u>BANK</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	99,797	184,313	364,121	594,006
Other comprehensive income/(losses):				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	95,794	8,211	164,706	31,362
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	85	1,908	(1,235)	2,001
- Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(126,733)	(8,141)	(126,152)	(8,141)
- Deferred tax on financial investments at FVOCI	5,278	44,592	(9,253)	39,036
<u>Items that may not be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments designated at FVOCI (equity instruments)	8,946	4,035	8,946	(15,477)
Other comprehensive income for the financial period/year, net of tax	(16,630)	50,605	37,012	48,781
Total comprehensive income for the financial period/year	83,167	234,918	401,133	642,787

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statement Of Changes In Equity
for the Financial Year Ended 31 December 2019

<u>GROUP</u>	<----- Attributable to Equity Holders of the Bank ----->								Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Stock option reserves* RM'000	Other reserves RM'000	Retained profits RM'000	Total shareholders' equity RM'000		
At 1 January 2019	4,684,752	110,371	939,055	593	8,328	-	2,928,584	8,671,683	69,553	8,741,236
Net profit for the financial year	-	-	-	-	-	-	487,766	487,766	28,325	516,091
Other comprehensive income (net of tax) :										
- Financial investments at FVOCI	-	124,243	-	-	-	-	-	124,243	-	124,243
- Share of other comprehensive income of a joint venture	-	2,422	-	-	-	-	-	2,422	-	2,422
- Share of other comprehensive income of an associate	-	10,376	-	-	-	-	-	10,376	-	10,376
- Exchange differences on translation of foreign operations	-	-	-	(458)	-	-	-	(458)	(269)	(727)
Total comprehensive income	-	137,041	-	(458)	-	-	487,766	624,349	28,056	652,405
Issuance of new shares	90,020	-	-	-	-	-	-	90,020	-	90,020
Net loss on disposal of financial investment designated at FVOCI (equity instruments)	-	3,249	-	-	-	-	(3,249)	-	-	-
Issuance of new shares from exercise of employee stock option incentive scheme **	-	-	-	-	(8,328)	-	20,456	12,128	32,646	44,774
Obligation to buy subsidiary's shares from non-controlling interest	-	-	-	-	-	(61,010)	-	(61,010)	(35,831)	(96,841)
Transfer from regulatory reserves	-	-	(206,516)	-	-	-	206,516	-	-	-
Dividends	-	-	-	-	-	-	-	-	(35,001)	(35,001)
At 31 December 2019	4,774,772	250,661	732,539	135	-	(61,010)	3,640,073	9,337,170	59,423	9,396,593

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

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

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statement Of Changes In Equity
for the Financial Year Ended 31 December 2019

<u>GROUP</u>	<----- Attributable to Equity Holders of the Bank ----->						Total shareholders' equity RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Stock option reserves RM'000	Retained profits RM'000			
At 1 January 2018	4,684,752	43,746	564,564	151	-	2,798,528	8,091,741	58,001	8,149,742
Net profit for the financial year	-	-	-	-	-	503,086	503,086	24,334	527,420
Other comprehensive income (net of tax) :									
- Financial investments at FVOCI	-	70,377	-	-	-	-	70,377	-	70,377
- Share of other comprehensive income of a joint venture	-	555	-	-	-	-	555	-	555
- Share of other comprehensive loss of an associate	-	(4,307)	-	-	-	-	(4,307)	-	(4,307)
- Exchange differences on translation of foreign operations	-	-	-	442	-	-	442	189	631
Total comprehensive income	-	66,625	-	442	-	503,086	570,153	24,523	594,676
Options charged during the financial year	-	-	-	-	8,328	-	8,328	3,569	11,897
Obligation to buy a subsidiary's shares	-	-	-	-	-	(3,822)	(3,822)	(1,638)	(5,460)
Dilution of interest in subsidiaries	-	-	-	-	-	867	867	98	965
Transfer to regulatory reserves	-	-	374,491	-	-	(374,491)	-	-	-
Effects of predecessor accounting	-	-	-	-	-	101,563	101,563	-	101,563
Dividends	-	-	-	-	-	(97,147)	(97,147)	(15,000)	(112,147)
At 31 December 2018	4,684,752	110,371	939,055	593	8,328	2,928,584	8,671,683	69,553	8,741,236

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AFFIN BANK BERHAD
 Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statements Of Changes In Equity
for the Financial Year Ended 31 December 2019

	<-----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 2019	4,684,752	111,161	716,313	2,408,718	7,920,944
Net profit for the financial year	-	-	-	364,121	364,121
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	37,012	-	-	37,012
Total comprehensive income	-	37,012	-	364,121	401,133
Issuance of new shares	90,020	-	-	-	90,020
Transfer from regulatory reserves	-	-	(244,388)	244,388	-
At 31 December 2019	4,774,772	148,173	471,925	3,017,227	8,412,097

	<-----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 2018	4,684,752	62,380	472,531	2,155,641	7,375,304
Net profit for the financial year	-	-	-	594,006	594,006
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	48,781	-	-	48,781
Total comprehensive income	-	48,781	-	594,006	642,787
Transfer to regulatory reserves	-	-	243,782	(243,782)	-
Dividends	-	-	-	(97,147)	(97,147)
At 31 December 2018	4,684,752	111,161	716,313	2,408,718	7,920,944

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AFFIN BANK BERHAD
Company no. 197501003274 (25046-T)
Unaudited Condensed Consolidated Statements of Cash Flow
for the Financial Year Ended 31 December 2019

	GROUP		BANK	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	676,971	674,996	460,124	674,909
Adjustments for items not involving the movement of cash and cash equivalents	(334,767)	(385,070)	(288,164)	(555,592)
Operating profit before changes in working capital	342,204	289,926	171,960	119,317
Net changes in operating assets	3,187,292	(3,248,032)	3,685,434	351,209
Net changes in operating liabilities	(9,071,598)	4,559,660	(7,219,554)	(375,176)
Tax and zakat paid	(167,196)	(189,791)	(84,466)	(95,677)
Net cash (used in)/generated from operating activities	(5,709,298)	1,411,763	(3,446,626)	(327)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received :				
- financial investments at FVOCI	410,781	502,419	298,820	336,931
- financial investments at AC	8,265	8,366	5,717	5,725
Dividend income :				
- financial assets at FVTPL	8,022	5,899	732	732
- financial investments at FVOCI	5,946	4,552	2,392	238
- subsidiaries	-	-	71,000	323,000
Net disposal/(purchase) of :				
- financial assets at FVOCI	3,234,602	(660,619)	2,916,820	(725,817)
- financial investments at AC	14,444	(34,388)	14,444	4,600
Purchase of :				
- property and equipment	(184,023)	(139,711)	(176,401)	(131,956)
- intangible assets	(5,988)	(2,767)	(3,288)	(1,075)
Proceeds from disposal of :				
- property and equipment	379	43,323	238	43,144
- foreclosed properties	9,837	307	9,837	-
Cash flow arising from Group Reorganisation	-	15,545	-	-
Net cash generated from/(used in) investing activities	3,502,265	(257,074)	3,140,311	(144,478)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	550,000	1,000,000	-	500,000
Interest payment on borrowings	(184,981)	(104,800)	(133,800)	(104,800)
Payment of dividend to the equity holders of the Bank	(7,127)	-	(7,127)	-
Payment of dividend to non-controlling interest	(35,001)	(15,000)	-	-
Issuance of new shares	90,020	-	90,020	-
Subscription of shares in a joint venture	(15,300)	-	(15,300)	-
Repayment of subordinated loan from an associate	26,528	-	26,528	-
Exercise of employee stock option incentive scheme	44,774	-	-	-
Acquisition of an equity interest in an associate	(3,135)	-	-	-
Lease payments	(37,261)	-	(26,169)	-
Net cash generated from/(used in) financing activities	428,517	880,200	(65,848)	395,200
Net (decrease)/increase in cash and cash equivalents	(1,778,516)	2,034,889	(372,163)	250,395
Effects of foreign exchange	11,727	(8,540)	7,235	(7,236)
Cash and cash equivalents at beginning of the financial year	6,324,663	4,298,314	2,653,725	2,410,566
Cash and cash equivalents at end of the financial year	4,557,874	6,324,663	2,288,797	2,653,725
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	4,605,357	6,331,798	2,317,369	2,569,003
Deposits and placements of banks and other financial institutions	-	71,801	41,368	113,610
	4,605,357	6,403,599	2,358,737	2,682,613
Less:				
Amount held on behalf of commissioned dealer's representatives	(47,483)	(48,537)	-	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	-	(30,399)	(69,940)	(28,888)
	4,557,874	6,324,663	2,288,797	2,653,725

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

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

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial period under review have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values :

- (i) financial assets at FVTPL,
- (ii) financial investments at FVOCI, and
- (iii) derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and Policy Document on Financial Reporting issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018. The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group and the Bank since the year ended 31 December 2018.

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2018, except for the adoption of MFRS 16 that are applicable to the Group and the Bank effective for the financial year beginning on 1 January 2019.

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

Adjustments recognised on adoption of MFRS 16

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

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 is follows:

	%
- within one year	3.83
- within one to two years	3.97
- within two to three years	4.11

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

Reconciliation between the MFRS 117 operating lease commitments to MFRS 16

Description	Group	Bank
	1 January 2019	
	RM'000	RM'000
Operating lease commitments disclosed as at 31 December 2018	35,933	24,768
Discounted using the incremental borrowing rate at the date of initial application	(3,905)	(3,180)
Less: short-term leases recognised on a straight-line basis as expense	(1,027)	-
Less: low-value leases recognised on a straight-line basis as expense	(35)	-
Less: contracts reassessed as service agreements	(281)	(281)
Add: adjustments as a result of a different treatment of extension & termination options	40,056	36,586
ROU assets and lease liabilities as at 1 January 2019	70,741	57,893

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 2018 was not subjected to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The operations of the Group and the Bank are generally not affected by any seasonal or cyclical factors but are in tandem with the country's economic situation.

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

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

A6. CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

There were no shares issuance or cancellations, share buy-backs, resale of shares bought back and repayment of debts and equity securities by the Group and the Bank during the financial year under review.

A8. DIVIDENDS PAID

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

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

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

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>At fair value</u>				
<u>Money market instruments</u>				
Malaysian Government Securities	-	50,387	-	-
Malaysian Government Investment Issues	137,242	10,115	-	-
Negotiable Instruments of Deposit	60,977	264,667	60,977	254,660
	<u>198,219</u>	<u>325,169</u>	<u>60,977</u>	<u>254,660</u>
<u>Quoted Securities</u>				
Exchange traded fund	5,006	-	-	-
Shares, warrants and REITs in Malaysia	49,478	21,531	-	-
Shares, warrants and REITs outside Malaysia	35,101	-	-	-
Unit Trusts in Malaysia	231,777	120,143	-	-
	<u>321,362</u>	<u>141,674</u>	<u>-</u>	<u>-</u>
<u>Unquoted Securities</u>				
Shares in Malaysia	94,207	88,928	94,207	88,928
Corporate Bonds/Sukuk in Malaysia	21,857	34,415	15,032	30,050
Corporate Bonds/Sukuk outside Malaysia	26,487	16,276	-	-
	<u>142,551</u>	<u>139,619</u>	<u>109,239</u>	<u>118,978</u>
	<u>662,132</u>	<u>606,462</u>	<u>170,216</u>	<u>373,638</u>

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

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>At fair value</u>				
<u>Money market instruments</u>				
Malaysian Government Treasury Bills	-	79,728	-	-
Malaysian Government Securities	731,623	726,620	182,017	479,538
Malaysian Government Investment Issues	2,948,863	2,026,362	989,435	644,531
Cagamas Bonds/Sukuk	25,965	228,728	-	121,661
Sukuk Perumahan Kerajaan	-	320,790	-	230,042
Negotiable Instruments of Deposit and Islamic Debt Certificates	7,073	649,090	1,016,287	1,658,485
Khazanah Bonds/Sukuk	309,411	401,634	256,336	238,462
	<u>4,022,935</u>	<u>4,432,952</u>	<u>2,444,075</u>	<u>3,372,719</u>
<u>Quoted Securities</u>				
REITs in Malaysia *	-	18,406	-	-
REITs outside Malaysia *	-	41,126	-	-
	<u>-</u>	<u>59,532</u>	<u>-</u>	<u>-</u>
<u>Unquoted Securities</u>				
Shares in Malaysia *	180,881	171,383	157,818	149,501
Corporate bonds/Sukuk in Malaysia #	8,031,818	10,267,617	3,638,627	5,343,312
Corporate Bonds/Sukuk outside Malaysia	261,212	430,274	133,324	278,975
	<u>8,473,911</u>	<u>10,869,274</u>	<u>3,929,769</u>	<u>5,771,788</u>
	<u>12,496,846</u>	<u>15,361,758</u>	<u>6,373,844</u>	<u>9,144,507</u>

Included in the Group's financial investments at FVOCI are corporate bonds/sukuk amounting to RM Nil in 2019 (2018: RM148.9 million) which are pledged as collateral for obligation on the securities sold under repurchase agreements.

