

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 31 December 2018

	< ----- GROUP ----- >		< ----- BANK ----- >	
Note	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
ASSETS				
Cash and short-term funds	6,331,798	4,146,815	2,569,003	2,209,948
Deposits and placements with banks and other financial institutions	71,801	464,446	113,610	495,133
Investment accounts due from designated financial institutions	-	-	2,366,711	2,749,067
Financial assets at fair value through profit or loss ("FVTPL")	A9 606,462	105,180	373,638	10,129
Derivative financial assets	A29 88,805	173,125	61,831	120,819
Financial investments at fair value through other comprehensive income ("FVOCI")	A10 15,361,758	-	9,144,507	-
Financial investments at amortised cost	A11 163,027	-	114,646	-
Financial investments available-for-sale ("AFS")	A10 -	14,627,359	-	8,487,818
Financial investments held-to-maturity	A11 -	128,639	-	120,532
Loans, advances and financing	A12 48,392,012	45,722,158	28,498,149	29,143,900
Trade receivables	A13 369,651	550,737	-	-
Commodity Gold at FVTPL	42,733	32,198	-	-
Other assets	A14 138,884	100,503	60,423	50,795
Amount due from subsidiaries	-	-	420	2
Amount due from joint ventures	31,295	38,849	-	-
Amount due from associates	57,717	500	57,217	-
Tax recoverable	62,271	21,541	31,182	8,553
Deferred tax assets	114,830	27,185	70,239	-
Statutory deposits with Bank Negara Malaysia	1,946,669	1,772,640	1,238,069	1,203,000
Investment in subsidiaries	-	-	3,053,899	3,063,462
Investment in joint ventures	158,051	160,594	163,640	163,640
Investment in associates	611,996	566,278	548,482	548,482
Property and equipment	520,644	466,082	482,708	425,390
Intangible assets	906,068	903,962	182,235	171,980
TOTAL ASSETS	75,976,472	70,008,791	49,130,609	48,972,650
LIABILITIES AND EQUITY				
Deposits from customers	B7 57,346,447	50,920,229	33,561,219	33,295,153
Investment accounts of customers	875	449	-	-
Deposits and placements of banks and other financial institutions	B7 4,846,912	5,706,599	4,300,848	3,980,305
Obligation on securities sold under repurchase agreements	142,477	1,050,935	-	954,922
Derivative financial liabilities	A29 113,132	263,676	85,660	210,877
Bills and acceptances payable	32,585	42,152	32,585	42,152
Trade payables	600,974	677,022	-	-
Other liabilities	A15 1,082,148	945,372	571,575	482,660
Amount due to subsidiaries	-	-	109,399	448,149
Provision for taxation	8,748	9,560	-	-
Deferred tax liabilities	7,126	27,859	-	17,841
Borrowings	B7 3,053,812	2,036,144	2,548,379	2,036,144
TOTAL LIABILITIES	67,235,236	61,679,997	41,209,665	41,468,203

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 2017.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 31 December 2018

		< ----- GROUP ----- >		< ----- BANK ----- >	
	Note	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
EQUITY					
Share capital		4,684,752	4,684,752	4,684,752	4,684,752
Reserves:-					
FVOCI/AFS revaluation reserves		110,371	97,596	111,161	121,637
Regulatory reserves		939,055	817,399	716,313	710,743
Foreign exchange reserves		593	151	-	-
Retained profits		2,928,584	2,670,888	2,408,718	1,987,315
Stock option reserves		8,328	-	-	-
Equity attributable to equity holders of the Bank		8,671,683	8,270,786	7,920,944	7,504,447
Non-controlling interest		69,553	58,008	-	-
TOTAL EQUITY		8,741,236	8,328,794	7,920,944	7,504,447
TOTAL LIABILITIES AND EQUITY		75,976,472	70,008,791	49,130,609	48,972,650
COMMITMENTS AND CONTINGENCIES	A28	30,873,074	32,285,564	20,469,123	21,411,929
CAPITAL ADEQUACY RATIOS	A31				
Before effect of proposed dividends :					
CET 1 capital ratio		11.744%	12.213%	9.512%	10.124%
Tier 1 capital ratio		13.380%	12.232%	11.033%	10.124%
Total capital ratio		18.816%	17.231%	16.287%	14.862%
After effect of proposed dividends :					
CET 1 capital ratio		11.924%	12.213%	9.786%	10.124%
Tier 1 capital ratio		13.559%	12.232%	11.307%	10.124%
Total capital ratio		18.996%	17.231%	16.561%	14.862%
Net assets per share attributable to equity holders of the Bank (RM)		4.46	4.26	4.08	3.86

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 2017.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements

Unaudited Income Statements For The Financial Quarter Ended 31 December 2018

GROUP	Note	<-- Individual Quarter Ended -->		<-- Cumulative Quarter Ended -->	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
		RM'000	RM'000	RM'000	RM'000
Interest income	A17	621,172	600,936	2,419,367	2,260,824
Interest expense	A18	(413,646)	(377,251)	(1,573,967)	(1,409,927)
Net interest income		207,526	223,685	845,400	850,897
Income from Islamic banking business		97,821	98,485	398,190	334,267
		305,347	322,170	1,243,590	1,185,164
Fee and commission income	A19 (a)	134,401	198,772	620,874	280,777
Fee and commission expense	A19 (b)	(26,439)	(62,017)	(164,009)	(68,533)
Net fee and commission income	A19	107,962	136,755	456,865	212,244
Net gains on financial instruments	A20	20,311	46,118	146,037	98,698
Other income	A21	19,938	29,660	74,110	64,349
Net income		453,558	534,703	1,920,602	1,560,455
Other operating expenses	A22	(293,539)	(310,020)	(1,217,509)	(934,289)
Operating profit before allowances		160,019	224,683	703,093	626,166
Write-back of /(allowances for) credit impairment losses	A23	16,477	(1,638)	(58,668)	(72,906)
Allowances for impairment losses on other assets	A24	(98)	(12,260)	(12,243)	(12,260)
Operating profit		176,398	210,785	632,182	541,000
Share of results of a joint venture		(671)	(4,070)	(3,098)	(4,070)
Share of results of an associate		11,536	17,140	50,025	17,140
Profit before zakat and taxation		187,263	223,855	679,109	554,070
Zakat		(236)	(371)	(4,113)	(3,371)
Profit before taxation		187,027	223,484	674,996	550,699
Taxation	B5	(35,113)	(47,365)	(147,576)	(126,261)
Net profit for the financial period/year		151,914	176,119	527,420	424,438
Profit for the financial period/year attributable to :-					
- Equity holders of the Bank		143,750	169,536	503,086	417,855
- Non-controlling interest		8,164	6,583	24,334	6,583
		151,914	176,119	527,420	424,438
Earnings per share attributable to the equity holders of the Bank (sen)					
- Basic	B10	7.40	8.92	25.89	23.98
- Diluted	B10	7.24	8.92	25.33	23.98

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 2017.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements

**Unaudited Statements of Comprehensive Income
For The Financial Quarter Ended 31 December 2018**

GROUP	<-- Individual Quarter Ended -->		<-- Cumulative Quarter Ended -->	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Profit after zakat and taxation	151,914	176,119	527,420	424,438
Other comprehensive income/(loss) :				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	(20,280)	-	25,139	-
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	13,547	-	14,156	-
- Net loss on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)	(1,175)	-	(6,555)	-
- Exchange differences on translation of foreign operations	631	215	631	215
- Net fair value change in financial investment AFS	-	(73,221)	-	23,379
- Net gain transferred to profit or loss on disposal of financial investments AFS	-	118	-	118
- Net transfer to profit or loss on impairment of financial investments AFS	-	2,298	-	2,298
- Deferred tax on financial investments at FVOCI	47,246	-	37,637	-
- Deferred tax on financial investments AFS	-	17,104	-	(6,080)
- Share of other comprehensive (loss)/income of a joint venture	(115)	1,024	555	1,024
- Share of other comprehensive loss of an associate	(119)	(94)	(4,307)	(94)
Other comprehensive income/(loss) for the financial period/year, net of tax	39,735	(52,556)	67,256	20,860
Total comprehensive income for the financial period/year	191,649	123,563	594,676	445,298
Total comprehensive income for the financial period/year attributable to :-				
- Equity holders of the Bank	183,296	116,778	570,153	438,513
- Non-controlling interest	8,353	6,785	24,523	6,785
	191,649	123,563	594,676	445,298

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 2017.

AFFIN BANK BERHAD

(Company no. 25046-T)

Condensed Interim Financial Statements

Unaudited Income Statements For The Financial Quarter Ended 31 December 2018

BANK	Note	<-- Individual Quarter Ended -->		<-- Cumulative Quarter Ended -->	
		31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Interest income	A17	553,816	538,779	2,154,823	2,194,329
Interest expense	A18	(365,994)	(338,394)	(1,398,061)	(1,371,070)
Net interest income		187,822	200,385	756,762	823,259
Fee and commission income	A19 (a)	26,002	24,725	109,839	106,731
Fee and commission expense	A19 (b)	(2,219)	(2,086)	(9,103)	(8,602)
Net fee and commission income	A19	23,783	22,639	100,736	98,129
Net gains on financial instruments	A20	6,587	22,746	62,808	75,326
Other income	A21	118,582	25,050	413,347	59,435
Net income		336,774	270,820	1,333,653	1,056,149
Other operating expenses	A22	(161,273)	(139,485)	(633,933)	(637,470)
Operating profit before allowances		175,501	131,335	699,720	418,679
Write-back of/(allowances for) credit impairment losses	A23	27,383	3,511	(24,811)	(44,291)
Profit before zakat and taxation		202,884	134,846	674,909	374,388
Zakat		-	-	-	-
Profit before taxation		202,884	134,846	674,909	374,388
Taxation	B5	(18,571)	(33,970)	(80,903)	(91,536)
Net profit for the financial period/year		184,313	100,876	594,006	282,852
Earnings per share attributable to the equity holders of the Bank (sen)					
- Basic	B10	9.49	5.31	30.57	16.23
- Diluted	B10	9.28	5.31	29.91	16.23

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 2017.

AFFIN BANK BERHAD
(Company no. 25046-T)
Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
Unaudited Income Statements For The Financial Quarter Ended 31 December 2018

	<--- Individual Quarter Ended --->		<-- Cumulative Quarter Ended -->	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	184,313	100,876	594,006	282,852
Other comprehensive income/(loss) :				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
- Net fair value change in financial investments at FVOCI (debt instruments)	(15,407)	-	7,744	-
- Net credit impairment loss change in financial investments at FVOCI (debt instruments)	1,908	-	2,001	-
- Net fair value change in financial investment AFS	-	(35,373)	-	37,296
- Deferred tax on financial investments at FVOCI	44,592	-	39,036	-
- Deferred tax on financial investments AFS	-	8,490	-	(8,951)
Other comprehensive income/(loss) for the financial period/year, net of tax	31,093	(26,883)	48,781	28,345
Total comprehensive income for the financial period/year	215,406	73,993	642,787	311,197

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 2017.