* 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	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<u>At amortised cost</u>				
<u>Unquoted Securities</u>				
Corporate Bonds/Sukuk in Malaysia	141,119	160,550	100,622	120,053
Loan Stock in Malaysia	15,000	15,000	-	-
	156,119	175,550	100,622	120,053
Less : Expected Credit Losses ("ECL")	(11,053)	(12,523)	(123)	(5,407)
	145,066	163,027	100,499	114,646

Movement in expected credit losses for financial investment at AC

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

Bank

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

31/12/2018 Group	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	819	-	10,487	11,306
Financial assets derecognised (other than write-offs)	(487)	-	-	(487)
New financial assets originated or purchased	487	-	-	487
Changes due to change in credit risk	(241)	-	1,458	1,217
At end of the financial year	578	-	11,945	12,523

Bank

At beginning of the financial year	584	-	3,537	4,121
Changes due to change in credit risk	(172)	-	1,458	1,286
At end of the financial year	412	-	4,995	5,407

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>				
Fixed rate :				
- Housing loans/financing	339,073	357,863	292,374	309,886
- Hire purchase receivables	10,652,049	12,473,377	6,829,178	8,226,889
- Other fixed rate loans/financing	2,106,359	2,887,471	751,957	1,357,723
Variable rate :				
- Base rate/base lending rate plus	23,258,002	22,183,810	11,544,901	11,796,822
- Cost plus	9,570,276	10,961,346	6,695,598	7,248,743
- Other variable rates	36,135	108,937	-	-
	45,961,894	48,972,804	26,114,008	28,940,063
(e) <u>BY ECONOMIC PURPOSE</u>				
Purchase of securities	1,512,781	1,615,833	612,250	763,647
Purchase of transport vehicles	11,161,312	12,799,056	7,247,930	8,457,093
Purchase of landed property of which :				
- Residential	11,502,926	10,435,105	4,006,366	3,862,137
- Non-residential	6,339,626	6,654,767	4,041,513	4,399,872
Fixed assets other than land and building	334,695	343,047	247,367	207,634
Personal use	833,904	776,714	742,358	712,097
Credit card	178,991	144,065	148,162	132,657
Consumer durable	108	310	105	263
Construction	2,706,006	3,459,827	1,506,381	2,172,802
Merger and acquisition	64,054	76,571	64,054	76,571
Working capital	10,277,342	11,354,983	7,082,634	7,678,538
Others	1,050,149	1,312,526	414,888	476,752
	45,961,894	48,972,804	26,114,008	28,940,063
(f) <u>BY ECONOMIC SECTOR</u>				
Primary agriculture	1,577,980	1,602,401	590,752	627,262
Mining and quarrying	339,360	432,848	42,254	108,752
Manufacturing	2,539,605	2,789,571	1,832,096	1,913,017
Electricity, gas and water supply	562,189	670,798	156,068	141,971
Construction	2,012,826	2,204,057	1,354,803	1,547,936
Real estate	6,653,855	7,878,494	4,423,255	5,694,222
Wholesale, retail trade, hotels and restaurants	3,402,916	3,484,431	2,795,481	2,806,868
Transport, storage and communication	1,721,650	1,765,261	1,316,332	1,342,780
Finance, insurance and business services	2,227,531	2,549,744	1,797,562	1,930,638
Education, health and others	2,199,982	2,853,306	997,278	1,149,443
Household	22,677,326	22,740,086	10,808,127	11,675,555
Others	46,674	1,807	-	1,619
	45,961,894	48,972,804	26,114,008	28,940,063

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>	Group		Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Perlis	216,197	214,640	18,817	21,659
Kedah	1,363,555	1,547,761	557,738	765,727
Pulau Pinang	2,545,147	2,687,196	1,639,084	1,872,124
Perak	1,517,296	1,714,148	932,493	934,576
Selangor	13,973,439	14,810,884	7,549,256	8,518,433
Wilayah Persekutuan	10,982,619	12,290,647	6,448,886	7,402,196
Negeri Sembilan	1,524,855	1,501,126	575,543	598,463
Melaka	879,939	997,552	606,936	711,373
Johor	5,869,188	5,961,598	3,456,325	3,527,873
Pahang	1,396,971	1,337,285	747,361	736,399
Terengganu	941,221	932,494	418,330	436,746
Kelantan	262,813	250,314	58,249	65,086
Sarawak	2,201,225	2,304,544	1,662,405	1,784,917
Sabah	2,062,110	2,246,427	1,314,711	1,500,876
Labuan	43,890	45,759	16,239	3,763
Outside Malaysia	181,429	130,429	111,635	59,852
	45,961,894	48,972,804	26,114,008	28,940,063

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

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

At beginning of the financial year	1,589,897	1,165,880	978,218	958,254
Classified as impaired	791,557	1,340,576	434,820	765,110
Reclassified as non-impaired	(747,009)	(629,919)	(551,848)	(512,689)
Amount written-back	(168,790)	(208,680)	(121,876)	(172,774)
Amount written-off	(86,503)	(77,960)	(66,256)	(59,683)
At end of the financial year	1,379,152	1,589,897	673,058	978,218
Gross impaired loans as a percentage of gross loans, advances and financing (*)	3.00%	3.25%	3.08%	3.75%

(*) For the Bank, Restricted Investment Accounts ("RIA") included in the ratio calculation amounting to RM1,919.3 million (2018: RM2,369.7 million) with impaired financing amounting to RM191.3 million (2018: RM195.3 million).

The Group and the Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written-off during the financial year amounting to RM86,503,000 (2018: RM77,960,000) for the Group and RM66,256,000 (2018: RM59,683,000) for the Bank respectively. The Group and the Bank still seek to recover amounts that is legally owed in full, but which have been partially written-off due to no reasonable expectation of full recovery.

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

Construction	287,934	445,679	166,321	316,912
Purchase of landed property of which :				
- Residential	340,382	252,180	174,198	137,110
- Non-residential	317,923	306,676	102,381	83,017
Purchase of securities	90	65	51	58
Purchase of transport vehicles	60,975	233,957	42,355	208,161
Fixed assets other than land and building	3,692	497	3,692	435
Personal use	17,589	19,384	16,387	18,400
Credit card	878	1,025	615	1,012
Consumer durable	-	10	-	10
Working capital	330,709	317,693	162,201	208,040
Others	18,980	12,731	4,857	5,063
	1,379,152	1,589,897	673,058	978,218

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING (Cont.)</u>	Group		Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
(iii) <u>Impaired loans, advances and financing by economic sector</u>	RM'000	RM'000	RM'000	RM'000
Primary agriculture	16,082	14,165	16,041	14,165
Mining and quarrying	7,896	14,738	5,315	12,157
Manufacturing	90,844	84,989	13,248	22,250
Electricity, gas and water supply	105	-	58	-
Construction	164,948	121,166	119,790	72,675
Real estate	343,127	363,440	56,048	39,975
Wholesale, retail trade, hotels and restaurants	40,012	53,427	38,195	47,558
Transport, storage and communication	170,710	418,564	85,055	418,149
Finance, insurance and business services	63,845	72,910	62,806	58,683
Education, health and others	84,024	86,122	63,180	64,905
Household	397,559	360,376	213,322	227,701
	1,379,152	1,589,897	673,058	978,218
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>				
Perlis	2,997	2,677	455	542
Kedah	126,192	56,420	118,113	49,500
Pulau Pinang	38,602	37,318	30,558	34,043
Perak	178,887	101,432	75,901	73,703
Selangor	284,131	249,607	146,530	158,944
Wilayah Persekutuan	342,922	407,353	56,026	78,447
Negeri Sembilan	81,863	82,395	65,086	68,712
Melaka	13,990	18,594	9,096	16,411
Johor	49,416	45,830	29,505	32,849
Pahang	34,616	21,520	32,086	20,364
Terengganu	69,522	397,855	64,856	392,516
Kelantan	6,149	7,961	3,782	5,393
Sarawak	56,628	59,103	19,502	22,388
Sabah	23,461	31,266	21,562	24,406
Outside Malaysia	69,776	70,566	-	-
	1,379,152	1,589,897	673,058	978,218

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

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

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

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

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

A12. LOANS, ADVANCES AND FINANCING (Cont.)

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

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

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

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

A13. TRADE RECEIVABLES

	Group	
	31/12/2019 RM'000	31/12/2018 RM'000
Amount due from stock-broking clients :		
- performing accounts	231,679	179,766
- impaired accounts (a)	139	424
Amount due from brokers	59,478	60,879
Amount due from Bursa Securities Clearing Sdn Bhd	-	40,142
Management fees receivable on fund management	243,249	88,908
Others	51	-
	<u>534,596</u>	<u>370,119</u>
Less: ECL (b)	(208)	(468)
	534,388	369,651

(a) Movements of impaired trade receivables

At beginning of the financial year	424	1,366
Classified as impaired	419	295
Amount written-back	(704)	(654)
Reclassified to other assets	-	(583)
At end of the financial year	<u>139</u>	<u>424</u>

(b) Movements in ECL

	Group Lifetime ECL	
	31/12/2019 RM'000	31/12/2018 RM'000
At beginning of the financial year	468	1,134
Allowance made	505	366
Amount written-back	(765)	(612)
Reclassified to other assets	-	(420)
At end of the financial year	<u>208</u>	<u>468</u>

A14. OTHER ASSETS

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Other debtors	77,125	49,652	12,603	13,386
Prepayments and deposits	22,108	16,126	21,425	15,384
Cheque clearing accounts	42,653	45,267	13,911	10,475
Foreclosed properties (a)	17,817	26,051	12,944	21,178
Collaterals pledged for derivative transactions	33	1,298	-	-
Clearing guarantee fund	2,272	2,159	-	-
	<u>162,008</u>	<u>140,553</u>	<u>60,883</u>	<u>60,423</u>
Less: ECL (b)	(2,058)	(1,669)	-	-
	159,950	138,884	60,883	60,423

(a) Foreclosed properties

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
At beginning of the financial year	26,051	19,912	21,178	17,271
Purchased	726	6,335	726	3,907
Disposal	(8,960)	(196)	(8,960)	-
At end of the financial year	<u>17,817</u>	<u>26,051</u>	<u>12,944</u>	<u>21,178</u>

(b) Movements in ECL

	Group Lifetime ECL	
	31/12/2019 RM'000	31/12/2018 RM'000
At beginning of the financial year	1,669	725
Allowance made	1,489	1,439
Amount written-back	(562)	(915)
Amount written-off	(538)	-
Reclassified to other assets	-	420
At end of the financial year	<u>2,058</u>	<u>1,669</u>

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A15. OTHER LIABILITIES

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
BNM and CGC Funding programmes	21,012	32,009	19,373	31,009
Margin and collateral deposits	100,180	127,948	83,202	114,120
Commissioned dealer's representatives trust balances	47,483	48,537	-	-
Defined contribution plan	20,008	21,098	18,777	19,761
Collaterals pledged for derivative transactions	2,830	29	-	-
Other creditors and accruals	140,022	166,410	37,737	64,776
Accrued employee benefits	110,661	113,960	42,480	43,021
Amounts payable to commissioned and salaried dealer's representatives	37,854	37,874	-	-
Sundry creditors	231,666	179,958	187,374	151,274
Treasury and cheque clearing accounts	342,244	25,808	-	7,874
Provision for zakat	3,082	2,397	260	320
Securities borrowings	160,358	127,194	-	-
Unearned income	27,375	31,969	20,816	26,986
ESOS liabilities	-	8,028	-	-
Puttable liabilities	124,452	34,328	-	-
Dividend payable	-	97,147	-	97,147
ECL (a) :				
- loan/financing commitments and financial guarantees	29,610	27,454	8,529	15,287
	1,398,837	1,082,148	418,548	571,575

(a) Movement in ECL	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
At beginning of financial year, on adoption of MFRS 9	27,454	49,817	15,287	32,758
Net remeasurement of loss allowance	(7,965)	(40,668)	(13,672)	(29,635)
New loan commitments and financial guarantees issued	10,205	18,305	7,535	12,164
Changes in models/risk parameters	(84)	-	(621)	-
At end of the financial year	29,610	27,454	8,529	15,287

A16. RESERVES

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
FVOCI revaluation reserves (a)	250,661	110,371	148,173	111,161
Regulatory reserves (b)	732,539	939,055	471,925	716,313
Stock option reserves (c)	-	8,328	-	-
Other reserves (d)	(61,010)	-	-	-
Foreign exchange reserves	135	593	-	-
Retained profits	3,640,073	2,928,584	3,017,227	2,408,718
	4,562,398	3,986,931	3,637,325	3,236,192

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

(b) Pursuant to BNM Guidelines on Financial Reporting, effective 1 January 2018, the Bank and the banking subsidiaries shall maintain, in aggregate, stage 1 and 2 provisions regulatory reserve of no less than 1% of all credit exposures (on and off balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysian Government), net of Stage 3 provision.

(c) The stock option reserves represent the fair value of the options of a subsidiary's employee stock option incentive scheme arising from the modification of the vesting period as detailed in Note B11.

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

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A17. INTEREST INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	409,541	466,529	1,701,584	1,835,797
Money at call and deposits placements with financial institutions	30,260	16,015	105,733	66,883
Financial investments at FVOCI	91,961	132,579	410,781	502,419
Financial investments at amortised cost	2,037	2,133	8,265	8,366
Others	1,413	3,916	5,473	5,902
	535,212	621,172	2,231,836	2,419,367
of which :-				
Interest income earned on impaired loans, advances and financing	1,315	1,928	6,226	7,428
	1,315	1,928	6,226	7,428
Bank				
Loan, advances and financing	366,973	404,973	1,523,832	1,620,788
Money at call and deposits placements with financial institutions	50,289	51,118	203,666	176,391
Financial investments at FVOCI	60,144	95,248	276,213	349,298
Financial investments at amortised cost	1,443	1,443	5,725	5,725
Others	846	1,034	3,637	2,621
	479,695	553,816	2,013,073	2,154,823
of which :-				
Interest income earned on impaired loans, advances and financing	(410)	20	913	2,790
	(410)	20	913	2,790

A18. INTEREST EXPENSE

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	306,312	331,945	1,300,528	1,301,777
Deposits and placements of banks and other financial institutions	6,467	46,336	46,726	145,966
Obligation on securities sold under repurchase agreements	(1)	1,377	790	4,128
Subordinated medium term notes	33,725	33,724	133,800	117,035
Foreign currency borrowing	203	428	506	1,986
Interest expense on the lease liability	544	-	2,460	-
Others	847	(164)	3,909	3,075
	348,097	413,646	1,488,719	1,573,967
Bank				
Deposits from customers	268,744	288,996	1,130,061	1,135,427
Deposits and placements of banks and other financial institutions	8,270	43,149	75,181	142,314
Obligation on securities sold under repurchase agreements	-	1	-	2,752
Subordinated medium term notes	33,725	33,724	133,800	117,035
Interest expense on the lease liability	483	-	1,885	-
Others	82	124	366	533
	311,304	365,994	1,341,293	1,398,061

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A19. NET FEE AND COMMISSION INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income :				
Net brokerage	18,542	16,913	70,365	78,131
Portfolio management fees	81,728	65,760	301,149	293,269
Corporate advisory fees	1,870	2,315	9,822	9,883
Commission	8,956	7,096	31,167	26,723
Service charges and fees	13,377	13,923	51,775	65,378
Guarantee fees	6,597	5,678	29,151	22,712
Arrangement fees	75	1,250	1,768	2,814
Agency fees	568	(972)	2,310	1,199
Initial service charges	24,903	17,281	88,528	103,619
Other fee income	3,158	5,157	8,699	17,146
	159,774	134,401	594,734	620,874
(b) Fee and commission expenses :				
Commission and referral expense	(39,272)	(26,439)	(153,327)	(164,009)
Net fee and commission income	120,502	107,962	441,407	456,865
Bank				
(a) Fee and commission income :				
Commission	6,859	6,536	25,719	23,319
Service charges and fees	13,159	13,779	51,426	64,510
Guarantee fees	6,269	5,687	25,891	22,010
	26,287	26,002	103,036	109,839
(b) Fee and commission expense :				
Commission and referral expense	(1,756)	(2,219)	(7,850)	(9,103)
Net fee and commission income	24,531	23,783	95,186	100,736

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A20. NET GAINS ON FINANCIAL INSTRUMENTS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Income from financial instruments:				
Gains/(losses) arising on financial assets at FVTPL :				
- net gain/(loss) on disposal	19,576	(225)	62,096	72,154
- unrealised gain/(loss)	(17,962)	4,228	(15,295)	7,863
- interest income	6,452	8,714	26,238	35,414
- gross dividend income	2,104	1,943	8,022	5,899
Gains/(losses) on derivatives instruments :				
- realised	3,915	181	4,435	492
- unrealised	(3,370)	642	(6,596)	5,567
- interest income/(expense)	(23)	(153)	874	(310)
Gains arising on financial investments at FVOCI :				
- net gain on disposal	40,986	3,975	201,368	14,406
- gross dividend income	3,360	1,006	5,946	4,552
	55,038	20,311	287,088	146,037
Bank				
Income from financial instruments:				
Gains/(losses) arising on financial assets at FVTPL :				
- net (loss)/gain on disposal	-	(4,259)	-	23,737
- unrealised gain	4,683	3,391	4,590	10,355
- interest income	1,351	4,270	6,860	15,801
- gross dividend income	-	183	732	732
Gains/(losses) on derivatives instruments :				
- realised	3,915	181	4,435	546
- unrealised	(3,036)	481	(5,549)	4,582
- interest income/(expense)	(28)	(156)	604	(358)
Gains arising on financial investments at FVOCI :				
- net gain on disposal	23,192	2,496	125,007	7,175
- gross dividend income	2,160	-	2,392	238
	32,237	6,587	139,071	62,808

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A21. OTHER INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss) :				
- realised	5,090	6,607	26,658	64,598
- unrealised	5,514	11,289	11,727	(8,540)
Rental income	14	8	23	136
(Loss)/gain on disposal of property and equipment	(175)	1,253	(207)	6,052
Gain on disposal of foreclosed properties	377	-	877	111
Other non-operating income	3,084	781	10,377	11,753
Total other income	13,904	19,938	49,455	74,110
Bank				
Foreign exchange gain/(loss) :				
- realised	3,608	8,530	23,353	53,121
- unrealised	6,227	7,525	7,235	(7,236)
Rental income	38	40	117	246
Gain on winding-up of a subsidiary	-	-	-	31,031
(Loss)/gain on disposal of property and equipment	(146)	1,252	(380)	5,921
Gain on disposal of foreclosed properties	377	-	877	-
Gross dividend received from subsidiaries	10,000	100,000	71,000	323,000
Other non-operating income	3,746	1,235	8,671	7,264
Total other income	23,850	118,582	110,873	413,347

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A22. OTHER OPERATING EXPENSES

<u>Group</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	152,612	143,407	604,862	590,348
Defined contribution plan	24,984	23,001	99,351	96,263
Other personnel costs	22,975	10,629	102,768	96,154
	<u>200,571</u>	<u>177,037</u>	<u>806,981</u>	<u>782,765</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,156	5,100	23,406	21,197
Entertainment	1,077	1,465	5,525	7,158
Travelling and accommodation	2,316	3,073	8,951	10,532
Dealers' handling fees	3	300	606	1,200
Commission and brokerage expenses	1,542	3,706	10,030	14,561
Others marketing expenses	1,265	964	5,324	5,347
	<u>10,359</u>	<u>14,608</u>	<u>53,842</u>	<u>59,995</u>
<u>Establishment-related expenses</u>				
Rental of premises	-	10,919	-	40,015
Equipment rental	727	891	2,942	2,992
Repair and maintenance	11,237	11,379	55,916	45,143
Depreciation of property and equipment	7,072	6,196	26,768	24,578
Depreciation of right-of-use assets	9,035	-	35,786	-
Amortisation of intangible assets	8,936	7,366	32,702	27,661
IT consultancy fee	14,963	8,693	44,866	38,077
Dataline rental	(1,997)	4,089	14,375	16,851
Security services	5,216	5,449	20,303	18,582
Electricity, water and sewerage	2,957	3,301	12,666	13,116
Insurance/Takaful and indemnities	3,888	8,985	16,194	30,441
Other establishment costs	2,080	582	8,507	4,820
	<u>64,114</u>	<u>67,850</u>	<u>271,025</u>	<u>262,276</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	3,221	3,285	14,751	14,541
Auditors' remuneration :				
(i) Statutory audit fees	(67)	1,372	2,226	3,161
(ii) Regulatory related fees	529	531	654	602
(iii) Tax fees	52	277	57	285
(iv) Non-audit fees	(379)	124	400	782
Professional fees	3,014	13,385	17,414	27,529
Property and equipment written-off	82	34	107	193
Mail and courier charges	533	1,294	3,145	4,180
Stationery and consumables	2,015	2,494	10,494	13,439
Directors' fees and allowances	943	1,164	3,328	3,576
Donations	236	543	1,820	2,053
Settlement, clearing and bank charges	3,954	3,237	15,699	13,160
Stamp duties	152	256	310	1,006
Operational and litigation write-off expenses	189	-	2,398	-
Subscription fees	2,824	3,024	11,657	10,448
GST input tax-non recoverable	-	924	358	7,204
Other administration and general expenses	(829)	2,100	7,267	10,314
	<u>16,469</u>	<u>34,044</u>	<u>92,085</u>	<u>112,473</u>
Total other operating expenses	291,513	293,539	1,223,933	1,217,509

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A22. OTHER OPERATING EXPENSES (Cont.)

<u>Bank</u>	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	69,429	63,914	262,779	272,200
Defined contribution plan	11,505	10,550	43,652	44,525
Other personnel costs	11,624	12,603	47,624	53,173
	<u>92,558</u>	<u>87,067</u>	<u>354,055</u>	<u>369,898</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	2,083	3,691	11,860	12,466
Entertainment	39	573	1,340	3,569
Travelling and accommodation	906	1,393	3,496	4,831
Commission and brokerage expenses	1,213	3,248	8,280	12,165
Others marketing expenses	358	328	1,759	1,759
	<u>4,599</u>	<u>9,233</u>	<u>26,735</u>	<u>34,790</u>
<u>Establishment-related expenses</u>				
Rental of premises	-	5,526	-	18,819
Equipment rental	255	794	1,572	2,086
Repair and maintenance	4,896	7,787	32,696	29,630
Depreciation of property and equipment	4,355	3,636	16,193	14,497
Depreciation of right-of-use assets	6,251	-	25,086	-
Amortisation of intangible assets	5,202	3,718	17,921	13,164
IT consultancy fee	8,164	7,849	25,538	27,841
Dataline rental	(2,992)	3,701	5,374	12,616
Security services	2,523	4,366	9,275	13,168
Electricity, water and sewerage	1,057	2,157	4,788	7,482
Insurance/Takaful and indemnities	3,177	1,404	12,981	22,299
Other establishment costs	837	2,221	2,934	3,924
	<u>33,725</u>	<u>43,159</u>	<u>154,358</u>	<u>165,526</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	880	900	3,198	3,621
Auditors' remuneration :				
(i) Statutory audit fees	(80)	630	1,166	1,614
(ii) Regulatory related fees	351	318	351	318
(iii) Tax fees	32	107	32	107
(iv) Non-audit fees	(419)	(58)	184	407
Professional fees	1,210	11,974	11,163	23,456
Property and equipment written-off	31	22	50	157
Mail and courier charges	305	777	2,158	3,214
Stationery and consumables	1,431	1,662	6,999	8,531
Directors' fees and allowances	673	280	2,587	2,287
Donations	101	335	1,634	1,598
Settlement, clearing and bank charges	3,113	2,311	12,225	9,919
Stamp duties	143	51	265	722
Operational and litigation write-off expenses	189	-	2,398	-
GST input tax-non recoverable	-	-	349	4,337
Other administration and general expenses	(746)	2,505	3,052	3,431
	<u>7,214</u>	<u>21,814</u>	<u>47,811</u>	<u>63,719</u>
Total other operating expenses	138,096	161,273	582,959	633,933