AFFIN BANK BERHAD
(Company no. 25046-T)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Quarter Ended 31 December 2018

<u>GROUP</u>	<----- Attributable to Equity Holders of the Bank ----->							Non-controlling Interest	Total equity
	Share capital RM'000	FVOCI / AFS revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Stock option reserves RM'000	Retained profits RM'000	Total shareholders' equity RM'000		
At 1 January 2018, as previously reported	4,684,752	97,596	817,399	151	-	2,670,888	8,270,786	58,008	8,328,794
- Adjustment arising from adoption of MFRS 9	-	(53,850)	(252,835)	-	-	128,902	(177,783)	(7)	(177,790)
- Adjustment arising from adoption of MFRS 15	-	-	-	-	-	(1,262)	(1,262)	-	(1,262)
At 1 January 2018, as restated	4,684,752	43,746	564,564	151	-	2,798,528	8,091,741	58,001	8,149,742
Comprehensive income :									
- 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 for the financial year	-	66,625	-	442	-	503,086	570,153	24,523	594,676
Options charged during the 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 as disclosed in Note B6	-	-	-	-	-	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. 25046-T)

**Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Quarter Ended 31 December 2018**

GROUP	<----- Attributable to Equity Holders of the Bank ----->									Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	FVOCI/AFS revaluation reserves RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Retained profits RM'000	Total shareholders' equity RM'000	Non-controlling Interest RM'000	
At 1 January 2017	1,688,770	858,904	1,721,637	75,229	280,204	-	1,178,962	5,803,706	-	5,803,706
Comprehensive income :										
- Net profit for the financial year	-	-	-	-	-	-	417,855	417,855	6,583	424,438
Other comprehensive income (net of tax) :										
- Financial investments at FVOCI	-	-	-	20,507	-	-	-	20,507	138	20,645
- Exchange differences on translation of foreign operations	-	-	-	-	-	151	-	151	64	215
Total comprehensive income for the financial year	-	-	-	20,507	-	151	417,855	438,513	6,785	445,298
Issuance of new shares pursuant to Group Reorganisation	2,137,078	-	-	-	-	-	-	2,137,078	-	2,137,078
Effect of predecessor accounting	-	-	-	1,860	12,113	-	1,492	15,465	61,155	76,620
Transfer of share premium to share capital pursuant to the Companies Act, 2016 [#]	858,904	(858,904)	-	-	-	-	-	-	-	-
Transfer of statutory reserves to retained profits pursuant to the Policy Documents on "Capital Funds" and "Capital Funds for Islamic Banks" issued by BNM on 3 May 2017	-	-	(1,721,637)	-	-	-	1,721,637	-	-	-
Transfer to regulatory reserves	-	-	-	-	525,082	-	(525,082)	-	-	-
Dilution of interest in a subsidiary	-	-	-	-	-	-	(2,176)	(2,176)	(932)	(3,108)
Dividends declared and paid during the financial year	-	-	-	-	-	-	(121,800)	(121,800)	(9,000)	(130,800)
At 31 December 2017	4,684,752	-	-	97,596	817,399	151	2,670,888	8,270,786	58,008	8,328,794

The New Companies Act, 2016 ('New Act'), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to credit of the share premium account of RM858,904 becomes part of Group's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transaction.

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 2017.

AFFIN BANK BERHAD
(Company no. 25046-T)
Unaudited Condensed Consolidated Statements Of Changes In Equity
For The Financial Quarter Ended 31 December 2018

	<-----Non-distributable----->			<-Distributable->	Total equity RM'000
	Share capital RM'000	FVOCI / AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
BANK					
At 1 January 2018, as previously reported	4,684,752	121,637	710,743	1,987,315	7,504,447
- Adjustment arising from adoption of MFRS 9	-	(59,257)	(238,212)	168,326	(129,143)
At 1 January 2018, as restated	4,684,752	62,380	472,531	2,155,641	7,375,304
Comprehensive income :					
- 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 for the financial year	-	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

	<-----Non-distributable----->				<-Distributable->		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
BANK							
At 1 January 2017	1,688,770	858,904	1,416,621	93,292	207,026	913,359	5,177,972
Comprehensive income :							
- Net profit for the financial year	-	-	-	-	-	282,852	282,852
Other comprehensive income (net of tax) :							
- Financial investments AFS	-	-	-	28,345	-	-	28,345
Total comprehensive income for the financial year	-	-	-	28,345	-	282,852	311,197
Issuance of new shares pursuant to Group Reorganisation	2,137,078	-	-	-	-	-	2,137,078
Transfer of share premium to share capital pursuant to the Companies Act, 2016 #	858,904	(858,904)	-	-	-	-	-
Transfer of statutory reserves to retained profits pursuant to the Policy Documents on "Capital Funds" and "Capital Funds for Islamic Banks" issued by BNM on 3 May 2017	-	-	(1,416,621)	-	-	1,416,621	-
Transfer to regulatory reserves	-	-	-	-	503,717	(503,717)	-
Dividends declared and paid during the financial year	-	-	-	-	-	(121,800)	(121,800)
At 31 December 2017	4,684,752	-	-	121,637	710,743	1,987,315	7,504,447

The New Companies Act, 2016 ('New Act'), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to credit of the share premium account of RM858,904 becomes part of Group's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transaction.

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AFFIN BANK BERHAD
(Company no. 25046-T)

Unaudited Condensed Consolidated Statements of Cash Flow
For The Financial Quarter Ended 31 December 2018

	< ----- GROUP ----- >		< ----- BANK ----- >	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	674,996	550,699	674,909	374,388
Adjustment for items not involving the movement of cash and cash equivalents	(385,070)	(306,129)	(546,028)	(288,714)
Operating profit before changes in working capital	289,926	244,570	128,881	85,674
Net changes in operating assets	(3,248,032)	(2,150,067)	338,455	1,335,424
Net changes in operating liabilities	4,559,661	64,313	(380,218)	(2,374,417)
Tax and zakat paid	(189,791)	(135,351)	(95,677)	(88,621)
Net cash generated from/(used in) operating activities	1,411,764	(1,976,535)	(8,559)	(1,041,940)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received :				
- financial investments at FVOCI	502,419	-	349,298	-
- financial investments at amortised cost	8,366	-	5,725	-
- financial investments AFS	-	355,889	-	317,057
- financial investments held-to-maturity	-	22,535	-	22,070
Dividend income :				
- financial assets at FVTPL	5,167	198	-	-
- financial investments at FVOCI	5,284	-	970	-
- financial investments AFS	-	4,338	-	1,980
- subsidiaries	-	-	323,000	-
Net purchase of financial investments at amortised cost net of redemption	(34,388)	-	4,600	-
Net purchase of financial investments held-to-maturity	-	316,586	-	220,654
Net purchase of financial investments AFS	(660,619)	642,691	(729,951)	24,828
Purchase of :				
- property and equipment	(139,711)	(60,611)	(131,956)	(57,970)
- intangible assets	(2,767)	(4,900)	(1,075)	(4,071)
Proceeds from disposal of :				
- property and equipment	43,323	2,512	43,144	2,487
- intangible assets	-	16	-	-
- foreclosed properties	307	2,330	-	2,330
Proceeds from disposal of a subsidiary	-	-	-	662
Subscription of shares in a subsidiary	-	-	-	(500,000)
Subscription of shares in a joint venture	-	(15,300)	-	(15,300)
Investment in associate				
- pursuant to the Group Reorganisation [Note B6]	-	(367,945)	-	(367,945)
- acquisition of shares from other shareholders	-	(180,537)	-	(180,537)
Cash flow arising from Group Reorganisation [Note B6]	15,545	609,933	-	-
Net cash (used in)/generated from investing activities	(257,074)	1,327,735	(136,245)	(533,755)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	1,000,000	700,000	500,000	700,000
Payment for interest on borrowings	(104,801)	(66,198)	(104,801)	(66,198)
Payment of dividend to the equity holders of the Bank	-	(121,800)	-	(121,800)
Payment of dividend to non-controlling interest	(15,000)	(9,000)	-	-
Net cash generated from financing activities	880,199	503,002	395,199	512,002
Net increase/(decrease) in cash and cash equivalents	2,034,889	(145,798)	250,395	(1,063,693)
Effect of exchange rate changes	(8,540)	79,622	(7,236)	83,221
Cash and cash equivalents at beginning of the financial year	4,298,314	4,364,490	2,410,566	3,391,038
Cash and cash equivalents at end of the year	6,324,663	4,298,314	2,653,725	2,410,566
<u>Cash and cash equivalents comprise the following:</u>				
Cash and short-term funds	6,331,798	4,146,815	2,569,003	2,209,948
Deposits and placements of banks and other financial institutions	71,801	464,446	113,610	495,133
	6,403,599	4,611,261	2,682,613	2,705,081
Less:				
Amount held on behalf of commissioned dealer's representatives	(48,537)	(49,119)	-	-
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)	(263,828)	(28,888)	(294,515)
	6,324,663	4,298,314	2,653,725	2,410,566

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 2017.

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 fair value through profit or loss ("FVTPL"),
- (ii) financial investments at fair value through other comprehensive income ("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 2017. 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 2017.

There are no changes to the accounting policies adopted since the last financial year except for the adoption of MFRS 9 "Financial Instruments" and MFRS 15 "Revenue from Contracts with Customers" with effect from 1 January 2018. In addition to the adoption of these 2 new standards, IFRS 9 introduced a consequential amendments to paragraph 82 (a) of IAS 1 "Presentation of Financial Statements" which is effective from 1 January 2018.

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 2017, except for the adoption of the following amendments to MFRS that are applicable to the Group and the Bank effective for the financial year beginning on 1 January 2018 :

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contract with Customers"

(i) Adoption of MFRS 9 "Financial Instruments"

Classification and measurements

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial investments: amortised cost, fair value through profit or losses and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or losses with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are :

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or losses.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or losses, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or losses.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 31 December 2017. However, the Group and the Bank have identified certain instruments currently held at financial investments available for sales of which that fail the solely for the payment of principal and interest ("SPPI") test will be reclassified as FVTPL with certain equity instruments elected at inception to be fair valued in OCI accordingly on 1 January 2018.

The Group and the Bank do not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There are no changes to the Group's and the Bank's accounting for financial liabilities. All the financial liabilities, except for derivatives financial liabilities which is at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, loan commitments and financial guarantee contracts.

Under MFRS 9, impairment is measured on each reporting date according to a three-stage ECL impairment model :

- Stage 1: 12-month ECL
From initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2: Lifetime ECL - not credit impaired
Following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset.
- Stage 3: Lifetime ECL - credit impaired
When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised.

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (Lifetime ECL - not credit impaired) and the application of forward looking information, is recorded in profit or loss, and allowance for credit losses will be more volatile under MFRS 9.

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018 :

Group	MFRS 139	Reclassification	Remeasurement	MFRS 9
	carrying amount			carrying amount
	31 December 2017			1 January 2018
	RM'000	RM'000	RM'000	RM'000
Deposits and placements with banks and other financial institutions				
Opening balance	464,446	-	-	464,446
To financial assets at FVTPL	-	(263,828)	-	(263,828)
Remeasurement - ECL	-	-	(99)	(99)
Adjusted opening balance	464,446	(263,828)	(99)	200,519
Financial assets at FVTPL				
Opening balance	105,180	-	-	105,180
From deposits and placements with banks and other financial institutions	-	263,828	-	263,828
From financial investments AFS	-	331,970	-	331,970
Remeasurement - fair value adjustment	-	-	23,917	23,917
Adjusted opening balance	105,180	595,798	23,917	724,895
Financial investments at FVOCI - debt				
From financial investments AFS	-	14,030,992	-	14,030,992
Adjusted opening balance	-	14,030,992	-	14,030,992
Financial investments at FVOCI - equity				
From financial investments AFS	-	264,397	-	264,397
Adjusted opening balance	-	264,397	-	264,397

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018 : (continued)

Group	MFRS 139			MFRS 9
	carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	carrying amount 1 January 2018 RM'000
Financial investments at amortised cost				
From loans, advances and financing	-	40,497	-	40,497
From financial investments held-to-maturity	-	128,639	-	128,639
Remeasurement - ECL	-	-	(819)	(819)
Adjusted opening balance	-	169,136	(819)	168,317
Financial investments AFS				
Opening balance	14,627,359	-	-	14,627,359
To financial investments at FVOCI - debt	-	(14,030,992)	-	(14,030,992)
To financial investments at FVOCI - equity	-	(264,397)	-	(264,397)
To financial assets at FVTPL	-	(331,970)	-	(331,970)
Adjusted opening balance	14,627,359	(14,627,359)	-	-
Financial investments held-to-maturity				
Opening balance	128,639	-	-	128,639
To financial investments at amortised cost	-	(128,639)	-	(128,639)
Adjusted opening balance	128,639	(128,639)	-	-
Loans, advances and financing				
Opening balance	45,722,158	-	-	45,722,158
To financial investments at amortised cost	-	(40,497)	-	(40,497)
Remeasurement - unwinding of discount	-	-	(1,426)	(1,426)
Remeasurement - ECL	-	-	(241,690)	(241,690)
Adjusted opening balance	45,722,158	(40,497)	(243,116)	45,438,545
Trade receivables				
Opening balance	550,737	-	-	550,737
Remeasurement - ECL	-	-	(105)	(105)
Adjusted opening balance	550,737	-	(105)	550,632
Other assets				
Opening balance	100,503	-	-	100,503
Remeasurement - ECL	-	-	(13)	(13)
Adjusted opening balance	100,503	-	(13)	100,490
Other liabilities				
Opening balance	945,372	-	-	945,372
Remeasurement - ECL	-	-	49,817	49,817
Adjusted opening balance	945,372	-	49,817	995,189

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

The following table analyses the impact, net of tax, of transition to MFRS 9 on the Group's reserves and retained earnings. The impact relates to the liability credit reserve, the fair value reserve and retained earnings. There is no impact on other components of equity.