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

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
ECL (written-back)/made on :				
- loans, advances and financing	39,695	(24,363)	78,656	92,206
- trade receivables	(208)	78	(260)	(246)
- securities and placements	(2,938)	14,820	(2,423)	15,571
- loan and financing commitments and financial guarantee	12,717	(4,418)	2,156	(22,363)
Bad debts and financing :				
- recovered	(9,708)	(4,991)	(35,184)	(30,781)
- written-off	3,317	2,397	6,914	4,281
	42,875	(16,477)	49,859	58,668
 Bank				
ECL (written-back)/made on :				
- loans, advances and financing	(7,951)	(26,458)	7,107	64,430
- securities and placements	(201)	3,288	(1,723)	3,472
- loan and financing commitments and financial guarantee	(874)	(1,496)	(6,758)	(17,471)
Bad debts and financing :				
- recovered	(8,339)	(4,545)	(30,916)	(29,302)
- written-off	2,739	1,828	6,117	3,682
	(14,626)	(27,383)	(26,173)	24,811

A24. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
ECL :				
- other debtors	927	98	927	524
- amount due from joint ventures	2,757	-	4,690	11,719
	3,684	98	5,617	12,243

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A25. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2019 and 31 December 2018 are as follows:

	< ----- Current year's individual quarter ended 31 December 2019 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	350,575	133,414	-	3,058	-	487,047
Intersegment revenue	8,889	1,404	-	291	(10,584)	-
Segment revenue	<u>359,464</u>	<u>134,818</u>	<u>-</u>	<u>3,349</u>	<u>(10,584)</u>	<u>487,047</u>
Operating expenses of which :-	(201,768)	(87,642)	-	(2,687)	584	(291,513)
Depreciation of property and equipment	(4,550)	(2,487)	-	(35)	-	(7,072)
Depreciation of right-of-use assets	(6,588)	(2,447)	-	-	-	(9,035)
Amortisation of intangible assets	(5,251)	(3,672)	-	(13)	-	(8,936)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(25,517)	(21,214)	-	-	172	(46,559)
Segment results	<u>132,179</u>	<u>25,962</u>	<u>-</u>	<u>662</u>	<u>(9,828)</u>	<u>148,975</u>
Share of results of a joint venture (net of tax)	-	-	613	-	-	613
Share of results of an associate (net of tax)	-	459	16,393	-	-	16,852
Profit before zakat and taxation	<u>132,179</u>	<u>26,421</u>	<u>17,006</u>	<u>662</u>	<u>(9,828)</u>	<u>166,440</u>
Zakat	-	(214)	-	-	-	(214)
Profit before taxation	<u>132,179</u>	<u>26,207</u>	<u>17,006</u>	<u>662</u>	<u>(9,828)</u>	<u>166,226</u>
Taxation						(34,509)
Net profit for the individual quarter						<u>131,717</u>

	< ----- Preceding year's individual quarter ended 31 December 2018 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External revenue	322,729	128,397	-	2,432	-	453,558
Intersegment revenue	110,477	(9,707)	-	340	(101,110)	-
Segment revenue	<u>433,206</u>	<u>118,690</u>	<u>-</u>	<u>2,772</u>	<u>(101,110)</u>	<u>453,558</u>
Operating expenses of which :-	(220,301)	(72,006)	-	(2,342)	1,110	(293,539)
Depreciation of property and equipment	(3,863)	(2,289)	-	(44)	-	(6,196)
Amortisation of intangible assets	(3,756)	(3,596)	-	(14)	-	(7,366)
Write-back of/(allowances for) credit impairment losses on loans, advances, financing and tradereceivables/securities/other assets	29,321	(12,942)	-	-	-	16,379
Segment results	<u>242,226</u>	<u>33,742</u>	<u>-</u>	<u>430</u>	<u>(100,000)</u>	<u>176,398</u>
Share of results of a joint venture (net of tax)	-	-	(671)	-	-	(671)
Share of results of an associate (net of tax)	-	-	11,536	-	-	11,536
Profit before zakat and taxation	<u>242,226</u>	<u>33,742</u>	<u>10,865</u>	<u>430</u>	<u>(100,000)</u>	<u>187,263</u>
Zakat	-	(236)	-	-	-	(236)
Profit before taxation	<u>242,226</u>	<u>33,506</u>	<u>10,865</u>	<u>430</u>	<u>(100,000)</u>	<u>187,027</u>
Taxation						(35,113)
Net profit for the individual quarter						<u>151,914</u>

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

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

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2019 and 31 December 2018 are as follows (Cont.):

	< ----- Current year's cumulative quarter ended 31 December 2019 ----- >					
	Commercial	Investment	Insurance	Others	Elimination	Group
	Banking	Banking				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	1,384,644	534,577	-	12,529	-	1,931,750
Intersegment revenue	50,062	21,606	-	1,295	(72,963)	-
Segment revenue	<u>1,434,706</u>	<u>556,183</u>	<u>-</u>	<u>13,824</u>	<u>(72,963)</u>	<u>1,931,750</u>
Operating expenses of which :-	(844,721)	(370,328)	-	(10,847)	1,963	(1,223,933)
Depreciation of property and equipment	(17,011)	(9,601)	-	(156)	-	(26,768)
Depreciation of right-of-use assets	(26,434)	(9,352)	-	-	-	(35,786)
Amortisation of intangible assets	(18,100)	(14,551)	-	(51)	-	(32,702)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(34,654)	(21,231)	-	-	409	(55,476)
Segment results	<u>555,331</u>	<u>164,624</u>	<u>-</u>	<u>2,977</u>	<u>(70,591)</u>	<u>652,341</u>
Share of results of a joint venture (net of tax)	-	-	(3,860)	-	-	(3,860)
Share of results of an associate (net of tax)	-	459	33,561	-	-	34,020
Profit before zakat and taxation	<u>555,331</u>	<u>165,083</u>	<u>29,701</u>	<u>2,977</u>	<u>(70,591)</u>	<u>682,501</u>
Zakat	(3,000)	(2,530)	-	-	-	(5,530)
Profit before taxation	<u>552,331</u>	<u>162,553</u>	<u>29,701</u>	<u>2,977</u>	<u>(70,591)</u>	<u>676,971</u>
Taxation						(160,880)
Net profit for the cumulative quarter						<u>516,091</u>

	< ----- Preceding year's cumulative quarter ended 31 December 2018 ----- >					
	Commercial	Investment	Insurance	Others	Elimination	Group
	Banking	Banking				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	1,356,410	552,156	-	12,036	-	1,920,602
Intersegment revenue	357,282	(31,014)	-	1,776	(328,044)	-
Segment revenue	<u>1,713,692</u>	<u>521,142</u>	<u>-</u>	<u>13,812</u>	<u>(328,044)</u>	<u>1,920,602</u>
Operating expenses of which :-	(857,063)	(355,074)	-	(10,416)	5,044	(1,217,509)
Depreciation of property and equipment	(15,327)	(9,079)	-	(172)	-	(24,578)
Amortisation of intangible assets	(13,257)	(14,344)	-	(60)	-	(27,661)
Allowances for credit impairment losses on loans, advances, financing and trade receivables/securities/other assets	(54,429)	(16,482)	-	-	-	(70,911)
Segment results	<u>802,200</u>	<u>149,586</u>	<u>-</u>	<u>3,396</u>	<u>(323,000)</u>	<u>632,182</u>
Share of results of a joint venture (net of tax)	-	-	(3,098)	-	-	(3,098)
Share of results of an associate (net of tax)	-	-	50,025	-	-	50,025
Profit before zakat and taxation	<u>802,200</u>	<u>149,586</u>	<u>46,927</u>	<u>3,396</u>	<u>(323,000)</u>	<u>679,109</u>
Zakat	(3,061)	(1,052)	-	-	-	(4,113)
Profit before taxation	<u>799,139</u>	<u>148,534</u>	<u>46,927</u>	<u>3,396</u>	<u>(323,000)</u>	<u>674,996</u>
Taxation						(147,576)
Net profit for the cumulative quarter						<u>527,420</u>

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

A26. SUBSEQUENT MATERIAL EVENT

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

A27. CHANGES IN THE COMPOSITION OF THE GROUP

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

A28. COMMITMENTS AND CONTINGENCIES

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

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

	Group		Bank	
	Principal Amount		Principal Amount	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes *	556,462	613,796	445,758	415,834
Transaction-related contingent items	1,969,168	1,943,980	1,494,531	1,662,775
Short-term self-liquidating trade-related contingencies	454,792	432,728	175,032	113,759
Obligations under an on-going underwriting agreement	-	27,000	-	-
Foreign exchange related contracts #				
- Less than one year	13,000,360	11,009,067	9,812,356	8,576,966
- One year to less than five years	927,491	400,719	207,100	96,030
Interest rate related contracts #				
- Less than one year	873,148	946,000	23,148	251,000
- One year to less than five years	3,710,000	2,800,148	1,480,000	990,148
- Five years and above	300,000	1,025,000	270,000	995,000
Irrevocable commitments to extend credit				
- Maturity less than one year	6,020,758	7,690,157	4,556,911	6,060,241
- Maturity more than one year	1,913,716	2,755,103	797,622	756,251
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrowers' creditworthiness	578,072	615,870	37,322	133,561
Unutilised credit card lines	547,266	613,506	380,117	417,558
	30,851,233	30,873,074	19,679,897	20,469,123

* Included in direct credit substitutes are financial guarantee contracts of RM556.5 million and RM445.8 million at the Group and the Bank respectively (2018: RM582.0 million and RM415.7 million at the Group and the Bank respectively), of which fair value at the time of issuance is zero.

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

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A29. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 31 December 2019												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	4,183,708	256,333	132,600	4,572,641	4,795	5,566	58	10,419	73,118	7,076	2,548	82,742
- Cross currency swaps	7,078,996	207,100	-	7,286,096	85,992	1,456	-	87,448	60,239	1,471	-	58,768
- Currency swaps	1,737,656	198,786	132,672	2,069,114	21,441	4,458	2,605	28,504	3,040	626	52	3,718
Interest rate contracts :												
- Interest rate swaps	873,148	1,532,000	2,478,000	4,883,148	918	6,648	30,931	38,497	1,099	11,270	29,194	41,562
	13,873,508	2,194,219	2,743,272	18,810,999	113,146	18,128	33,594	164,868	137,496	17,501	31,794	186,791
As at 31 December 2018												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	3,318,872	168,437	-	3,487,309	24,052	2,928	-	26,980	18,452	5,201	-	23,653
- Cross currency swaps	6,195,787	96,030	-	6,291,817	23,768	349	-	24,117	34,775	29,114	-	63,889
- Currency swaps	1,494,408	136,252	-	1,630,660	11,129	3,869	-	14,998	7,032	166	-	7,198
Interest rate contracts :												
- Interest rate swaps	946,000	2,800,148	1,025,000	4,771,148	795	2,265	19,650	22,710	1,324	3,636	13,432	18,392
	11,955,067	3,200,867	1,025,000	16,180,934	59,744	9,411	19,650	88,805	61,583	38,117	13,432	113,132

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

A29. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

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

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
BANK												
As at 31 December 2019												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	2,733,359	-	-	2,733,359	1,279	-	-	1,279	51,418	-	-	51,418
- Cross currency swaps	7,078,997	207,100	-	7,286,097	92,334	1,456	-	93,790	59,325	-	-	59,325
Interest rate contracts :												
- Interest rate swaps	23,148	462,000	1,288,000	1,773,148	353	3,247	19,556	23,156	571	4,810	20,315	25,696
	9,835,504	669,100	1,288,000	11,792,604	93,966	4,703	19,556	118,225	111,314	4,810	20,315	136,439
As at 31 December 2018												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	1,623,046	-	-	1,623,046	14,436	-	-	14,436	5,532	-	-	5,532
- Cross currency swaps	6,953,920	96,030	-	7,049,950	27,879	349	-	28,228	35,588	29,113	-	64,701
Interest rate contracts :												
- Interest rate swaps	251,000	250,148	1,735,000	2,236,148	751	1,533	16,883	19,167	788	1,484	13,155	15,427
	8,827,966	346,178	1,735,000	10,909,144	43,066	1,882	16,883	61,831	41,908	30,597	13,155	85,660

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

A29. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

Foreign exchange and interest rate related contracts are subject to market risk, credit risk and liquidity risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM50.1 million (2018 : RM69.5 million), while the notional amount of interest rate contract was RM763.1 million (2018 : RM234.1 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM279.8 million (2018 : RM272.5 million) and RM91.6 million (2018 : RM155.4 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. The exposure to liquidity risk is mitigated by entering into transactions where the underlying financial instruments are widely traded and also easily closed out through alternative markets.

Cash Requirement of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at the reporting date, there is no requirement for the Group to post any additional cash collateral on its derivative contracts.

Related Accounting Policies

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2018.

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

A30. FAIR VALUE MEASUREMENTS

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2019				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	198,219	-	198,219
- Shares and unit trusts	321,362	-	94,207	415,569
- Corporate bonds/Sukuk	-	33,312	15,032	48,344
Derivative financial assets	-	164,868	-	164,868
Financial investments at FVOCI :				
- Money market instruments	-	4,022,935	-	4,022,935
- Shares, unit trusts and REITs	-	61	180,820	180,881
- Corporate bonds/Sukuk	-	8,293,030	-	8,293,030
	321,362	12,712,425	290,059	13,323,846
Liabilities				
Derivative financial liabilities	-	186,791	-	186,791
Puttable liability - investment in funds	20,917	-	-	20,917
Other liabilities - equities trading	4,282	-	-	4,282
	25,199	186,791	-	211,990
31 December 2018				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	325,169	-	325,169
- Shares and unit trusts	141,674	-	88,928	230,602
- Corporate bonds/Sukuk	-	20,641	30,050	50,691
Derivative financial assets	-	88,805	-	88,805
Financial investments at FVOCI :				
- Money market instruments	-	4,432,952	-	4,432,952
- Shares, unit trusts and REITs	59,532	61	171,322	230,915
- Corporate bonds/Sukuk	-	10,697,891	-	10,697,891
	201,206	15,565,519	290,300	16,057,025
Liabilities				
Derivative financial liabilities	-	113,132	-	113,132
Puttable liability - investment in funds	28,868	-	-	28,868
Other liabilities - equities trading	52	-	-	52
	28,920	113,132	-	142,052

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

A30. FAIR VALUE MEASUREMENTS (Cont.)

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2019				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	60,977	-	60,977
- Unquoted shares	-	-	94,207	94,207
- Corporate bonds/Sukuk	-	-	15,032	15,032
Derivative financial assets	-	118,225	-	118,225
Financial investments at FVOCI :				
- Money market instruments	-	2,444,075	-	2,444,075
- Unquoted shares	-	-	157,818	157,818
- Corporate bonds/Sukuk	-	3,771,951	-	3,771,951
	-	6,395,228	267,057	6,662,285
Liabilities				
Derivative financial liabilities	-	136,439	-	136,439
31 December 2018				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	254,660	-	254,660
- Unquoted shares	-	-	88,928	88,928
- Corporate bonds/Sukuk	-	-	30,050	30,050
Derivative financial assets	-	61,831	-	61,831
Financial investments at FVOCI :				
- Money market instruments	-	3,372,719	-	3,372,719
- Unquoted shares	-	-	149,501	149,501
- Corporate bonds/Sukuk	-	5,622,287	-	5,622,287
	-	9,311,497	268,479	9,579,976
Liabilities				
Derivative financial liabilities	-	85,660	-	85,660

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

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

A30. FAIR VALUE MEASUREMENTS (Cont.)

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

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial period (2018: Nil).

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

	Group		Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	290,300	279,853	268,479	259,242
Sales/redemption	(15,629)	-	(15,629)	-
Net changes in income accrued	(18)	20	(18)	20
Total gains recognised in other comprehensive income	15,406	10,427	14,225	9,217
At end of the financial year	290,059	290,300	267,057	268,479

Effect of changes in significant unobservable assumptions to reasonably possible alternative

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

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A31. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components). The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio are 7.000% (2018: 6.375%), 8.500% (2018: 7.875%) and 10.500% (2018: 9.875%) respectively for year 2019.

	Group #		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
a) The components of CET 1, Tier 1 and Tier 2 capital :				
<u>CET 1</u>				
Paid-up share capital	4,774,772	4,684,752	4,774,772	4,684,752
Retained profits	3,640,073	2,928,584	3,017,227	2,408,718
Unrealised gains on FVOCI instruments	250,661	110,371	148,173	111,161
Other disclosed reserves	(61,010)	8,328	-	-
Foreign exchange reserves	135	593	-	-
	<u>8,604,631</u>	<u>7,732,628</u>	<u>7,940,172</u>	<u>7,204,631</u>
Less: Regulatory adjustments :				
- Goodwill and other intangibles	(914,693)	(906,068)	(202,670)	(182,235)
- Deferred tax assets	(3,440)	(107,704)	(12,690)	(70,239)
- 55% of cumulative unrealised gains on FVOCI instruments	(137,864)	(60,704)	(81,495)	(61,138)
- Investment in subsidiaries, joint ventures and associates	(831,440)	(770,047)	(3,781,321)	(3,766,021)
Total CET 1 Capital	<u>6,717,194</u>	<u>5,888,105</u>	<u>3,861,996</u>	<u>3,124,998</u>
<u>Additional Tier 1 Capital</u>				
Additional Tier 1 Capital	800,000	800,000	500,000	500,000
Qualifying capital instruments held by third party	25,329	19,783	-	-
	<u>825,329</u>	<u>819,783</u>	<u>500,000</u>	<u>500,000</u>
Total Tier 1 Capital	<u>7,542,523</u>	<u>6,707,888</u>	<u>4,361,996</u>	<u>3,624,998</u>
<u>Tier 2 Capital</u>				
Subordinated MTNs	2,750,000	2,200,000	2,000,000	2,000,000
Expected loss provisions	532,536	583,115	344,781	383,532
Less: Regulatory adjustments :				
- Investment in capital instruments of unconsolidated financial and insurance entities	(30,914)	(57,412)	(80,914)	(657,412)
Total Tier 2 Capital	<u>3,251,622</u>	<u>2,725,703</u>	<u>2,263,867</u>	<u>1,726,120</u>
Total Capital	<u>10,794,145</u>	<u>9,433,591</u>	<u>6,625,863</u>	<u>5,351,118</u>
b) The breakdown of risk-weighted assets :				
Credit risk	42,644,676	46,649,190	27,582,457	30,682,574
Market risk	488,422	523,804	290,399	272,300
Operational risk	3,184,235	2,962,066	1,774,869	1,899,866
Total risk-weighted assets	<u>46,317,333</u>	<u>50,135,060</u>	<u>29,647,725</u>	<u>32,854,740</u>
c) Capital adequacy ratios :				
<u>Before deducting proposed dividends :</u>				
CET 1 capital ratio	14.503%	11.744%	13.026%	9.512%
Tier 1 capital ratio	16.284%	13.380%	14.713%	11.033%
Total capital ratio	<u>23.305%</u>	<u>18.816%</u>	<u>22.349%</u>	<u>16.287%</u>
<u>After deducting proposed dividends [Note 1] :</u>				
CET 1 capital ratio	14.441%	11.924%	12.931%	9.786%
Tier 1 capital ratio	16.223%	13.559%	14.617%	11.307%
Total capital ratio	<u>23.244%</u>	<u>18.996%</u>	<u>22.253%</u>	<u>16.561%</u>

The group comprises banking and non-banking subsidiaries.

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

A31. CAPITAL ADEQUACY (Cont.)

Note 1 :

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

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

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

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

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are included in calculation of capital adequacy for the Bank. As at 31 December 2019, RIA assets included in the Total Capital Ratio calculation amounted to RM1,919.3 million (2018 : RM2,369.7 million).

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

	Economic Entity		Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
CET 1 capital ratio	11.720%	10.869%	11.720%	10.869%
Tier 1 capital ratio	13.826%	12.882%	13.826%	12.882%
Total capital ratio	20.631%	19.438%	20.631%	19.438%

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

	The Group		Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
<u>Before deducting proposed dividends :</u>				
CET 1 capital ratio	34.432%	30.644%	44.406%	34.177%
Tier 1 capital ratio	35.186%	31.194%	44.406%	34.177%
Total capital ratio	35.958%	32.005%	45.235%	35.099%
<u>After deducting proposed dividends :</u>				
CET 1 capital ratio	33.238%	30.644%	42.745%	34.177%
Tier 1 capital ratio	33.991%	31.194%	42.745%	34.177%
Total capital ratio	34.764%	32.005%	43.574%	35.099%

A32. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

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

	The Group		Bank	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	6,172,615	6,705,082	3,299,594	4,014,985
(ii) The percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	8.0%	8.0%	8.0%	8.0%

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

A33. LIQUIDITY RISK

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

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank.

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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 31 December 2019							
Assets							
Cash and short-term funds	4,605,357	-	-	-	-	-	4,605,357
Financial assets at FVTPL	-	2,173	17,497	68,187	158,706	415,569	662,132
Derivative financial assets	24,551	60,230	37,764	36,280	6,043	-	164,868
Financial investments at FVOCI	35,844	109,232	617,438	3,854,821	7,698,630	180,881	12,496,846
Financial investments at AC	703	-	499	143,864	-	-	145,066
Loans, advances and financing	3,328,334	1,786,028	1,492,217	9,821,524	27,920,954	1,038,808	45,387,865
Trade receivables	534,388	-	-	-	-	-	534,388
Other assets	94,000	229	22,282	17,105	1,140	25,194	159,950
Amount due from joint ventures	28,402	-	-	-	-	-	28,402
Amount due from associates	900	11	-	-	30,876	-	31,787
Statutory deposits with Bank Negara Malaysia	1,534,777	-	-	-	-	-	1,534,777
Other non-financial assets (Note 1)	14,038	117	21,806	37,250	-	2,516,613	2,589,824
Total assets	10,201,294	1,958,020	2,209,503	13,979,031	35,816,349	4,177,065	68,341,262
Liabilities							
Deposits from customers	17,471,093	5,857,417	25,540,509	2,219,943	-	-	51,088,962
Investment accounts of customers	-	-	439	1,008	-	-	1,447
Deposits and placements with banks and other financial institutions	1,326,780	421,678	14,794	-	-	-	1,763,252
Derivatives financial liabilities	28,461	52,231	65,928	38,008	2,163	-	186,791
Bills and acceptances payable	32,903	-	-	-	-	-	32,903
Trade payables	787,563	-	-	-	-	-	787,563
Lease liabilities	2,164	1,307	11,059	44,055	65	-	58,650
Other liabilities	181,188	38,578	859,902	173,457	15,043	-	1,268,168
Borrowings	12,235	36,144	10,551	-	2,748,213	800,000	3,607,143
Other non-financial liabilities (Note 2)	133,273	-	-	-	-	16,517	149,790
Total liabilities	19,975,660	6,407,355	26,503,182	2,476,471	2,765,484	816,517	58,944,669

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

Note 2 : Other non-financial liabilities include deferred tax liabilities, provision for taxation, defined contribution plan and accrued employee benefits.

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

A33. LIQUIDITY RISK (Cont.)

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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 31 December 2018							
Assets							
Cash and short-term funds	6,331,798	-	-	-	-	-	6,331,798
Deposits and placements with banks and other financial institutions	-	71,801	-	-	-	-	71,801
Financial assets at FVTPL	1,285	727	1,576	228,585	113,688	260,601	606,462
Derivative financial assets	30,300	26,681	16,979	8,803	6,042	-	88,805
Financial investments at FVOCI	228,192	817,447	645,603	5,446,684	7,911,399	312,433	15,361,758
Financial investments at AC	14,444	-	1,954	146,629	-	-	163,027
Loans, advances and financing	3,674,905	1,945,475	1,735,631	9,700,401	30,076,394	1,259,206	48,392,012
Trade receivables	369,145	469	37	-	-	-	369,651
Other assets	76,269	470	13,967	16,016	1,169	30,993	138,884
Amount due from joint ventures	31,295	-	-	-	-	-	31,295
Amount due from associates	-	41	-	-	57,676	-	57,717
Statutory deposits with Bank Negara Malaysia	1,946,669	-	-	-	-	-	1,946,669
Other non-financial assets (Note 1)	70,239	-	-	-	-	2,346,354	2,416,593
Total assets	12,774,541	2,863,111	2,415,747	15,547,118	38,166,368	4,209,587	75,976,472
Liabilities							
Deposits from customers	18,931,969	10,987,337	24,190,584	3,236,557	-	-	57,346,447
Investment accounts of customers	-	-	-	875	-	-	875
Deposits and placements with banks and other financial institutions	2,619,473	1,603,437	624,002	-	-	-	4,846,912
Obligation on securities sold under repurchase agreements	142,477	-	-	-	-	-	142,477
Derivatives financial liabilities	24,633	22,870	24,419	38,853	2,357	-	113,132
Bills and acceptances payable	32,585	-	-	-	-	-	32,585
Trade payables	600,974	-	-	-	-	-	600,974
Other liabilities	153,502	39,685	537,753	188,574	27,420	651	947,585
Borrowings	12,236	36,143	5,433	-	2,200,000	800,000	3,053,812
Other non-financial liabilities (Note 2)	135,058	-	-	-	-	15,379	150,437
Total liabilities	22,652,907	12,689,472	25,382,191	3,464,859	2,229,777	816,030	67,235,236

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

Note 2 : Other non-financial liabilities include deferred tax liabilities, provision for taxation, defined contribution plan and accrued employee benefits.