Group	Impact of adopting MFRS 9 at 1 January 2018 RM'000
FVOCI revaluation reserves	
Closing balance under MFRS 139 (31 December 2017)	97,596
Recognition of expected credit losses under MFRS 9 for debt financial investments at FVOCI	8,705
Reclassification of financial investments from AFS to FVTPL	(82,341)
Tax effect arising from MFRS 9	19,786
Adjusted opening balance under MFRS 9	43,746
Regulatory reserves	
Closing balance under MFRS 139 (31 December 2017)	817,399
Transfer to retained profits	(252,835)
Adjusted opening balance under MFRS 9	564,564
Retained profits	
Closing balance under MFRS 139 (31 December 2017)	2,670,888
Reclassification of financial investments from AFS to FVTPL	82,341
Recognition of NCI expected credit losses under MFRS 9 (from a subsidiary)	7
Remeasurement arising from reclassification of financial assets	23,917
Other remeasurement	(1,426)
Recognition of expected credit losses under MFRS 9 (loans, advances and financing including loan commitments)	(623,897)
Recognition of expected credit losses under MFRS 9 (FVOCI and amortised cost)	(9,740)
Transfer from regulatory reserve	252,835
Reversal of Collective Allowance and Individual Allowance under MFRS 139	332,390
Tax effect arising from MFRS 9	72,475
Adjusted opening balance under MFRS 9, before MFRS 15 adjustments	2,799,790

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018 :

	MFRS 139 carrying amount 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount 1 January 2018 RM'000
Bank				
Deposits and placements with banks and other financial institutions				
Opening balance	495,133	-	-	495,133
To financial assets at FVTPL	-	(253,515)	-	(253,515)
Remeasurement - ECL	-	-	(116)	(116)
Adjusted opening balance	495,133	(253,515)	(116)	241,502
Investment accounts due from designated financial institutions				
Opening balance	2,749,067	-	-	2,749,067
Remeasurement - ECL	-	-	(88)	(88)
Adjusted opening balance	2,749,067	-	(88)	2,748,979

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) **Adoption of MFRS 9 "Financial Instruments"** (continued)

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018 : (continued)

Bank	MFRS 139			MFRS 9
	carrying amount	Reclassification	Remeasurement	carrying amount
	31 December 2017	RM'000	RM'000	1 January 2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL				
Opening balance	10,129	-	-	10,129
From deposits and placements with banks and other financial institutions	-	253,515	-	253,515
From financial investments AFS	-	113,692	-	113,692
Remeasurement	-	-	23,917	23,917
Adjusted opening balance	10,129	367,207	23,917	401,253
Financial investments at FVOCI - debt				
From financial investments AFS	-	8,228,576	-	8,228,576
Adjusted opening balance	-	8,228,576	-	8,228,576
Financial investments at FVOCI - equity				
From financial investments AFS	-	145,550	-	145,550
Adjusted opening balance	-	145,550	-	145,550
Financial investments at amortised cost				
From financial investments held-to-maturity	-	120,532	-	120,532
Remeasurement - ECL	-	-	(584)	(584)
Adjusted opening balance	-	120,532	(584)	119,948
From financial investments AFS				
Opening balance	8,487,818	-	-	8,487,818
To financial investments at FVOCI - debt	-	(8,228,576)	-	(8,228,576)
To financial investments at FVOCI - equity	-	(145,550)	-	(145,550)
To financial assets at FVTPL	-	(113,692)	-	(113,692)
Adjusted opening balance	8,487,818	(8,487,818)	-	-
Financial investments held-to-maturity				
Opening balance	120,532	-	-	120,532
To financial investments at amortised cost	-	(120,532)	-	(120,532)
Adjusted opening balance	120,532	(120,532)	-	-
Loans, advances and financing				
Opening balance	29,143,900	-	-	29,143,900
Remeasurement - unwinding of discount	-	-	(832)	(832)
Remeasurement - ECL	-	-	(195,367)	(195,367)
Adjusted opening balance	29,143,900	-	(196,199)	28,947,701
Other liabilities				
Opening balance	482,660	-	-	482,660
Remeasurement - ECL	-	-	32,758	32,758
Adjusted opening balance	482,660	-	32,758	515,418

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(i) Adoption of MFRS 9 "Financial Instruments" (continued)

The following table analyses the impact, net of tax, of transition to MFRS 9 on the Bank's reserves and retained earnings. The impact relates to the liability credit reserve, the fair value reserve and retained earnings. There is no impact on other components of equity.

	Impact of adopting MFRS 9 at 1 January 2018 RM'000
Bank	
FVOCI revaluation reserves	
Closing balance under MFRS 139 (31 December 2017)	121,637
Recognition of expected credit losses under MFRS 9 for debt financial investments at FVOCI	3,399
Reclassification of financial investments from AFS to FVTPL	(82,442)
Tax effect arising from MFRS 9	19,786
Adjusted opening balance under MFRS 9	<u>62,380</u>
Regulatory reserves	
Closing balance under MFRS 139 (31 December 2017)	710,743
Transfer to retained profits	(238,212)
Adjusted opening balance under MFRS 9	<u>472,531</u>
Retained profits	
Closing balance under MFRS 139 (31 December 2017)	1,987,315
Reclassification of financial investments from AFS to FVTPL	82,442
Remeasurement arising from reclassification of financial assets	23,917
Other remeasurement	(832)
Recognition of expected credit losses under MFRS 9 (loans, advances and financing including loan commitments)	(476,469)
Recognition of expected credit losses under MFRS 9 (FVOCI and amortised cost)	(4,187)
Transfer from regulatory reserve	238,212
Reversal of Collective Allowance and Individual Allowance under MFRS 139	248,344
Tax effect arising from MFRS 9	56,899
Adjusted opening balance under MFRS 9, before MFRS 15 adjustments	<u>2,155,641</u>

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(ii) Adoption of MFRS 15 "Revenue from Contracts with Customers"

MFRS 15 "Revenue from contracts with customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised :

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows :

- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few;
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa; and
- As with any new Standard, there are also increased disclosures.

The Group have adopted MFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under MFRS 118 "Revenue" and related interpretations. The impact of adoption of the MFRS 15 on the Group's opening retained profits are set out below:

Group	As at 1 January 2018		
	Gross fees	Tax effect	Net impact
	DR/(CR)	DR/(CR)	DR/(CR)
	RM'000	RM'000	RM'000
Impact to opening retained profit arising from :			
Fees for services transferred at a point in time upon satisfaction of performance obligations	(755)	181	(574)
Fees for services transferred over time in respect of agency and guarantee fees	2,416	(580)	1,836
Net debit impact to retained profits as at 1 January 2018	1,661	(399)	1,262

There is no material impact on the financial position, comprehensive income, cashflows and earnings per share of the Group on the adoption of MFRS 15 for the financial quarter 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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (Cont.)

(iii) Presentation of interest for derivatives and other financial instruments measured at Fair Value through Profit or Loss ("FVTPL")

MFRS 9 introduced a consequential amendment to paragraph 82 (a) of MFRS 1 "Presentation of Financial Statements", which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest revenue calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statement.

The effective interest method does not apply to derivatives and other instruments measured at FVTPL, the interest arising on such instruments should not be included in the line item of "interest income" (except for gains and losses arising from related hedging instruments that are accounted for as hedges under MFRS 9).

Accordingly, the Group and the Bank changed the classification of interest income for financial assets measured at FVTPL from "Interest Income" to "Net gain and losses on financial instruments" for the current and previous financial quarters as reflected in Note A20 to the interim financial statements.

Interest income and interest expense on derivatives instruments are also correspondingly reclassified to "Net gain and losses on financial instruments" as reflected in Note A20 to the interim financial statements.

	Previously stated	Reclassification	Amount re-stated
The Group			
Interest income	2,367,624	(106,800)	2,260,824
Interest expense	1,512,371	(102,444)	1,409,927
Net gain on financial instruments	94,342	4,356	98,698
The Bank			
Interest income	2,300,099	(105,770)	2,194,329
Interest expense	1,473,986	(102,916)	1,371,070
Net gain on financial instruments	72,472	2,854	75,326

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

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 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

The Board of Directors has declared a single-tier interim dividend of 5.0 per share for the financial year ending 31 December 2018. The Board of Directors has also approved that the Dividend Reinvestment Plan ("DRP") be applied to the said interim dividend and the entire interim dividend can be elected and reinvested in new ordinary shares.

The Directors do not propose any final dividend for the financial year ended 31 December 2018.

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

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
At fair value				
Money market instruments				
Malaysian Government Securities	50,387	20,349	-	-
Malaysian Government Investment Issues	10,115	10,129	-	10,129
Malaysian Government Islamic Investment Issues	-	10,224	-	-
Negotiable Instruments of Deposit	264,667	-	254,660	-
	<u>325,169</u>	<u>40,702</u>	<u>254,660</u>	<u>10,129</u>
Quoted Securities :				
- Shares in Malaysia	21,531	38,696	-	-
- Unit Trusts in Malaysia	120,143	6,979	-	-
Unquoted Securities :				
- Shares in Malaysia	88,928	-	88,928	-
- Corporate Bonds/Sukuk in Malaysia	34,415	1,775	30,050	-
- Corporate Bonds/Sukuk outside Malaysia	16,276	17,028	-	-
	<u>606,462</u>	<u>105,180</u>	<u>373,638</u>	<u>10,129</u>

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

A10. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")/ FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE ("AFS")

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
At fair value				
Money market instruments				
Malaysian Government Securities	726,620	262,298	479,538	111,019
Malaysian Government Investment Issues	2,026,362	2,398,206	644,531	1,185,300
Malaysian Government Treasury Bills	79,728	12,517	-	-
Khazanah Bonds/Sukuk	401,634	384,575	238,462	228,326
Cagamas Bonds/Sukuk	228,728	137,598	121,661	70,980
Sukuk Perumahan Kerajaan	320,790	450,475	230,042	279,963
Negotiable Instruments of Deposit and Islamic Debt Certificates	649,090	760,323	1,658,485	1,772,500
	<u>4,432,952</u>	<u>4,405,992</u>	<u>3,372,719</u>	<u>3,648,088</u>
Quoted Securities :				
- Shares in Malaysia	-	6,296	-	-
- Unit Trusts in Malaysia	-	208,907	-	-
- REITs in Malaysia	18,406	13,083	-	-
- REITs outside Malaysia	41,126	10,977	-	-
Unquoted Securities :				
- Shares in Malaysia	171,383	252,432	149,501	229,568
- Corporate Bonds/Sukuk in Malaysia #	10,267,617	9,230,824	5,343,312	4,309,562
- Corporate Bonds/Sukuk outside Malaysia	430,274	507,022	278,975	300,956
	<u>15,361,758</u>	<u>14,635,533</u>	<u>9,144,507</u>	<u>8,488,174</u>
Allowance for impairment losses	-	(8,174)	-	(356)
	<u>15,361,758</u>	<u>14,627,359</u>	<u>9,144,507</u>	<u>8,487,818</u>

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

Certain unquoted perpetual bonds are designated at fair value through other comprehensive income.

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Movement in allowances for impairment losses are as follows :				
At beginning of the financial year, as previously stated	8,174	11,822	356	356
Effect of adoption of MFRS 9	(8,174)	-	(356)	-
At beginning of the financial year, as restated	-	11,822	-	356
Allowance made during the financial year	-	1,287	-	-
Amount written-off during the financial year	-	(4,935)	-	-
At end of the financial year	<u>-</u>	<u>8,174</u>	<u>-</u>	<u>356</u>

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

**A11. FINANCIAL INVESTMENTS AT AMORTISED COST/
 FINANCIAL INVESTMENT HELD-TO-MATURITY**

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
At amortised cost				
Unquoted Securities :				
- Corporate Bonds/Sukuk in Malaysia	160,550	124,085	120,053	124,069
- Redeemable Secured Loan Stock in Malaysia	15,000	15,041	-	-
	175,550	139,126	120,053	124,069
ECL/Allowance for impairment losses	(12,523)	(10,487)	(5,407)	(3,537)
	163,027	128,639	114,646	120,532

Movement in allowances for impairment losses are as follows :

At beginning of the financial year, as previously stated	10,487	10,487	3,537	3,537
Effect of adoption of MFRS 9	(10,487)	-	(3,537)	-
At end of the financial year	-	10,487	-	3,537

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

31/12/2018 Group	12-Month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year, on adoption of MFRS 9	819	-	10,487	11,306
Financial assets derecognised during the financial year (other than write-offs)	(2,446)	-	-	(2,446)
New financial assets originated or purchased	2,438	-	-	2,438
Changes due to change in credit risk	(233)	-	1,458	1,225
At end of the financial year	578	-	11,945	12,523
Bank				
At beginning of the financial year, on adoption of MFRS 9	584	-	3,537	4,121
Financial assets derecognised during the financial year (other than write-offs)	(1,959)	-	-	(1,959)
New financial assets originated or purchased	1,951	-	-	1,951
Changes due to change in credit risk	(164)	-	1,458	1,294
At end of the financial year	412	-	4,995	5,407

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

A12. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
(a) <u>BY TYPE</u>				
Overdrafts	1,874,549	1,867,780	1,500,470	1,554,785
Term loans/financing :				
- Housing loans/financing	10,562,367	8,486,642	4,128,165	4,086,865
- Syndicated financing	1,826,729	2,634,929	897,168	1,227,635
- Hire purchase receivables	12,470,551	12,365,906	8,226,889	8,501,399
- Business term loans/financing	14,806,235	13,699,795	9,214,982	9,399,271
- Other term loans/financing	643,887	412,788	-	-
Bills receivables	67,569	27,811	62,418	19,583
Trust receipts	219,522	222,179	203,193	207,462
Claims on customers under acceptances credits	1,508,583	1,260,155	1,156,149	1,009,909
Staff loans/financing of which :				
RM NIL to Directors (2017: RM NIL)	173,261	167,350	125,543	133,194
Credit cards	144,065	111,414	132,657	111,402
Revolving credits	4,335,508	4,395,924	3,289,095	3,136,532
Margin financing	336,644	357,181	-	-
Factoring	3,334	4,207	3,334	4,207
Other receivables	-	40,497	-	-
Gross loans, advances and financing	<u>48,972,804</u>	<u>46,054,558</u>	<u>28,940,063</u>	<u>29,392,244</u>
Less: Allowance for impairment losses :				
- Individual impairment	-	(93,885)	-	(69,836)
- Collective impairment	-	(238,515)	-	(178,508)
- ECL	(580,792)	-	(441,914)	-
Total net loans, advances and financing	<u>48,392,012</u>	<u>45,722,158</u>	<u>28,498,149</u>	<u>29,143,900</u>

Included in the Group's business term loans/financing as at reporting date is RM53.7 million (2017: RM53.7 million) and RM Nil (2017: RM51.1 million) of term financing disbursed by AFFIN Islamic Bank Berhad to joint ventures AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd respectively.

	Group		Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
(b) <u>BY MATURITY STRUCTURE</u>				
Maturing within one year	9,644,235	8,636,523	6,732,081	6,092,359
One year to three years	4,404,240	4,823,382	3,357,228	3,719,003
Three years to five years	6,473,231	6,805,424	4,933,303	4,988,404
Over five years	28,451,098	25,789,229	13,917,451	14,592,478
	<u>48,972,804</u>	<u>46,054,558</u>	<u>28,940,063</u>	<u>29,392,244</u>

(c) BY TYPE OF CUSTOMER

Domestic non-banking institutions :	330	-	330	-
- Others	669,959	774,836	457,191	553,756
Domestic business enterprises :				
- Small medium enterprises	9,105,395	12,511,252	7,000,688	9,988,662
- Others	14,837,156	10,842,187	9,600,947	6,878,274
Government and statutory bodies	1,140,619	1,104,981	76,472	58,657
Individuals	22,600,736	20,042,711	11,594,485	11,602,284
Other domestic entities	2,333	13,189	1,113	4,160
Foreign entities	616,276	765,402	208,837	306,451
	<u>48,972,804</u>	<u>46,054,558</u>	<u>28,940,063</u>	<u>29,392,244</u>

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	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>				
Fixed rate :				
- Housing loans/financing	357,863	384,844	309,886	337,989
- Hire purchase receivables	12,473,377	12,368,159	8,226,889	8,501,399
- Other fixed rate loans/financing	2,887,471	3,092,517	1,357,723	1,551,713
- Margin financing	336,644	357,181	-	-
Variable rate :				
- BLR and BR	21,847,166	19,131,797	11,796,822	11,372,025
- Cost plus	10,961,346	10,682,080	7,248,743	7,629,118
- Other variable rates	108,937	37,980	-	-
	48,972,804	46,054,558	28,940,063	29,392,244
(e) <u>BY ECONOMIC PURPOSE</u>				
Construction	3,459,827	3,451,504	2,172,802	2,328,238
Purchase of landed property of which :				
- Residential	10,435,105	8,465,547	3,862,137	3,928,963
- Non-residential	6,654,767	6,383,585	4,399,872	4,821,020
Purchase of securities	1,615,833	1,448,427	763,647	480,252
Purchase of transport vehicles	12,799,056	12,689,074	8,457,093	8,702,450
Fixed assets other than land and building	343,047	275,714	207,634	175,731
Personal use	776,714	702,599	712,097	661,340
Credit card	144,065	111,414	132,657	111,402
Consumer durable	310	582	263	577
Merger and acquisition	76,571	89,071	76,571	89,071
Working capital	11,354,983	11,402,100	7,678,538	7,666,531
Others	1,312,526	1,034,941	476,752	426,669
	48,972,804	46,054,558	28,940,063	29,392,244
(f) <u>BY ECONOMIC SECTOR</u>				
Primary agriculture	1,602,401	859,639	627,262	524,490
Mining and quarrying	432,848	638,033	108,752	263,840
Manufacturing	2,789,571	2,085,077	1,913,017	1,561,820
Electricity, gas and water supply	670,798	179,040	141,971	66,646
Construction	2,204,057	2,621,265	1,547,936	1,705,228
Real estate	7,878,494	8,373,983	5,694,222	6,375,208
Wholesale and retail trade and restaurants and hotels	3,484,431	2,782,437	2,806,868	2,283,708
Transport, storage and communication	1,765,261	2,421,243	1,342,780	1,514,303
Finance, insurance and business services	2,549,744	3,022,240	1,930,638	2,240,310
Education, health and others	2,853,306	2,783,211	1,149,443	1,163,623
Household	22,740,086	20,240,269	11,675,555	11,691,226
Others	1,807	48,121	1,619	1,842
	48,972,804	46,054,558	28,940,063	29,392,244

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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Perlis	214,640	231,679	21,659	28,931
Kedah	1,547,761	1,464,362	765,727	786,429
Pulau Pinang	2,687,196	2,660,130	1,872,124	2,088,712
Perak	1,714,148	1,595,065	934,576	962,749
Selangor	14,810,884	13,075,574	8,518,433	8,305,353
Wilayah Persekutuan	12,290,647	13,283,748	7,402,196	7,847,522
Negeri Sembilan	1,501,126	1,309,232	598,463	647,921
Melaka	997,552	1,036,264	711,373	788,511
Johor	5,961,598	5,134,735	3,527,873	3,401,016
Pahang	1,337,285	1,035,997	736,399	652,916
Terengganu	932,494	818,457	436,746	438,849
Kelantan	250,314	229,318	65,086	62,062
Sarawak	2,304,544	2,137,082	1,784,917	1,792,876
Sabah	2,246,427	1,749,113	1,500,876	1,432,806
Labuan	45,759	206,288	3,763	137,294
Outside Malaysia	130,429	87,514	59,852	18,297
	48,972,804	46,054,558	28,940,063	29,392,244

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

At beginning of the financial year, as previously stated	1,167,306	717,865	959,086	590,447
Effect of adoption of MFRS 9	(1,426)	-	(832)	-
At beginning of the financial year, as restated	1,165,880	717,865	958,254	590,447
Classified as impaired during the financial year	1,340,576	1,445,665	765,110	989,469
Reclassified as non-impaired during the financial year	(629,919)	(676,240)	(512,689)	(338,471)
Amount written-back during the financial year	(208,680)	(156,769)	(172,774)	(127,510)
Amount written-off during the financial year	(77,960)	(163,215)	(59,683)	(154,849)
At end of the financial year	1,589,897	1,167,306	978,218	959,086
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing (*)	3.25%	2.53%	3.75%	2.98%

(*) For the Bank, restricted investment accounts included in the ratio calculation amounting to RM2,369.7 million (2017 : RM2,749.0 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 year ended 31 December 2018 amounting to for the Group RM77,960,000 and RM59,683,000 for the Bank. 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	445,679	164,218	316,912	156,243
Purchase of landed property of which :				
- Residential	252,180	207,849	137,110	137,494
- Non-residential	306,676	272,499	83,017	247,641
Purchase of securities	65	51	58	51
Purchase of transport vehicles	233,957	235,606	208,161	213,673
Fixed assets other than land and building	497	984	435	749
Personal use	19,384	17,203	18,400	16,393
Credit card	1,025	622	1,012	622
Consumer durable	10	16	10	16
Working capital	317,693	256,643	208,040	184,515
Others	12,731	11,615	5,063	1,689
	1,589,897	1,167,306	978,218	959,086

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</u> (Cont.)	Group		Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
(iii) <u>Impaired loans, advances and financing by sector</u>	RM'000	RM'000	RM'000	RM'000
Primary agriculture	14,165	14,055	14,165	13,980
Mining and quarrying	14,738	13,615	12,157	13,552
Manufacturing	84,989	24,569	22,250	23,477
Electricity, gas and water supply	-	288	-	53
Construction	121,166	144,542	72,675	88,388
Real estate	363,440	252,055	39,975	207,512
Wholesale and retail trade and restaurants and hotels	53,427	41,691	47,558	36,564
Transport, storage and communication	418,564	292,658	418,149	292,478
Finance, insurance and business services	72,910	76,650	58,683	60,756
Education, health and others	86,122	730	64,905	605
Household	360,376	306,453	227,701	221,721
	1,589,897	1,167,306	978,218	959,086
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>				
Perlis	2,677	2,627	542	505
Kedah	56,420	55,385	49,500	41,964
Pulau Pinang	37,318	26,769	34,043	25,156
Perak	101,432	16,023	73,703	10,252
Selangor	249,607	264,602	158,944	177,166
Wilayah Persekutuan	407,353	232,178	78,447	222,501
Negeri Sembilan	82,395	79,958	68,712	73,650
Melaka	18,594	6,604	16,411	4,527
Johor	45,830	34,040	32,849	30,216
Pahang	21,520	18,715	20,364	17,615
Terengganu	397,855	296,647	392,516	290,641
Kelantan	7,961	4,925	5,393	1,437
Sarawak	59,103	58,261	22,388	21,545
Sabah	31,266	42,307	24,406	41,911
Outside Malaysia	70,566	28,265	-	-
	1,589,897	1,167,306	978,218	959,086
(v) <u>Movements in allowance for impairment on loans, advances and financing</u>				
Individual impairment				
At beginning of the financial year, as previously stated	93,885	149,507	69,836	131,497
Effect of adoption of MFRS 9	(93,885)	-	(69,836)	-
At beginning of the financial year, as restated	-	149,507	-	131,497
Allowance made during the financial year	-	110,892	-	94,484
Amount written-back during the financial year	-	(47,255)	-	(39,157)
Amount written-off during the financial year	-	(112,633)	-	(112,633)
Unwinding discount of allowance	-	(5,236)	-	(4,355)
Exchange difference	-	(1,390)	-	-
At end of the financial year	-	93,885	-	69,836
Collective impairment				
At beginning of the financial year, as previously stated	238,515	237,165	178,508	189,637
Effect of adoption of MFRS 9	(238,515)	-	(178,508)	-
At beginning of the financial year, as restated	-	237,165	-	189,637
Allowance made during the financial year	-	49,319	-	28,512
Amount written-off during the financial year	-	(47,969)	-	(39,641)
At end of the financial year	-	238,515	-	178,508

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.)