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

A33. LIQUIDITY RISK (Cont.)

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

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank.

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

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 31 December 2019							
Assets							
Cash and short-term funds	2,317,369	-	-	-	-	-	2,317,369
Deposits and placements with banks and other financial institutions	-	41,368	-	-	-	-	41,368
Investment accounts due from designated financial institutions	-	-	831	460,665	1,450,919	-	1,912,415
Financial assets at FVTPL	-	536	15,032	-	60,441	94,207	170,216
Derivative financial assets	22,553	52,860	27,951	9,891	4,970	-	118,225
Financial investments at FVOCI	13,630	88,898	195,622	3,035,404	2,882,472	157,818	6,373,844
Financial investments at AC	-	-	499	100,000	-	-	100,499
Loans, advances and financing	2,195,353	1,234,613	1,077,260	7,467,331	13,303,605	451,897	25,730,059
Other assets	26,514	-	13,840	6,472	1,113	12,944	60,883
Amount due from subsidiaries	1,318	-	-	-	-	-	1,318
Amount due from associate	-	11	-	-	30,876	-	30,887
Statutory deposits with Bank Negara Malaysia	857,377	-	-	-	-	-	857,377
Other non-financial assets (Note 1)	14,037	117	5,806	36,146	-	4,659,253	4,715,359
Total assets	5,448,151	1,418,403	1,336,841	11,115,909	17,734,396	5,376,119	42,429,819
Liabilities							
Deposits from customers	10,156,825	3,025,278	15,438,572	1,514,575	-	-	30,135,250
Deposits and placements with banks and other financial institutions	586,239	39,298	20,548	-	-	-	646,085
Derivatives financial liabilities	22,534	43,062	56,312	12,368	2,163	-	136,439
Bills and acceptances payable	32,903	-	-	-	-	-	32,903
Lease liabilities	1,373	119	5,815	36,847	65	-	44,219
Other liabilities	-	-	329,390	19,373	8,528	-	357,291
Amount due to subsidiaries	55,899	-	-	-	-	-	55,899
Borrowings	12,235	36,144	-	-	2,000,000	500,000	2,548,379
Other non-financial liabilities (2)	61,257	-	-	-	-	-	61,257
Total liabilities	10,929,265	3,143,901	15,850,637	1,583,163	2,010,756	500,000	34,017,722

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

Note 2 : Other non-financial liabilities include defined contribution plan and accrued employee benefits.

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

A33. LIQUIDITY RISK (Cont.)

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

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 31 December 2018							
Assets							
Cash and short-term funds	2,569,003	-	-	-	-	-	2,569,003
Deposits and placements with banks and other financial institutions	-	113,610	-	-	-	-	113,610
Investment accounts due from designated financial institutions	2,177,662	189,049	-	-	-	-	2,366,711
Financial assets at FVTPL	1,277	727	1,576	148,140	102,990	118,928	373,638
Derivative financial assets	15,586	24,376	13,531	2,530	5,808	-	61,831
Financial investments at FVOCI	178,650	663,197	625,165	3,885,151	3,642,843	149,501	9,144,507
Financial investments at AC	14,444	-	614	99,588	-	-	114,646
Loans, advances and financing	2,350,159	1,215,484	1,141,156	8,193,808	14,876,581	720,961	28,498,149
Other assets	23,854	7	8,215	6,055	1,114	21,178	60,423
Amount due from subsidiaries	420	-	-	-	-	-	420
Amount due from associates	-	41	-	-	57,176	-	57,217
Statutory deposits with Bank Negara Malaysia	1,238,069	-	-	-	-	-	1,238,069
Other non-financial assets (Note 1)	70,238	-	-	-	-	4,462,147	4,532,385
Total assets	8,639,362	2,206,491	1,790,257	12,335,272	18,686,512	5,472,715	49,130,609
Liabilities							
Deposits from customers	11,447,652	6,450,009	13,583,419	2,080,139	-	-	33,561,219
Deposits and placements with banks and other financial institutions	2,078,911	1,597,935	624,002	-	-	-	4,300,848
Derivatives financial liabilities	12,981	21,701	17,657	30,964	2,357	-	85,660
Bills and acceptances payable	32,585	-	-	-	-	-	32,585
Other liabilities	7,874	-	357,475	128,157	15,287	-	508,793
Amount due to subsidiaries	109,399	-	-	-	-	-	109,399
Borrowings	12,236	36,143	-	-	2,000,000	500,000	2,548,379
Other non-financial liabilities (Note 2)	62,782	-	-	-	-	-	62,782
Total liabilities	13,764,420	8,105,788	14,582,553	2,239,260	2,017,644	500,000	41,209,665

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

Note 2 : Other non-financial liabilities include defined contribution plan and accrued employee benefits.

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	
	31/12/2019 RM'000	31/12/2018 RM'000
ASSETS		
Cash and short-term funds	1,588,868	3,210,533
Derivative financial assets	1,000	2,042
Financial investments at FVOCI	2,390,806	2,804,257
Financing, advances and other financing	18,580,253	18,617,860
Other assets	34,593	43,194
Amount due from holding company	53,946	107,722
Amount due from joint ventures	28,402	31,295
Amount due from associate	900	500
Taxation recoverable	15,550	-
Deferred tax assets	-	17,993
Statutory deposits with Bank Negara Malaysia	526,000	512,000
Investment in associate	750	750
Property and equipment	1,980	2,677
Right-of-use assets	1,554	-
Intangible assets	771	670
TOTAL ASSETS	23,225,373	25,351,493
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers	17,306,338	19,687,388
Investment accounts of customers	1,447	875
Deposits and placements of banks and other financial institutions	536,011	245,582
Investment accounts due to designated financial institutions	1,918,295	2,368,295
Derivative financial liabilities	6,757	4,289
Other liabilities	422,685	89,863
Provision for taxation	-	8,743
Deferred tax liabilities	2,604	-
Lease liabilities	1,568	-
Subordinated term financing and medium term notes	1,111,034	1,111,231
TOTAL LIABILITIES	21,306,739	23,516,266
ISLAMIC BANKING CAPITAL FUNDS		
Share capital	1,060,000	1,060,000
Reserves	858,634	775,227
Total Islamic Banking Capital Funds	1,918,634	1,835,227
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	23,225,373	25,351,493
COMMITMENTS AND CONTINGENCIES	4,051,316	5,543,823

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

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

(ii) Unaudited Income Statements

	Economic Entity			
	Individual Quarter Ended 31/12/2019	Individual Quarter Ended 31/12/2018	Cumulative Quarter Ended 31/12/2019	Cumulative Quarter Ended 31/12/2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	263,151	254,321	1,113,114	945,482
Income derived from investment of investment accounts	27,941	46,302	107,323	122,023
Income derived from investment of shareholders' funds	27,775	24,267	104,541	91,315
Allowances for impairment losses on financing, advances and other financing	(37,603)	419	(54,848)	(19,403)
Allowance for impairment losses on other assets	(2,757)	-	(4,690)	(5,719)
Total distributable income	278,507	325,309	1,265,440	1,133,698
Income attributable to the depositors and others	(207,162)	(228,106)	(907,355)	(751,947)
Total net income	71,345	97,203	358,085	381,751
Other operating expenses	(63,671)	(59,039)	(261,923)	(223,259)
Profit before zakat and taxation	7,674	38,164	96,162	158,492
Zakat	-	-	(3,000)	(3,061)
Profit before taxation	7,674	38,164	93,162	155,431
Taxation	(4,936)	(10,410)	(26,075)	(42,989)
Net profit for the financial period/year	2,738	27,754	67,087	112,442

(iii) Unaudited Statements of Comprehensive Income

	Economic Entity			
	Individual Quarter Ended 31/12/2019	Individual Quarter Ended 31/12/2018	Cumulative Quarter Ended 31/12/2019	Cumulative Quarter Ended 31/12/2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period/year	2,738	27,754	67,087	112,442
Other comprehensive income :				
<u>Items that may be reclassified subsequently to profit and loss :</u>				
- Net fair value change in financial investments at FVOCI	(17,885)	24,616	21,730	12,275
- Net credit impairment losses change in financial investments at FVOCI	(131)	48	26	42
- Net (gains)/losses on financial investments at FVOCI reclassified to profit or loss on disposal	(106)	525	(290)	659
- Deferred tax on financial investments at FVOCI	4,317	(6,034)	(5,146)	(3,104)
Other comprehensive income for the financial period/year, net of tax	(13,805)	19,155	16,320	9,872
Total comprehensive income for the financial period/year	3,392	66,473	83,407	122,314

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 2019	1,060,000	3,172	194,384	577,671	1,835,227
Comprehensive income :					
- Net profit for the financial year	-	-	-	67,087	67,087
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	16,320	-	-	16,320
Total comprehensive income	-	16,320	-	67,087	83,407
Transfer to regulatory reserves	-	-	42,498	(42,498)	-
At 31 December 2019	1,060,000	19,492	236,882	602,260	1,918,634

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 2018	1,060,000	(6,700)	75,799	583,814	1,712,913
Comprehensive income :					
- Net profit for the financial year	-	-	-	112,442	112,442
Other comprehensive income (net of tax) :					
- Financial investments at FVOCI	-	9,872	-	-	9,872
Total comprehensive income for the financial year	-	9,872	-	112,442	122,314
Transfer to regulatory reserves	-	-	127,328	(127,328)	-
At 31 December 2018	1,060,000	3,172	203,127	568,928	1,835,227

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	
	31/12/2019	31/12/2018
	RM'000	RM'000
(v) Financing, advances and other financing		
By type		
Cash line	469,379	374,079
Term financing		
- Housing financing	7,351,173	6,434,202
- Syndicated financing	746,036	700,118
- Hire purchase receivables	3,820,401	4,243,662
- Business term financing	4,885,355	5,591,252
Bills receivables	11,668	5,150
Trust receipts	30,232	16,329
Claims on customers under acceptance credits	447,486	352,435
Staff financing of which RM Nil to Directors (2018: RM Nil)	62,761	42,224
Credit/charge cards	30,828	11,408
Revolving credit	897,504	976,018
Gross financing, advances and other financing	18,752,823	18,746,877
Less : ECL	(172,570)	(129,017)
Total net financing, advances and other financing	18,580,253	18,617,860
(vi) Movements of impaired financing		
At beginning of the financial year, as previously stated	530,829	142,310
Effect of adoption of MFRS 9	-	(594)
At beginning of the financial year, as restated	530,829	141,716
Classified as impaired	315,874	551,758
Reclassified as non-impaired	(183,350)	(117,229)
Amount recovered	(35,889)	(27,139)
Amount written-off	(20,152)	(18,277)
At end of the financial year	607,312	530,829
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (excludes RIA).	2.47%	2.05%

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

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

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

	12-Month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Economic Entity 31/12/2019				
At beginning of the financial year	50,292	10,864	67,861	129,017
Total transfer between stages due to change in credit risk :	6,337	25,385	(31,722)	-
- Transfer to 12-month ECL (Stage 1)	9,134	(7,380)	(1,754)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,772)	36,096	(33,324)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(25)	(3,331)	3,356	-
Financing, advances and other financing derecognised (other than write-offs)	(31,489)	(2,865)	(1,909)	(36,263)
New financing, advances and other financing originated or purchased	30,171	1,702	10,681	42,554
Changes due to change in credit risk	(9,546)	(19,562)	72,892	43,784
Changes in models/risk parameters	5,278	1,647	6,805	13,730
Write-offs	-	-	(19,399)	(19,399)
Other adjustments	-	-	(853)	(853)
At end of the financial year	51,043	17,171	104,356	172,570
Economic Entity 31/12/2018				
At beginning of the financial year, on adoption of MFRS 9	54,528	10,975	58,334	123,837
Total transfer between stages due to change in credit risk :	8,431	4,517	(12,948)	-
- Transfer to 12-month ECL (Stage 1)	13,357	(13,195)	(162)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,091)	33,102	(29,011)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(835)	(15,390)	16,225	-
Financing, advances and other financing derecognised (other than write-offs)	(32,808)	(2,871)	(221)	(35,900)
New financing, advances and other financing originated or purchased	40,327	1,130	7	41,464
Changes due to change in credit risk	(20,186)	(2,887)	41,966	18,893
Write-offs	-	-	(18,225)	(18,225)
Other adjustments	-	-	(1,052)	(1,052)
At end of the financial year	50,292	10,864	67,861	129,017