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

31/12/2018 Group	12-Month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Individual / collective allowances RM'000	Total RM'000
At beginning of the financial year	-	-	-	332,400	332,400
Effect of adoption of MFRS 9	229,571	111,656	232,863	(332,400)	241,690
At beginning of the financial year, as restated	229,571	111,656	232,863	-	574,090
Total transfer between stages	79,520	(29,368)	(50,152)	-	-
Changes due to change in credit risk :					
- Transfer to 12-month ECL (Stage 1)	112,223	(107,863)	(4,360)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(28,409)	131,537	(103,128)	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(4,294)	(53,042)	57,336	-	-
Loans/Financing derecognised during the financial year (other than write-offs)	(80,832)	(16,547)	(3,376)	-	(100,755)
New loans/financing originated or purchased	92,354	5,117	1,144	-	98,615
Changes due to change in credit risk	(126,278)	(23,229)	243,853	-	94,346
Write-offs	-	-	(75,973)	-	(75,973)
Other adjustments :					
- Unwind of discount	-	-	(9,531)	-	(9,531)
At end of the financial year	194,335	47,629	338,828	-	580,792

31/12/2018 Bank	12-Month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Individual / collective allowances RM'000	Total RM'000
At beginning of the financial year	-	-	-	248,344	248,344
Effect of adoption of MFRS 9	169,286	99,906	174,519	(248,344)	195,367
At beginning of the financial year, as restated	169,286	99,906	174,519	-	443,711
Total transfer between stages	71,847	(30,424)	(41,423)	-	-
Changes due to change in credit risk :					
- Transfer to 12-month ECL (Stage 1)	98,866	(94,668)	(4,198)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(23,560)	97,677	(74,117)	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(3,459)	(33,433)	36,892	-	-
Loans/Financing derecognised during the financial year (other than write-offs)	(46,135)	(13,238)	(3,155)	-	(62,528)
New loans/financing originated or purchased	49,843	3,987	1,137	-	54,967
Changes due to change in credit risk	(104,863)	(23,689)	200,543	-	71,991
Write-offs	-	-	(57,748)	-	(57,748)
Other adjustments :					
- Unwind of discount	-	-	(8,479)	-	(8,479)
At end of the financial year	139,978	36,542	265,394	-	441,914

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

A13. TRADE RECEIVABLES

	Group	
	31/12/2018	31/12/2017
	RM'000	RM'000
Amount due from stock-broking clients :		
- performing accounts	179,766	265,799
- impaired accounts (a)	424	1,366
Amount due from brokers	60,879	72,708
Amount due from Bursa Securities Clearing Sdn Bhd	40,142	83,281
Management fees receivable on fund management	88,908	128,612
	<u>370,119</u>	<u>551,766</u>
Less: Allowance for impairment :		
- Individual impairment (b)	-	(1,029)
- ECL (c)	(468)	-
	<u>369,651</u>	<u>550,737</u>
(a) Movements of impaired trade receivables		
At beginning of the financial year	1,366	1,742
Reclassified to other assets	(583)	-
Classified as impaired	295	136
Amount written-back during the financial year	(654)	(512)
At end of the financial year	<u>424</u>	<u>1,366</u>
(b) Movement in individual allowances		
At beginning of the financial year, as previously stated	1,029	993
Effect of adoption of MFRS 9	(1,029)	-
At beginning of the financial year, as restated	-	993
Allowance made during the financial year	-	121
Amount written-back during the financial year	-	(85)
At end of the financial year	<u>-</u>	<u>1,029</u>
(c) Movement in ECL		Lifetime ECL
		Total
		31/12/2018
		RM'000
At beginning of the financial year, on adoption of MFRS 9		1,134
Reclassified to other assets		(420)
Allowance made during the financial year		366
Amount written-back during the financial year		(612)
At end of the financial year		<u>468</u>

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

A14. OTHER ASSETS

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Other debtors (a)	50,142	43,021	13,386	4,943
Prepayments and deposits	16,126	19,867	15,384	19,088
Cheque clearing accounts	45,267	17,535	10,475	9,493
Foreclosed properties (b)	26,051	19,912	21,178	17,271
Collaterals pledged for derivative transactions	1,298	168	-	-
	138,884	100,503	60,423	50,795
(a) Other debtors				
Other debtors	51,811	43,733	13,386	4,943
Less: Allowance for impairment :				
- Individual impairment (i)	-	(712)	-	-
- ECL (ii)	(1,669)	-	-	-
	50,142	43,021	13,386	4,943
(i) Movement in individual allowance				
At beginning of the financial year, as previously stated			712	781
Effect of adoption of MFRS 9			(712)	-
At beginning of the financial year, as restated			-	781
Allowance made during the financial year			-	403
Amount written-back during the financial year			-	(472)
At end of the financial year			-	712
(ii) Movement in ECL				
At beginning of the financial year, on adoption of MFRS 9			725	-
Reclassified to other assets			420	-
Classified as impaired during the financial year			1,439	-
Amount written-back during the financial year			(915)	-
At end of the financial year			1,669	-
(b) Foreclosed properties				
At beginning of the financial year	19,912	7,970	17,271	5,329
Purchased during the financial year	6,335	12,012	3,907	12,012
Disposal during the financial year	(196)	(70)	-	(70)
At end of the financial year	26,051	19,912	21,178	17,271

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

A15. OTHER LIABILITIES

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
BNM and CGC Funding programmes	32,009	37,944	31,009	37,944
Margin and collateral deposits	127,948	131,494	114,120	114,402
Commissioned dealer's representatives trust balances	48,537	49,119	-	-
Defined contribution plan	21,098	18,111	19,761	16,737
Collaterals pledged for derivative transactions	29	29	-	-
Other creditors and accruals	166,410	156,146	64,776	53,153
Accrued employee benefits	113,960	129,887	43,021	36,969
Amounts payable to commissioned and salaried dealer's representatives	37,874	39,505	-	-
Cheque clearing accounts	7,874	34,112	7,874	34,112
Provision for zakat	2,397	3,223	320	-
Sundry creditors	197,892	175,693	151,274	156,128
Securities borrowings and lending - borrow	127,194	82,030	-	-
Unearned income	31,969	53,972	26,986	33,215
ESOS liabilities	8,028	21,707	-	-
Puttable liabilities	34,328	12,400	-	-
Dividend payable	97,147	-	97,147	-
ECL (a) :				
- loan/financing commitments and financial guarantees	27,454	-	15,287	-
	1,082,148	945,372	571,575	482,660

	Group RM'000	Bank RM'000
(a) ECL		
At beginning of financial year, on adoption of MFRS 9	49,817	32,758
Net remeasurement of loss allowance	(40,668)	(29,635)
New loan commitments & financial guarantees issued	18,305	12,164
At end of the financial year	27,454	15,287

A16. RESERVES

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
FVOCI/AFS revaluation reserves (a)	110,371	97,596	111,161	121,637
Regulatory reserves (b)	939,055	817,399	716,313	710,743
Stock option reserves (c)	8,328	-	-	-
Foreign exchange reserves	593	151	-	-
Retained profits (d)	2,928,584	2,670,888	2,408,718	1,987,315
	3,986,931	3,586,034	3,236,192	2,819,695

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

(b) Pursuant to BNM letter dated 1 November 2017, effective 1 January 2018, banking institutions shall maintain, in aggregate, stage 1 and 2 provisions regulatory reserves of no less than 1% of all credit exposures (on and off-balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysian Government), net of Stage 3 provisions.

Prior to MFRS 9 implementation, banking institutions are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances.

(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.

(d) Included in retained profits is an amount of RM3.82 million relating to the fair value of an obligation to buy a subsidiary's shares. Pursuant to the terms of the exit mechanism in a Shareholders Agreement entered into between the subsidiary and GV Capital Dynamic Sdn Bhd ("GVCD"), the subsidiary is granted a call option to acquire the entire 49% equity shares in Accel Vantage Academy Sdn Bhd ("AVA") held by GVCD, within 90 days of the call option period. The most appropriate and likelihood exit plan is the call option. The exercise price under the call option is determined based on pre-agreed formula.

(e) As at 31 December 2018, the Bank has a tax exempt account balance of RM11.0 million (2017: RM11.0 million) under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.

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

A17. INTEREST INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Loan, advances and financing	466,529	454,098	1,835,797	1,771,964
Money at call and deposits placements with financial institutions	18,779	22,067	66,883	109,899
Reverse repurchase agreements with financial institutions	-	-	-	368
Financial investments at FVOCI/Financial investments AFS	132,579	122,694	502,419	355,889
Financial investments at amortised cost/Financial investments held-to-maturity	2,133	1,908	8,366	22,535
Subordinated term loan	1,034	-	5,385	-
Others	118	169	517	169
	621,172	600,936	2,419,367	2,260,824
of which :-				
Interest income earned on impaired loans, advances and financing	1,928	1,414	7,428	2,257
	1,928	1,414	7,428	2,257
Bank				
Loan, advances and financing	404,973	406,245	1,620,788	1,638,124
Money at call and deposits placements with financial institutions	51,118	47,229	176,391	216,710
Reverse repurchase agreements with financial institutions	-	-	-	368
Financial investments at FVOCI/Financial investments AFS	95,248	83,862	349,298	317,057
Financial investments at amortised cost/Financial investments held-to-maturity	1,443	1,443	5,725	22,070
Subordinated term loan	1,034	-	2,621	-
	553,816	538,779	2,154,823	2,194,329
of which :-				
Interest income earned on impaired loans, advances and financing	20	1,022	2,790	1,865
	20	1,022	2,790	1,865

A18. INTEREST EXPENSE

Group				
Deposits from customers	331,945	331,140	1,301,777	1,197,187
Deposits and placements of banks and other financial institutions	46,336	10,176	145,966	91,497
Securities sold under repurchase agreements	1,377	5,897	4,128	22,055
Subordinated term loan	-	2,622	-	34,580
Subordinated medium term notes	33,725	26,416	117,036	63,170
Foreign currency borrowing	428	574	1,986	574
Others	(165)	426	3,074	864
	413,646	377,251	1,573,967	1,409,927
Bank				
Deposits from customers	288,996	281,452	1,135,427	1,147,499
Deposits and placements of banks and other financial institutions	43,149	22,361	142,314	103,682
Securities sold under repurchase agreements	1	5,396	2,752	21,554
Subordinated term loan	-	2,622	-	34,580
Subordinated medium term notes	33,725	26,416	117,036	63,170
Others	123	147	532	585
	365,994	338,394	1,398,061	1,371,070

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A19. NET FEE AND COMMISSION INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income :				
Net brokerage	16,913	19,265	78,131	19,265
Underwriting fees	-	350	-	350
Portfolio management fees	65,760	96,591	293,269	96,591
Corporate advisory fees	2,315	2,312	9,883	2,312
Commission	7,096	13,550	26,723	28,595
Service charges and fees	13,923	6,129	65,378	56,380
Guarantee fees	5,678	5,123	22,712	21,832
Arrangement fees	1,250	2,002	2,814	2,002
Agency fees	(972)	930	1,199	930
Initial service charges	17,281	50,491	103,619	50,491
Other fee income	5,157	2,029	17,146	2,029
	<u>134,401</u>	<u>198,772</u>	<u>620,874</u>	<u>280,777</u>
(b) Fee and commission expenses :				
Commission and referral expense	<u>(26,439)</u>	<u>(62,017)</u>	<u>(164,009)</u>	<u>(68,533)</u>
Net fee and commission income	<u>107,962</u>	<u>136,755</u>	<u>456,865</u>	<u>212,244</u>
Bank				
(a) Fee and commission income :				
Commission	6,536	13,818	23,319	28,863
Service charges and fees	13,779	6,305	64,510	56,557
Guarantee fees	5,687	4,602	22,010	21,311
	<u>26,002</u>	<u>24,725</u>	<u>109,839</u>	<u>106,731</u>
(b) Fee and commission expense :				
Commission and referral expense	<u>(2,219)</u>	<u>(2,086)</u>	<u>(9,103)</u>	<u>(8,602)</u>
Net fee and commission income	<u>23,783</u>	<u>22,639</u>	<u>100,736</u>	<u>98,129</u>

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

A20. NET GAINS ON FINANCIAL INSTRUMENTS

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Income from financial instruments:				
Gains arising on financial assets at FVTPL :				
- net gains on disposal	(225)	17,826	72,154	17,961
- unrealised gains	4,228	727	7,863	727
- interest income	8,714	1,649	35,414	1,649
- gross dividend income	1,760	198	5,167	198
Gains/(losses) on derivatives instruments :				
- realised	181	170	492	832
- unrealised	642	(2,753)	5,567	(2,774)
- interest (expenses)/income	(153)	407	(310)	2,707
Gains arising on financial investments AFS :				
- net gains on disposal	-	24,487	-	33,276
- gross dividend income	-	3,407	-	4,338
Gains arising on financial investments at FVOCI :				
- net gains on disposal	3,975	-	14,406	-
- gross dividend income	1,189	-	5,284	-
Gains arising on financial investments held-to-maturity :				
- net gain on redemption	-	-	-	39,784
	20,311	46,118	146,037	98,698
Bank				
Income from financial instruments				
Gains arising on financial assets at FVTPL :				
- net gains on disposal	(4,259)	18	23,737	153
- unrealised gains	3,391	(24)	10,355	(24)
- interest income	4,270	209	15,801	209
Gains/(losses) on derivatives instruments :				
- realised	181	170	546	832
- unrealised	481	1,006	4,582	985
- interest (expenses)/income	(156)	345	(358)	2,645
Gains arising on financial investments AFS :				
- net gains on disposal	-	19,973	-	28,762
- gross dividend income	-	1,049	-	1,980
Gains arising on financial investments at FVOCI :				
- net gains on disposal	2,496	-	7,175	-
- gross dividend income	183	-	970	-
Gains arising on financial investments held-to-maturity :				
- net gain on redemption	-	-	-	39,784
	6,587	22,746	62,808	75,326

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

A21. OTHER INCOME

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gains/(losses) :				
- realised	6,607	23,738	64,598	(27,489)
- unrealised	11,289	1,628	(8,540)	79,622
Rental income	8	476	136	2,128
Gain on disposal of property and equipment	1,253	25	6,052	777
Gain on disposal of foreclosed properties	-	2,260	111	2,260
Other non-operating income	781	1,533	11,753	7,051
Total other income	19,938	29,660	74,110	64,349
Bank				
Foreign exchange gains/(losses) :				
- realised	8,530	15,527	53,121	(35,700)
- unrealised	7,525	5,227	(7,236)	83,221
Rental income	40	499	246	2,151
Gain on winding-up of a subsidiary	-	-	31,031	162
Gain on disposal of property and equipment	1,252	-	5,921	752
Gain on disposal of foreclosed properties	-	2,260	-	2,260
Gross dividend received from subsidiaries	100,000	-	323,000	-
Other non-operating income	1,235	1,537	7,264	6,589
Total other income	118,582	25,050	413,347	59,435

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A22. OTHER OPERATING EXPENSES

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	143,407	149,810	590,348	455,831
Defined contribution plan	23,001	24,311	96,263	67,155
Other personnel costs	10,629	42,709	96,154	83,359
	177,037	216,830	782,765	606,345
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	5,100	3,652	21,197	12,372
Entertainment	1,465	856	7,158	2,724
Travelling and accommodation	3,073	3,166	10,532	7,144
Dealers' handling fees	300	300	1,200	300
Commission and brokerage expenses	3,706	3,190	14,561	11,939
Others marketing expenses	964	949	5,347	2,855
	14,608	12,113	59,995	37,334
<u>Establishment-related expenses</u>				
Rental of premises	10,919	9,601	40,015	28,346
Equipment rental	891	362	2,992	1,273
Repair and maintenance	11,379	7,229	45,143	37,607
Depreciation of property and equipment	6,196	6,312	24,578	17,677
Amortisation of intangible assets	7,366	6,783	27,661	14,714
IT consultancy fee	8,693	9,078	38,077	51,399
Dataline rental	4,089	1,425	16,851	8,165
Security services	5,449	3,670	18,582	17,721
Electricity, water and sewerage	3,301	3,467	13,116	11,509
Insurance/Takaful and indemnities	8,985	6,438	30,441	24,089
Other establishment costs	582	1,216	4,820	4,597
	67,850	55,581	262,276	217,097
<u>General and administrative expenses</u>				
Telecommunication expenses	3,285	3,397	14,541	6,680
Auditors' remuneration :				
(i) Statutory audit fees	624	742	2,413	2,047
(ii) Over provision in prior year	-	(212)	-	(212)
(iii) Regulatory related fees	638	608	709	608
(iv) Tax fees	277	169	285	215
(v) Non-audit fees	124	(206)	782	428
Professional fees	13,385	6,101	27,529	17,430
Property and equipment written-off	34	65	193	181
Mail and courier charges	1,294	669	4,180	3,156
Stationery and consumables	2,494	2,054	13,439	8,618
Directors' fees and allowances	642	995	3,054	2,923
Donations	543	230	2,053	1,845
Settlement, clearing and bank charges	3,237	3,505	13,160	11,932
Stamp duties	256	1,606	1,006	1,791
Operational and litigation write-off expenses	-	1,155	-	1,155
Subscription fees	3,024	1,817	10,448	1,817
GST input tax-non recoverable	924	2,570	7,204	10,465
Other administration and general expenses	3,263	231	11,477	2,434
	34,044	25,496	112,473	73,513
Total other operating expenses	293,539	310,020	1,217,509	934,289

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

A22. OTHER OPERATING EXPENSES (Cont.)

Bank	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	63,914	67,115	272,200	264,641
Defined contribution plan	10,550	11,598	44,525	44,276
Voluntary separation scheme	-	(2,729)	-	44,271
Other personnel costs	12,603	10,255	53,173	43,012
	87,067	86,239	369,898	396,200
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	3,691	1,354	12,466	8,862
Entertainment	573	(109)	3,569	1,468
Travelling and accommodation	1,393	1,504	4,831	4,614
Commission and brokerage expenses	3,248	2,815	12,165	9,840
Others marketing expenses	328	448	1,759	1,882
	9,233	6,012	34,790	26,666
<u>Establishment-related expenses</u>				
Rental of premises	5,526	4,836	18,819	19,059
Equipment rental	728	(23)	2,086	766
Repair and maintenance	7,512	1,827	29,630	26,212
Depreciation of property and equipment	3,636	3,750	14,497	14,439
Amortisation of intangible assets	3,718	3,081	13,164	11,012
IT consultancy fee	5,867	7,049	27,841	40,060
Dataline rental	2,854	871	12,616	6,430
Security services	3,798	2,408	13,168	13,071
Electricity, water and sewerage	1,806	2,264	7,482	8,779
Insurance/Takaful and indemnities	3,790	6,312	22,299	22,245
Other establishment costs	3,924	32	3,924	32
	43,159	32,407	165,526	162,105
<u>General and administrative expenses</u>				
Telecommunication expenses	900	605	3,621	3,157
Auditors' remuneration :				
(i) Statutory audit fees	241	198	1,225	1,188
(ii) Over provision in prior year	-	(155)	-	(155)
(iii) Regulatory related fees	388	292	388	292
(iv) Tax fees	114	2	114	31
(v) Non-audit fees	(58)	(92)	407	428
Professional fees	11,974	5,420	23,456	15,957
Property and equipment written-off	22	(3)	157	107
Intangible asset written-off	-	-	-	-
Mail and courier charges	777	462	3,214	2,429
Stationery and consumables	1,662	844	8,531	5,476
Directors' fees and allowances	209	1,135	2,216	2,144
Donations	335	131	1,598	1,562
Settlement, clearing and bank charges	2,311	2,382	9,919	9,966
Stamp duties	51	1,605	722	1,786
Operational and litigation write-off expenses	-	841	-	1,082
GST input tax-non recoverable	-	1,246	4,337	5,712
Other administration and general expenses	2,888	(86)	3,814	1,337
	21,814	14,827	63,719	52,499
Total other operating expenses	161,273	139,485	633,933	637,470

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

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

Group	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment :				
- made during the financial year	-	38,200	-	111,013
- written-back during the financial year	-	(26,662)	-	(47,340)
Collective impairment :				
- net allowance made during the financial year	-	463	-	49,319
ECL made/(written-back) on :				
- loans, advances and financing and trade receivables	(24,285)	-	91,960	-
- securities and placements	14,820	1,287	15,571	1,287
- loan and financing commitments and financial guarantee	(4,418)	-	(22,363)	-
Bad debts and financing :				
- recovered	(4,991)	(12,331)	(30,781)	(42,675)
- written-off	2,397	681	4,281	1,302
	(16,477)	1,638	58,668	72,906
Bank				
Individual impairment :				
- made during the financial year	-	35,547	-	94,484
- written-back during the financial year	-	(23,111)	-	(39,157)
Collective impairment :				
- net allowance made during the financial year	-	(5,322)	-	28,512
ECL made/(written-back) on :				
- loans, advances and financing and trade receivables	(26,458)	-	64,430	-
- securities and placements	3,288	-	3,472	-
- loan and financing commitments and financial guarantee	(1,496)	-	(17,471)	-
Bad debts and financing :				
- recovered	(4,545)	(11,306)	(29,302)	(40,849)
- written-off	1,828	681	3,682	1,301
	(27,383)	(3,511)	24,811	44,291

A24. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

Group				
Allowance for/(write-back of) impairment losses :				
- other debtors	98	(69)	524	(69)
- advances to joint ventures	-	12,329	11,719	12,329
	98	12,260	12,243	12,260

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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 2018 and 31 December 2017 are as follows:

	< ----- Current year's individual quarter ended 31 December 2018 ----- >					
	Commercial	Investment	Insurance	Others	Eliminations	Group
	Banking RM'000	Banking 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) impairment losses on loans, advances, financing and trade receivables/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>

	< ----- Preceding year's individual quarter ended 31 December 2017 ----- >					
	Commercial	Investment	Insurance	Others	Eliminations	Group
	Banking RM'000	Banking RM'000				
Revenue						
External revenue	(434,052)	169,510	-	2,351	-	(262,191)
Intersegment revenue	6,636	(4,355)	-	241	(2,522)	-
Segment revenue	<u>(427,416)</u>	<u>165,155</u>	<u>-</u>	<u>2,592</u>	<u>(2,522)</u>	<u>(262,191)</u>
Operating expenses of which :-	611,220	(123,344)	-	(3,524)	2,522	486,874
Depreciation of property and equipment	(3,964)	(2,285)	-	(63)	-	(6,312)
Amortisation of intangible assets	(3,081)	(3,686)	-	(16)	-	(6,783)
Allowances for impairment losses on loans, advances, financing and trade receivable/ securities/other assets	(12,450)	(1,448)	-	-	-	(13,898)
Segment results	<u>171,354</u>	<u>40,363</u>	<u>-</u>	<u>(932)</u>	<u>-</u>	<u>210,785</u>
Share of results of a joint venture (net of tax)	-	-	(4,070)	-	-	(4,070)
Share of results of an associate (net of tax)	-	-	17,140	-	-	17,140
Profit before zakat and taxation	<u>171,354</u>	<u>40,363</u>	<u>13,070</u>	<u>(932)</u>	<u>-</u>	<u>223,855</u>
Zakat	-	(371)	-	-	-	(371)
Profit before taxation	<u>171,354</u>	<u>39,992</u>	<u>13,070</u>	<u>(932)</u>	<u>-</u>	<u>223,484</u>
Taxation						(47,365)
Net profit for the individual quarter						<u>176,119</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 2018 and 31 December 2017 are as follows (Cont.):