(viii) Deposits from customers

	Economic Entity	
	31/12/2019 RM'000	31/12/2018 RM'000
<u>Qard</u>		
Demand deposits	2,954,170	2,598,371
Savings deposits	647,064	600,701
	<u>3,601,234</u>	<u>3,199,072</u>
<u>Mudarabah</u>		
General investment deposits	61,558	68,476
<u>Tawarruq</u>		
Murabahah term deposits	13,241,472	16,024,673
Commodity Murabahah Deposit	402,074	395,167
	<u>13,643,546</u>	<u>16,419,840</u>
Total deposits from customers	<u>17,306,338</u>	<u>19,687,388</u>

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 31/12/2019 against preceding year's corresponding quarter ended 31/12/2018

	Individual Quarter Ended		Changes		Cumulative Quarter Ended		Changes	
	31/12/2019 RM'000	31/12/2018 RM'000	RM'000	%	31/12/2019 RM'000	31/12/2018 RM'000	RM'000	%
Net Income	487,047	453,558	33,489	7.38	1,931,750	1,920,602	11,148	0.58
Operating Profit	148,975	176,398	(27,423)	(15.55)	652,341	632,182	20,159	3.19
Profit Before Zakat and Tax	166,440	187,263	(20,823)	(11.12)	682,501	679,109	3,392	0.50
Profit Before Tax	166,226	187,027	(20,801)	(11.12)	676,971	674,996	1,975	0.29
Profit After Tax	131,717	151,914	(20,197)	(13.30)	516,091	527,420	(11,329)	(2.15)
Profit attributable to equity holders of the Bank	122,105	143,750	(21,645)	(15.06)	487,766	503,086	(15,320)	(3.05)

The Group reported a lower profit before taxation ("PBT") of RM166.2 million for the current financial quarter as compared to RM187.0 million for the preceding year's corresponding quarter. For the year ended 31 December 2019, the Group's PBT of RM677.0 million however indicated a slight improvement of RM2.0 million or 0.3% as compared to RM675.0 million achieved in the previous year. The improved performance was mainly due to higher net gain on financial instruments and Islamic banking income of RM141.1 million and RM12.5 million respectively and lower allowance for impairment losses of RM15.4 million, offset by lower net interest income, other income and net fee and commission income totaling RM142.4 million. For the year under review, the share of profits in an associate was lower by RM16.0 million while the share of losses in joint venture was higher by RM0.8 million.

Commercial Banking

AFFIN Bank Berhad ("the Bank" or "ABB") reported a lower PBT of RM125.5 million for the current financial quarter as compared to RM202.9 million for the preceding year's corresponding quarter. For the year ended 31 December 2019, ABB also reported a lower PBT of RM460.1 million, a decrease of RM214.9 million or 31.8% as compared to RM675.0 million achieved in the previous year. This was mainly attributable to lower net interest income of RM85.0 million and lower other income due to lower dividend income of RM252.0 million received from subsidiaries and gain of RM31.0 million on winding-up of AFFIN Recoveries in previous year, offset by higher net gain on financial instruments of RM76.3 million and lower overhead expenses of RM51.0 million. In addition, there was a write-back of credit impairment losses of RM26.2 million for the year under review as compared to an allowance of RM24.8 million in the previous year.

AFFIN Islamic Bank Berhad ("AiBB") registered a lower PBT of RM7.7 million for the current financial quarter as compared to RM38.2 million for the preceding year's corresponding quarter. For the year ended 31 December 2019, AiBB also registered a lower PBT of RM93.2 million as compared to RM155.4 million achieved in the previous year. For the year under review, an increase in net gain on financial instruments of RM77.0 million were not sufficient to cushion lower net finance income of RM58.9 million, higher overhead expenses and allowance for credit impairment losses of RM38.7 million and RM35.4 million respectively.

Investment Banking

The results of the investment banking segment was attributed to the results of AFFIN Hwang Investment Bank Berhad ("AFFIN Hwang IB") Group.

The AFFIN Hwang IB Group reported a lower PBT of RM29.2 million for the current financial quarter as compared to RM36.5 million for the preceding year's corresponding quarter. For the year ended 31 December 2019, AFFIN Hwang IB Group's however reported a higher PBT of RM174.5 million as compared to RM160.5 million achieved in the previous year. The increase in net gain on financial instruments of RM64.8 million was partially offset by the reduction in both net fee and commission income and net interest income of RM15.9 million and RM13.0 million respectively and higher overhead expenses by RM15.3 million and allowance for impairment losses of RM4.7 million.

The 63%-owned subsidiary namely AFFIN Hwang Asset Management Berhad ("AHAM"), contributed a slightly lower PBT of RM35.3 million for the current financial quarter as compared to RM35.4 million for the preceding year's corresponding quarter. For the year ended 31 December 2019, AHAM however registered higher PBT RM109.4 million as compared to RM105.6 million achieved in the previous year, mainly due to higher in both net fee and commission income and net gain on financial instruments totaling RM16.1 million, offset by higher overhead expenses of RM11.3 million.

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

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

Insurance

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

AALI reported a pre-tax profit of RM2.6 million for the current financial quarter as compared to a pre-tax loss of RM0.9 million for the preceding year's corresponding quarter. For the year ended 31 December 2019, AALI however reported a pre-tax loss of RM7.0 million, a slight decrease of RM0.3 million as compared to RM7.3 million achieved in the previous year. A slight improvement in pre-tax loss was mainly due to higher underwriting profit of RM26.8 million and investment income of RM16.5 million, offset by higher reserves for future policyholders' liabilities and overhead expenses of RM25.6 million and RM9.8 million.

AAGI reported a higher pre-tax profit of RM39.7 million for the current financial quarter as compared to RM33.6 million for the preceding year's corresponding quarter. For the year ended 31 December 2019, AAGI however reported a lower pre-tax profit of RM82.7 million as compared to RM140.0 million achieved in the previous year. This downward performance was mainly attributable to lower earned premium of RM47.4 million, higher net claims incurred of RM19.7 million attributed largely to Motor and Personal Accident and lower gain on disposal of investments of RM11.5 million. These were partially offset by higher investment income of RM11.4 million and lower net commission paid of RM9.5 million.

Other business segment

The results of other business segment was made up of the pretax profit of RM2.5 million of AFFIN Moneybrokers Sdn Bhd ("AMB") for the year ended 31 December 2019.

AMB reported a higher PBT of RM0.5 million for the current financial quarter as compared to RM0.4 million for preceding year's corresponding quarter. For the year ended 31 December 2019, AMB also reported a higher PBT of RM2.5 million as compared to RM1.5 million achieved in the previous year, mainly due to higher brokerage income of RM2.3 million, net of higher overhead expenses of RM1.6 million.

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

Table 2 : Financial review for current quarter against preceding quarter

	Current Financial Quarter	Preceding Financial Quarter	Changes	
	31/12/2019 RM'000	30/09/2019 RM'000	RM'000	%
Net income	487,047	474,260	12,787	2.70
Operating Profit	148,975	111,911	37,064	33.12
Profit Before Zakat and Tax	166,440	111,735	54,705	48.96
Profit Before Tax	166,226	110,729	55,497	50.12
Profit After Tax	131,717	77,551	54,166	69.85
Profit attributable to equity holders of the Bank	122,105	72,399	49,706	68.66

The Group's pre-tax profit of RM166.2 million for the current financial quarter indicated an increase of RM55.5 million or 50.1% as compared to RM110.7 million achieved in the preceding quarter. The improved performance was mainly due to lower overhead expenses of RM25.8 million, higher net fee and commission income of RM11.9 million and higher Islamic banking income of RM12.4 million.

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

B3. PROSPECTS FOR FINANCIAL YEAR 2019

The Group recorded a profit before tax and zakat of RM682.5.0 million for financial year ended 31 December 2019, with the expansion in total net income and overhead expenses by 0.58% and 0.53% respectively.

Gross loan, advances and financing shrunk by RM3.0 billion or 6.15%, closing at RM46.0 billion as at 31 December 2019. Total customer deposits also decreased by RM6.3 billion or 10.9% to RM51.1 billion.

The Group's Total Capital ratio was at 23.244%, while Common Equity Tier 1 and Tier 1 ratios stood at 14.441% and 16.223% respectively as at 31 December 2019.

ECONOMIC AND BUSINESS OUTLOOK FOR 2020

Malaysia's economic growth is projected to expand by 4.0% in 2020, slightly lower than 4.7% estimated for 2019, dragged by uncertainties from external front especially the unresolved trade dispute between US and China. Private consumption will remain healthy and expand at a steady pace supported by continued consumer spending following several government measures announced during Budget 2020 while private investment will likely improve with the resumption of several mega infrastructure projects. The external demand is projected to slow down next year weighed down by the prolonged trade tensions between US and China as well as softer global growth. Inflation is projected to trend higher averaging about 1.8% to 2.0%.

The property market is expected to remain sluggish in 2020 affected by affordability issues, lower economic growth and high levels of unsold stock. Margin pressures could continue amid the challenging environment as it will be difficult for developers to pass on costs via higher selling prices given that house buyers have more options to choose from. Developers with low land cost will have the edge to remain competitive. The main focus of most developers is clearing inventories by offering discounts to buyers. This inventory clearing will enable developers to monetize the assets and strengthen their balance sheets to weather through the prolonged demand weakness.

In 2020, the Malaysian banking sector is anticipated to continue operating in a challenging environment with the prolonged US-China trade war and global growth moderating across developed and emerging economies, coupled with policy uncertainties and geopolitical tensions. The sector will remain stable but soft going forward with a modest growth outlook. The loan growth will remain subdued but stable with added headwinds from rising gross impaired loans and margin contractions due to expected overnight policy rate cut and increase in credit costs. The impact would be flattish loan growth, compression of net interest margin and risk of deteriorating asset quality.

Loan growth in year 2020 would be supported mainly by the household sector, particularly lending for the purchase of residential property. Loan demand from the businesses is expected to remain subdued but stable. Given the challenging business environment, banks would thrive hard to sustain its profitability and the focus would be on improving fee based income, boosting productivity and efficiency and strengthen asset quality apart from improving capital management activities. Banks will focus on organic growth and build resilience in the business operations. BNM will likely adopt an accommodative monetary policy in year 2020 in tandem with other global central banks and the Overnight Policy Rate will likely to be cut by another 25bps to 2.75% by 1H2020 if the economy slows down further. This move would exert more downward pressure on the banks profit margins.

GROUP STRATEGY MOVING FORWARD

The Group will soon celebrate its second anniversary as the Group's Apex entity and have seen closer collaboration between AHIB, AHAM, AAGI and AALI in the space of syndicated deals, products and trainings.

In September 2019, AFFINBANK launched the new AffinOnline Internet Banking for a whole new banking experience. The new Internet Banking plays a pivotal role in the Bank's efforts to reimagine banking experience leveraging on digital innovations. Having now achieved a greater level in customer experience, AFFINBANK will continue striving forward, creating a seamless, easy-to-use digital proposition at all customer touchpoints. The new digital offerings will enhance the Group's unique selling proposition to new customers, enhance customer experience and boost CASA position.

The Bank is upgrading its capabilities and operating efficiencies specifically on digital front in enriching customer experience. Customers are now enjoying the new AFFIN Pay (virtual debit/credit card) launched in June 2019 for their cashless transactions. The Mobile Internet Banking is in the pipeline. On the Corporate Banking side, the new Transaction Banking System will enable AFFINBANK to on board new customers and enhance existing customers' experience. On the Small and Medium Enterprises ('SME') front, the new SME colony was launched in July 2019. At the same time, AFFINBANK is also working with renowned FinTech partners on technology driven initiatives.

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

The Group will continuously invest on the digital front to provide innovative offering to customers as well as to enhance operational efficiency. Leveraging on the Group's infrastructure, the Bank will continue to strengthen its existing offerings, accelerate the development of its digital banking solutions and further improve its innovativeness to meet customers' requirements towards becoming a premier partner for financial growth and innovative services.