	< ----- Current year's cumulative quarter ended 31 December 2018 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group 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 impairment losses on loans, advances, financing and trade receivable/ 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>

	< ----- Preceding year's cumulative quarter ended 31 December 2017 ----- >					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	1,388,594	169,510	-	2,351	-	1,560,455
Intersegment revenue	6,636	(4,355)	-	241	(2,522)	-
Segment revenue	<u>1,395,230</u>	<u>165,155</u>	<u>-</u>	<u>2,592</u>	<u>(2,522)</u>	<u>1,560,455</u>
Operating expenses of which :-	(809,943)	(123,344)	-	(3,524)	2,522	(934,289)
Depreciation of property and equipment	(15,329)	(2,285)	-	(63)	-	(17,677)
Amortisation of intangible assets	(11,012)	(3,686)	-	(16)	-	(14,714)
Allowances for impairment losses on loans, advances, financing and trade receivable/ securities/other assets	(83,718)	(1,448)	-	-	-	(85,166)
Segment results	<u>501,569</u>	<u>40,363</u>	<u>-</u>	<u>(932)</u>	<u>-</u>	<u>541,000</u>
Share of results of a joint venture (net of tax)	-	-	(4,070)	-	-	(4,070)
Share of results of an associate (net of tax)	-	-	17,140	-	-	17,140
Profit before zakat and taxation	<u>501,569</u>	<u>40,363</u>	<u>13,070</u>	<u>(932)</u>	<u>-</u>	<u>554,070</u>
Zakat	(3,000)	(371)	-	-	-	(3,371)
Profit before taxation	<u>498,569</u>	<u>39,992</u>	<u>13,070</u>	<u>(932)</u>	<u>-</u>	<u>550,699</u>
Taxation						(126,261)
Net profit for the cumulative quarter						<u>424,438</u>

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A26. SUBSEQUENT MATERIAL EVENT

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

A27. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed below, there were no other significant changes in the composition of the Group during the financial year under review :

Group Reorganisation

Upon the completion of the Reorganisation as disclosed in Note B (6), AFFIN Holdings Berhad ("AHB") became the wholly-owned subsidiary of AFFIN Bank Berhad ("ABB") on 30 January 2018.

A28. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank makes 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 31/12/2018 RM'000	Principal Amount 31/12/2017 RM'000	Principal Amount 31/12/2018 RM'000	Principal Amount 31/12/2017 RM'000
Direct credit substitutes *	613,796	573,469	415,834	376,301
Transaction-related contingent items	1,943,980	2,091,113	1,662,775	1,797,759
Short-term self-liquidating trade-related contingencies	432,728	431,400	113,759	151,867
Obligations under an on-going underwriting agreement	27,000	-	-	-
Foreign exchange related contracts #				
- Less than one year	11,009,067	12,007,480	8,576,966	7,587,059
- One year to less than five years	400,719	380,815	96,030	97,051
- Five years and above	-	42,485	-	42,485
Interest rate related contracts #				
- Less than one year	946,000	886,000	251,000	736,000
- One year to less than five years	2,800,148	2,216,148	990,148	701,148
- Five years and above	1,025,000	1,115,000	995,000	1,115,000
Irrevocable commitments to extend credit				
- Maturity less than one year	7,690,157	8,349,806	6,060,241	6,707,971
- Maturity more than one year	2,755,103	3,255,925	756,251	1,598,619
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	615,870	571,760	133,561	136,844
Unutilised credit card lines	613,506	364,163	417,558	363,825
	30,873,074	32,285,564	20,469,123	21,411,929

* Included in direct credit substitutes as above are financial guarantee contracts of RM582.0 million and RM415.7 million at the Group and the Bank, respectively (2017: RM533.4 million and RM376.2 million at the Group and the Bank, respectively), of which fair value at the time of issuance is zero.

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

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

A29. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 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	551,000	1,715,148	2,505,000	4,771,148	795	2,265	19,650	22,710	1,324	3,636	13,432	18,392
	11,560,067	2,115,867	2,505,000	16,180,934	59,744	9,411	19,650	88,805	61,583	38,117	13,432	113,132
As at 31 December 2017												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	3,714,719	121,129	42,422	3,878,270	4,090	1,557	428	6,075	97,837	5,664	3,036	106,537
- Cross currency swaps	5,481,984	96,030	42,485	5,620,499	94,236	316	2,331	96,883	108,260	27,157	(1,661)	133,756
- Currency swaps	2,810,777	87,787	33,447	2,932,011	42,251	5,042	2,918	50,211	5,147	-	-	5,147
Interest rate contracts :												
- Interest rate swaps	886,000	1,179,148	2,152,000	4,217,148	2,715	1,388	15,853	19,956	4,014	2,898	11,324	18,236
	12,893,480	1,484,094	2,270,354	16,647,928	143,292	8,303	21,530	173,125	215,258	35,719	12,699	263,676

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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 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
As at 31 December 2017												
Trading derivatives												
Foreign exchange contracts :												
- Currency forwards	1,391,386	1,021	-	1,392,407	2,111	5	-	2,116	58,249	-	-	58,249
- Cross currency swaps	6,195,673	96,030	42,485	6,334,188	97,129	316	2,332	99,777	110,428	27,157	(1,661)	135,924
Interest rate contracts :												
- Interest rate swaps	736,000	334,148	1,482,000	2,552,148	2,715	1,385	14,826	18,926	3,797	2,455	10,452	16,704
	8,323,059	431,199	1,524,485	10,278,743	101,955	1,706	17,158	120,819	172,474	29,612	8,791	210,877

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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 RM69.5 million (FYE 31/12/2017: RM93.0 million), while the notional amount of interest rate contract was RM234.1 million (FYE 31/12/2017: RM690.1 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 RM272.5 million (FYE 31/12/2017: RM497.4 million) and RM155.4 million (FYE 31/12/2017: RM378.2 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 2017.

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 2018				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	325,169	-	325,169
- Shares, unit trusts and REITs	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 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
31 December 2017				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	40,702	-	40,702
- Shares and unit trusts	45,675	-	-	45,675
- Corporate bonds/Sukuk	-	18,803	-	18,803
Derivative financial assets	-	173,125	-	173,125
Financial investments AFS* :				
- Money market instruments	-	4,405,992	-	4,405,992
- Shares, unit trusts and REITs	233,637	61	249,823	483,521
- Corporate bonds/Sukuk	-	9,707,816	30,030	9,737,846
	279,312	14,346,499	279,853	14,905,664
Liabilities				
Derivative financial liabilities	-	263,676	-	263,676

* Net of allowance for impairment losses

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

A30. FAIR VALUE MEASUREMENTS (Cont.)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2018				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	254,660	-	254,660
- Shares, unit trusts and REITs	-	-	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
- Shares, unit trusts and REITs	-	-	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
31 December 2017				
Assets				
Financial assets at FVTPL :				
- Money market instruments	-	10,129	-	10,129
Derivative financial assets	-	120,819	-	120,819
Financial investments AFS* :				
- Money market instruments	-	3,648,088	-	3,648,088
- Shares	-	-	229,212	229,212
- Corporate bonds/Sukuk	-	4,580,488	30,030	4,610,518
	-	8,359,524	259,242	8,618,766
Liabilities				
Derivative financial liabilities	-	210,877	-	210,877

* Net of allowance for impairment losses

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

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

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

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A30. FAIR VALUE MEASUREMENTS (Cont.)

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

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial period (2017: Nil).

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

	<-----Group----->		<-----Bank----->	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	279,853	266,501	259,242	246,637
Purchases	-	22,724	-	22,724
Sales	-	(4,159)	-	(4,159)
Net changes in income accrued	20	(15)	20	(15)
Total gains/(losses) recognised in other comprehensive income	10,427	(5,198)	9,217	(5,945)
At end of the financial year	<u>290,300</u>	<u>279,853</u>	<u>268,479</u>	<u>259,242</u>

Effect of changes in significant unobservable assumptions to reasonably possible alternative

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

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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 6.375% (2017: 5.75%), 7.875% (2017: 7.25%) and 9.875% (2017: 9.25%) respectively for year 2018.

	Group #		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
a) The components of CET 1, Tier 1 and Tier 2 capital :				
<u>CET 1</u>				
Paid-up share capital	4,684,752	4,684,752	4,684,752	4,684,752
Retained profits	2,928,584	2,670,888	2,408,718	1,987,315
Unrealised gains on FVOCI/AFS instruments	110,371	97,596	111,161	121,637
Other disclosed reserves	8,328	-	-	-
Foreign exchange reserves	593	151	-	-
	<u>7,732,628</u>	<u>7,453,387</u>	<u>7,204,631</u>	<u>6,793,704</u>
Less: Regulatory adjustments :				
- Goodwill and other intangibles	(906,068)	(903,962)	(182,235)	(171,980)
- Deferred tax assets	(107,704)	-	(70,239)	-
- 55% of cumulative gains on FVOCI/AFS instruments	(60,704)	(53,678)	(61,138)	(66,901)
- Investment in capital instruments of subsidiaries, joint ventures and associates	<u>(770,047)</u>	<u>(581,498)</u>	<u>(3,766,021)</u>	<u>(3,020,467)</u>
Total CET 1 Capital	<u>5,888,105</u>	<u>5,914,249</u>	<u>3,124,998</u>	<u>3,534,356</u>
<u>Additional Tier 1 Capital</u>				
Additional Tier 1 Capital	800,000	-	500,000	-
Qualifying capital instruments held by third party	19,783	9,213	-	-
	<u>819,783</u>	<u>9,213</u>	<u>500,000</u>	<u>-</u>
Total Tier 1 Capital	<u>6,707,888</u>	<u>5,923,462</u>	<u>3,624,998</u>	<u>3,534,356</u>
<u>Tier 2 capital</u>				
Subordinated MTNs	2,200,000	2,000,000	2,000,000	2,000,000
Loss provisions	583,115	565,942	383,532	409,402
Less: Regulatory adjustments :				
- Investment in capital instruments of subsidiaries, joint ventures and associates	<u>(57,412)</u>	<u>(145,374)</u>	<u>(657,412)</u>	<u>(755,117)</u>
Total Tier 2 Capital	<u>2,725,703</u>	<u>2,420,568</u>	<u>1,726,120</u>	<u>1,654,285</u>
Total capital	<u>9,433,591</u>	<u>8,344,030</u>	<u>5,351,118</u>	<u>5,188,641</u>
b) The breakdown of risk-weighted assets :				
Credit risk	46,649,190	45,275,347	30,682,574	32,752,159
Market risk	523,804	604,034	272,300	242,490
Operational risk	2,962,066	2,544,825	1,899,866	1,916,984
Total risk-weighted assets	<u>50,135,060</u>	<u>48,424,206</u>	<u>32,854,740</u>	<u>34,911,633</u>
c) Capital adequacy ratios :				
<u>Before effect of proposed dividends :</u>				
CET 1 capital ratio	11.744%	12.213%	9.512%	10.124%
Tier 1 capital ratio	13.380%	12.232%	11.033%	10.124%
Total capital ratio	<u>18.816%</u>	<u>17.231%</u>	<u>16.287%</u>	<u>14.862%</u>
<u>After effect of proposed dividends [Note 1] :</u>				
CET 1 capital ratio	11.924%	12.213%	9.786%	10.124%
Tier 1 capital ratio	13.559%	12.232%	11.307%	10.124%
Total capital ratio	<u>18.996%</u>	<u>17.231%</u>	<u>16.561%</u>	<u>14.862%</u>

The group comprises banking and non-banking subsidiaries.

^ Net proposed dividends of RM Nil (2017: RMNil).

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 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 as at 31 December 2018, 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 Restricted Investment Accounts ("RIA") are included in calculation of capital adequacy for the Bank. As at 31 December 2018, RIA assets included in the Total Capital Ratio calculation amounted to RM2,380.0 million (2017: RM2,749.8 million).