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

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	39,423	91,604	152,177	211,722
(Over)/under provision in prior years	(4)	19,709	(56,695)	6,196
Deferred tax (income)/expense :				
- Relating to originating temporary differences	(4,910)	(76,200)	65,398	(70,342)
	34,509	35,113	160,880	147,576
Bank				
Malaysian income tax	26,649	60,711	90,284	120,200
(Over)/under provision in prior years	-	-	(42,577)	9,747
Deferred tax (income)/expense :				
- Relating to originating temporary differences	(907)	(42,140)	48,296	(49,044)
	25,742	18,571	96,003	80,903

For the current period and preceding year's corresponding period, the Group's 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.

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

B6. STATUS OF CORPORATE PROPOSALS

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

B7. DEPOSITS, LEASE LIABILITIES AND BORROWINGS

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
(i) <u>Deposits from Customers</u>				
<u>By Type of Deposit :</u>				
Demand Deposits	7,417,574	6,830,259	4,468,875	4,245,815
Savings Deposits	2,334,653	2,109,239	1,687,588	1,508,539
Fixed Deposits	39,137,401	42,820,134	22,194,938	22,702,344
Commodity Murabahah Deposits	402,074	395,167	-	-
Money Market Deposits	1,278,950	1,256,223	1,278,950	1,256,223
Negotiable Instruments of Deposits ("NID")	485,021	3,838,419	504,899	3,848,298
Others	33,289	97,006	-	-
	51,088,962	57,346,447	30,135,250	33,561,219
 <u>Maturity structure of fixed deposits, NID and others :</u>				
Due within six months	20,975,454	29,459,431	10,939,740	16,890,847
Six months to one year	16,480,637	14,371,113	10,245,509	7,579,649
One year to three years	1,886,591	2,521,315	1,477,277	2,054,033
Three years to five years	313,029	403,700	37,311	26,113
	39,655,711	46,755,559	22,699,837	26,550,642
 <u>By Type of Customer :</u>				
Government and statutory bodies	8,022,642	12,148,553	1,024,448	2,205,373
Business enterprises	12,585,286	15,343,682	7,284,828	9,111,267
Individuals	23,504,126	16,220,138	18,197,263	14,289,446
Domestic banking institutions	494,213	3,915,899	513,669	3,932,579
Domestic non-banking financial institutions	5,060,498	8,446,052	2,050,604	3,133,150
Foreign entities	716,175	547,452	567,667	431,780
Others	706,022	724,671	496,771	457,624
	51,088,962	57,346,447	30,135,250	33,561,219
 (ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>				
<u>By Type of Institution :</u>				
Licensed banks	614,958	2,371,858	227,497	2,154,065
Licensed investment banks	395,889	153,398	-	-
Bank Negara Malaysia	4,675	361,359	4,675	361,359
Other financial institutions	747,730	1,960,297	413,913	1,785,424
	1,763,252	4,846,912	646,085	4,300,848
 <u>Maturity structure of deposits :</u>				
Due within six months	1,763,252	4,772,885	646,085	4,226,821
Six months to one year	-	74,027	-	74,027
	1,763,252	4,846,912	646,085	4,300,848
 (iii) <u>Lease Liabilities</u>				
At beginning of financial year, on adoption of MFRS 16	70,741	-	57,893	-
Additions	22,762	-	10,610	-
Termination of contracts	(104)	-	-	-
Interest/Profit expense	2,512	-	1,885	-
Lease payment	(37,261)	-	(26,169)	-
At end of the financial year	58,650	-	44,219	-

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

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

	Group		Bank	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
(iv) Borrowings				
(a) Tier-2 Subordinated Medium Term Notes ('MTN')	2,036,143	2,036,144	2,036,143	2,036,144
(b) Additional Tier-1 Capital Securities ('AT1CS')	512,236	512,235	512,236	512,235
(c) Additional Tier-1 Sukuk Wakalah ('AT1S')	303,425	303,483	-	-
(d) MTN Tier-2 Sukuk Murabahah	755,339	201,950	-	-
	<u>3,607,143</u>	<u>3,053,812</u>	<u>2,548,379</u>	<u>2,548,379</u>

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

ABB had, on 7 February 2017 and 20 September 2017, issued 2 tranches of Tier-2 Subordinated MTNs of RM1.0 billion each out of its approved BASEL III Compliant MTN programme of up to RM6.0 billion in nominal value. The Subordinated MTNs were issued for a tenure of 10 years from the issue date on a 10-year non-callable 5-year basis, at a coupon rate of 5.45% and 5.03% respectively. The MTNs were issued for the purpose of general banking business and working capital requirements of ABB.

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

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

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

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

(d) MTN Tier-2 Sukuk Murabahah

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

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

B8. MATERIAL LITIGATION

- a) A claim by the Plaintiff against the Bank vide Writ of Summons and Statement of Claim dated 22 January 2016 ("Writ") for the following:-
- RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
 - SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
 - RM776,331.00 being alleged losses of Plaintiff's shares in Berlian Ferries Pte. Ltd which was transferred out as a result of his bankruptcy in 2013 with interest at 5% per annum from 2013 till full settlement as alleged losses;
 - RM500,000 as cost in respect of legal proceedings in Singapore.

The Bank had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ("Suria") a credit facility of RM21.6 million ("Facility") against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Puan Norashikin Binti Abdul Latiff ("Guarantor").

Suria, the Plaintiff and the Guarantor ("All") defaulted in the Facility which led to the Bank filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ("Chenet") being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ("DGI") as receiver of Plaintiff's Estate. On 29 January 2018, the full trial of the suit has been fixed on 27, 28 and 29 August 2018. On 30 July 2018, the Court fixed the Case Management on 15 August 2018. Hearing was part heard on 27 August 2018 and was postponed to 2 October 2018 which was further postponed to 16 and 17 October 2018 as plaintiff was admitted to hospital. On 16 October 2018, the trial dates were vacated as the presiding Judge informed that he will be transferred and a new Judge will take over the matter. On 5 December 2018, matter came up for Case Management before the new Judge, YA Dato' Ahmad bin Bache (who took over the matter from the previous Judge), whereby the Court fixed new trial dates on 25 to 28 March 2019 and 8 to 11 April 2019. On 11 April 2019, the Plaintiff requested for an adjournment as he was unwell. The High Court fixed 23 May 2019 for Case Management for parties to update on mediation efforts. Mediation was unsuccessful. However as the Federal Court reinstated his bankruptcy on 26 August 2019, the hearings at the High Court cannot proceed until sanction from the DGI has been obtained. Sanction of the DGI was obtained on 6 December 2019. Next Case Management date fixed on 22 January 2020. Continued hearing dates fixed from 13 to 15 April 2020 and 8 to 11 June 2020.

The Plaintiff's claim ("Claim") is premised on alleged wrongful acts by the Bank as follows:-

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ("NDSB shares") which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, Plaintiff claims damages under (i) above;
- allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- the Bank had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between the Bank and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- the Bank had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- the Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

The Bank has a good defence ("Defence") on the merits with regard to each of the alleged wrongful act as follows:-

- the sale of NDSB Shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of the Bank pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- the Bank's legal firm has corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied;
- the Claim for cost is unreasonable as the Bank was not in any way involved in the Singapore proceedings.

The above Claim against the Bank by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of the Bank are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will only materialize if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material, financial and operational impact on the Bank for the period under review.

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

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

B9. DIVIDENDS

The Board proposed a final single-tier dividend in respect of the current financial year ended 31 December 2019 of 7 sen per ordinary share ("Proposed Final Dividend"), amounting to dividend payable of RM139,021,409 (based on 1,986,020,123 ordinary shares in issue as at 31 December 2019), subject to shareholders' approval at the forthcoming Annual General Meeting of the Bank, as follows:

Amount per share	:	7.0 sen per share
Previous financial year	:	5.0 sen per share
Date payable	:	To be determined and announced later
Date of entitlement	:	To be determined and announced later
Total dividend for the current financial year	:	7.0 sen per share

The Proposed Final Dividend consists of an electable portion of 100% or 7 sen per ordinary share amounting to RM139,021,409 which can be reinvested into new shares in the Bank ("Reinvestment Option"). Any part of the Reinvestment Option which is not exercised by the shareholders into new ABB shares will be paid in cash.

Pursuant to Paragraph 8.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Proposed Final Dividend will be paid no later than three (3) months from the date of approval of the shareholders to be obtained at the forthcoming Annual General Meeting of the Bank.

The books closure date will be announced by the Bank at a later date.

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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net profit attributable to equity holders of the Bank (RM'000)	122,105	143,750	487,766	503,086
Weighted average number of ordinary shares in issue	1,983,542,032	1,942,948,547	1,983,542,032	1,942,948,547
Basic earnings per share (sen)	6.15	7.40	24.59	25.89

Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net profit attributable to equity holders of the Bank (RM'000)	99,797	184,313	364,121	594,006
Weighted average number of ordinary shares in issue	1,983,542,032	1,942,948,547	1,983,542,032	1,942,948,547
Basic earnings per share (sen)	5.03	9.49	18.36	30.57

(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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net profit attributable to equity holders of the Bank (RM'000)	122,105	143,750	487,766	503,086
Diluted weighted average number of ordinary shares in issue	2,060,408,869	1,986,020,123	2,060,408,869	1,986,020,123
Diluted earnings per share (sen)	5.93	7.24	23.67	25.33

Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net profit attributable to equity holders of the Bank (RM'000)	99,797	184,313	364,121	594,006
Diluted weighted average number of ordinary shares in issue	2,060,408,869	1,942,948,547	2,060,408,869	1,986,020,123
Diluted earnings per share (sen)	4.84	9.49	17.67	29.91

Group and Bank		
31/12/2019	31/12/2018	
Basic weighted average number of ordinary shares in issue	1,983,542,032	1,942,948,547
Number of potential ordinary shares in issue	76,866,837	43,071,576
Diluted weighted average number of ordinary shares in issue	2,060,408,869	1,986,020,123

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

B11. EMPLOYEE STOCK OPTION INCENTIVE SCHEME

A subsidiary of the Bank, AHAM, has established and implemented a stock option incentives scheme for its key employees. The shareholders of the subsidiary have approved the scheme on 24 July 2014 and the subsidiary has adopted the scheme which provides for key employees to be vested with options of the subsidiary.

The stock option incentive scheme is designed to provide long-term incentives for key employees to improve the growth and profitability of the Group and its subsidiary and to encourage them to continue in the employment of the subsidiary.

The main features of the stock option incentive scheme are, inter alia, as follows:

- Eligible persons are key employees as defined by the stock option agreement.
- The grant of the option is deemed to be incorporated in the terms of employment of the key employees with the Company.
- The stock option will vest and become exercisable by the grantees in accordance with the supplemental stock option agreement on a fix date.
- The stock option incentive scheme shall be in force until 2024. All remaining vested options which have not been exercised will expire on the expiration date.
- The stock option granted with the non-market performance vesting conditions. Generally, the vesting conditions of the stock option can be classified into four categories which are based on joining, time linked, performance linked and bonus kicker.

Movements in the number of stock option awarded are as follows:

Grant date	Granted	Exercised	As at 31 December 2019
16 July 2015	250	(250)	-
1 June 2016	250	(250)	-
1 June 2017	125	(125)	-
1 June 2018	125	(125)	-
31 January 2019	250	(250)	-
	1,000	(1,000)	-

In 2018, the settlement of the stock option incentive scheme has been changed from cash-settlement to equity-settlement. The total liability of stock option including deferred economic benefit ('DEB') of RM21.74 million previously recognised under the cash-settled share-based payment was derecognised and equity-settled share-based payment is measured by reference to the fair value of the equity instrument at grant date which amounted to RM11.56 million, an incremental fair value as a result of the modification of RM0.34 million and a DEB of RM8.03 million, the net impact on the change in accounting treatment of RM1.81 million is recognised immediately in profit or loss.

The assessed fair value at grant date of options granted including the deferred economic benefit during the financial year ended 31 December 2018 was RM19.93 million. The fair value at grant date is independently determined using the Binomial option pricing model.

During the financial year ended 31 December 2019, a total of 1,000 options under the stock option incentive scheme were fully granted to option holders, each carrying the right to purchase 1,111 AHAM shares at an exercise price of RM40.30 per AHAM share ('Exercise Price'). On 8 March 2019, all the option holders were allotted a total of 1,111,000 new AHAM shares pursuant to the exercise of their respective options for a total cash consideration of RM44.77 million.

After the options exercise, the option holders own a 10% equity stake in the enlarged issued share capital of AHAM. The issued share capital of AHAM prior to the options exercise is RM10.0 million comprising 10,000,000 AHAM shares. Following the options exercise, the issued share capital of AHAM has been increased to RM54.77 million, comprising 11,111,000 AHAM shares.