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

	Economic Entity		Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
CET 1 capital ratio	10.869%	15.086%	10.869%	15.087%
Tier 1 capital ratio	12.882%	15.086%	12.882%	15.087%
Total Capital Ratio	<u>19.438%</u>	<u>16.251%</u>	<u>19.438%</u>	<u>16.251%</u>

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

	The Group		Bank	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<u>Before effect of proposed dividends :</u>				
CET 1 capital ratio	30.644%	34.802%	34.177%	40.546%
Tier 1 capital ratio	31.194%	35.059%	34.177%	40.546%
Total Capital Ratio	<u>32.005%</u>	<u>35.438%</u>	<u>35.099%</u>	<u>40.546%</u>
<u>After effect of proposed dividends :</u>				
CET 1 capital ratio	30.644%	32.342%	34.177%	37.449%
Tier 1 capital ratio	31.194%	32.599%	34.177%	37.449%
Total Capital Ratio	<u>32.005%</u>	<u>32.978%</u>	<u>35.099%</u>	<u>37.449%</u>

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

A32. LIQUIDITY RISK

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

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

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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 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 fair value through profit or loss ("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 fair value through other comprehensive income ("FVOCI")	228,192	817,447	651,401	5,440,886	7,911,399	312,433	15,361,758
Financial investments at amortised cost	14,444	-	1,954	146,629	-	-	163,027
Loans, advances and financing	3,674,905	1,945,475	1,735,631	9,700,401	31,335,600	-	48,392,012
Trade receivables	369,145	469	37	-	-	-	369,651
Other assets	76,269	470	13,967	16,016	1,169	30,993	138,884
Amount due from joint ventures	31,295	-	-	-	-	-	31,295
Amount due from associates	-	41	-	-	57,676	-	57,717
Statutory deposits with Bank Negara Malaysia	1,946,669	-	-	-	-	-	1,946,669
Other non-financial assets (Note 1)	70,239	-	-	-	-	2,346,354	2,416,593
Total assets	12,774,541	2,863,111	2,421,545	15,541,320	39,425,574	2,950,381	75,976,472
Liabilities							
Deposits from customers	18,931,969	10,987,337	24,190,584	3,236,557	-	-	57,346,447
Investment accounts of customers	-	-	-	875	-	-	875
Deposits and placements with banks and other financial institutions	2,619,473	1,603,437	624,002	-	-	-	4,846,912
Obligation on securities sold under repurchase agreements	142,477	-	-	-	-	-	142,477
Derivatives financial liabilities	24,633	22,870	24,419	38,853	2,357	-	113,132
Bills and acceptances payable	32,585	-	-	-	-	-	32,585
Trade payables	600,974	-	-	-	-	-	600,974
Other liabilities	874,445	39,685	107,950	59,417	-	651	1,082,148
Borrowings	12,236	36,143	5,433	-	2,200,000	800,000	3,053,812
Other non-financial liabilities (Note 2)	-	-	-	-	-	15,874	15,874
Total liabilities	23,238,792	12,689,472	24,952,388	3,335,702	2,202,357	816,525	67,235,236
Net liquidity gap	(10,464,251)	(9,826,361)	(22,530,843)	12,205,618	37,223,217	2,133,856	

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

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

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

A32. LIQUIDITY RISK (Cont.)

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 2017							
Assets							
Cash and short-term funds	4,146,815	-	-	-	-	-	4,146,815
Deposits and placements with banks and other financial institutions	-	200,618	-	111,813	152,015	-	464,446
Financial assets at FVTPL	10,926	818	1,595	15,846	30,321	45,674	105,180
Derivative financial assets	35,973	56,154	59,743	12,127	9,128	-	173,125
Financial investments AFS	337,126	677,080	1,211,461	4,253,970	7,634,201	513,521	14,627,359
Financial investments held-to-maturity	19,902	-	630	108,107	-	-	128,639
Loans, advances and financing	2,905,435	1,704,773	1,476,730	11,519,073	28,116,147	-	45,722,158
Trade receivables	549,932	786	19	-	-	-	550,737
Other assets	32,581	2,783	14,489	14,018	1,561	35,071	100,503
Amount due from joint ventures	38,849	-	-	-	-	-	38,849
Amount due from associates	500	-	-	-	-	-	500
Statutory deposits with Bank Negara Malaysia	1,772,640	-	-	-	-	-	1,772,640
Other non-financial assets (Note 1)	-	-	-	-	-	2,177,840	2,177,840
Total assets	9,850,679	2,643,012	2,764,667	16,034,954	35,943,373	2,772,106	70,008,791
Liabilities							
Deposits from customers	19,835,639	12,847,719	15,624,271	2,612,600	-	-	50,920,229
Investment accounts of customers	-	-	449	-	-	-	449
Deposits and placements with banks and other financial institutions	4,255,757	1,301,941	148,901	-	-	-	5,706,599
Obligation on securities sold under repurchase agreements	1,050,935	-	-	-	-	-	1,050,935
Derivatives financial liabilities	34,059	57,482	132,268	39,521	346	-	263,676
Bills and acceptances payable	42,152	-	-	-	-	-	42,152
Trade payables	677,022	-	-	-	-	-	677,022
Other liabilities	756,887	41,179	136,842	1,102	-	9,362	945,372
Borrowings	-	36,144	-	-	2,000,000	-	2,036,144
Other non-financial liabilities (Note 2)	-	-	-	-	51	37,368	37,419
Total liabilities	26,652,451	14,284,465	16,042,731	2,653,223	2,000,397	46,730	61,679,997
Net liquidity gap	(16,801,772)	(11,641,453)	(13,278,064)	13,381,731	33,942,976	2,725,376	

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

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

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

A32. LIQUIDITY RISK (Cont.)

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

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

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

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
As at 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 fair value through profit or loss ("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 fair value through other comprehensive income ("FVOCI")	178,650	663,197	625,165	3,885,151	3,642,843	149,501	9,144,507
Financial investments at amortised cost	14,444	-	614	99,588	-	-	114,646
Loans, advances and financing	2,350,159	1,215,484	1,141,156	8,193,808	15,597,542	-	28,498,149
Other assets	23,854	7	8,215	6,055	1,114	21,178	60,423
Amount due from subsidiaries	420	-	-	-	-	-	420
Amount due from associate	-	41	-	-	57,176	-	57,217
Statutory deposits with Bank Negara Malaysia	1,238,069	-	-	-	-	-	1,238,069
Other non-financial assets (Note 1)	70,238	-	-	-	-	4,462,147	4,532,385
Total assets	8,639,362	2,206,491	1,790,257	12,335,272	19,407,473	4,751,754	49,130,609
Liabilities							
Deposits from customers	11,447,652	6,450,009	13,583,419	2,080,139	-	-	33,561,219
Deposits and placements with banks and other financial institutions	2,078,911	1,597,935	624,002	-	-	-	4,300,848
Derivatives financial liabilities	12,981	21,701	17,657	30,964	2,357	-	85,660
Bills and acceptances payable	32,585	-	-	-	-	-	32,585
Other liabilities	571,575	-	-	-	-	-	571,575
Amount due to subsidiaries	109,399	-	-	-	-	-	109,399
Subordinated term loan and medium term notes	12,236	36,143	-	-	2,000,000	500,000	2,548,379
Other non-financial liabilities (Note 2)	-	-	-	-	-	-	-
Total liabilities	14,265,339	8,105,788	14,225,078	2,111,103	2,002,357	500,000	41,209,665
Net liquidity gap	(5,625,977)	(5,899,297)	(12,434,821)	10,224,169	17,405,116	4,251,754	

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

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

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

A32. LIQUIDITY RISK (Cont.)

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

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 2017							
Assets							
Cash and short-term funds	2,209,948	-	-	-	-	-	2,209,948
Deposits and placements with banks and other financial institutions	-	241,618	-	101,500	152,015	-	495,133
Investment accounts due from designated financial institutions	2,749,067	-	-	-	-	-	2,749,067
Financial assets at FVTPL	10,129	-	-	-	-	-	10,129
Derivative financial assets	17,932	46,109	46,492	1,083	9,203	-	120,819
Financial investments AFS	247,572	639,945	1,014,546	2,847,253	3,479,290	259,212	8,487,818
Financial investments held-to-maturity	19,902	-	630	100,000	-	-	120,532
Loans, advances and financing	1,941,990	1,065,019	1,027,765	8,593,938	16,515,188	-	29,143,900
Other assets	12,656	1,780	12,000	5,982	1,106	17,271	50,795
Amount due from subsidiaries	2	-	-	-	-	-	2
Statutory deposits with Bank Negara Malaysia	1,203,000	-	-	-	-	-	1,203,000
Other non-financial assets (Note 1)	-	-	-	-	-	4,381,507	4,381,507
Total assets	8,412,198	1,994,471	2,101,433	11,649,756	20,156,802	4,657,990	48,972,650
Liabilities							
Deposits from customers	12,591,327	8,996,850	9,617,871	2,089,105	-	-	33,295,153
Deposits and placements with banks and other financial institutions	2,971,701	908,941	99,663	-	-	-	3,980,305
Obligation on securities sold under repurchase agreements	954,922	-	-	-	-	-	954,922
Derivatives financial liabilities	17,895	43,049	120,080	29,432	421	-	210,877
Bills and acceptances payable	42,152	-	-	-	-	-	42,152
Other liabilities	482,660	-	-	-	-	-	482,660
Amount due to subsidiaries	448,149	-	-	-	-	-	448,149
Borrowings	-	36,144	-	-	2,000,000	-	2,036,144
Other non-financial liabilities (Note 2)	-	-	-	-	-	17,841	17,841
Total liabilities	17,508,806	9,984,984	9,837,614	2,118,537	2,000,421	17,841	41,468,203
Net liquidity gap	(9,096,608)	(7,990,513)	(7,736,181)	9,531,219	18,156,381	4,640,149	

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

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

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD

(i) Unaudited Statements of Financial Position

	Group	
	31/12/2018	31/12/2017
	RM'000	RM'000
ASSETS		
Cash and short-term funds	3,210,533	1,423,594
Derivative financial assets	2,042	2,623
Financial investments at fair value through other comprehensive income ("FVOCI")	2,804,257	-
Financial investments available-for-sale ("AFS")	-	2,377,724
Financing, advances and other financing	18,617,860	15,369,747
Other assets	43,194	17,833
Amount due from holding company	107,722	406,523
Amount due from joint venture	31,295	32,849
Amount due from associate	500	500
Deferred tax assets	17,993	5,020
Statutory deposits with Bank Negara Malaysia	512,000	400,640
Investment in associate	750	750
Property and equipment	2,677	2,411
Intangible assets	670	-
TOTAL ASSETS	25,351,493	20,040,214
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		
Deposits from customers	19,687,388	14,199,332
Investment accounts of customers	875	449
Deposits and placements of banks and other financial institutions	245,582	1,261,400
Investment accounts due to designated financial institutions	2,368,295	2,749,016
Derivative financial liabilities	4,289	3,258
Other liabilities	89,863	67,456
Provision for taxation	8,743	1,150
Subordinated term financing and medium term notes	1,111,231	-
Total Liabilities	23,516,266	18,282,061
ISLAMIC BANKING CAPITAL FUNDS		
Share capital	1,060,000	1,060,000
Reserves	775,227	698,153
Total Islamic Banking Capital Funds	1,835,227	1,758,153
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS	25,351,493	20,040,214
COMMITMENTS AND CONTINGENCIES	5,543,823	4,734,028

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(ii) Unaudited Income Statements

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	254,321	196,007	945,482	694,666
Income derived from investment of investment account funds	46,302	29,344	122,023	110,519
Income derived from investment of shareholders' funds	24,267	20,354	91,315	71,254
Allowances for impairment losses on financing, advances and other financing	419	(3,633)	(19,403)	(27,099)
Allowance for impairment losses on other assets	-	(18,329)	(5,719)	(18,329)
Total distributable income	325,309	223,743	1,133,698	831,011
Income attributable to the depositors	(228,106)	(146,764)	(751,947)	(537,379)
Total net income	97,203	76,979	381,751	293,632
Other operating expenses	(59,039)	(46,227)	(223,259)	(172,630)
Profit before zakat and taxation	38,164	30,752	158,492	121,002
Zakat	-	-	(3,061)	(3,000)
Profit before taxation	38,164	30,752	155,431	118,002
Taxation	(10,410)	(7,075)	(42,989)	(28,255)
Net profit for the financial period/year	27,754	23,677	112,442	89,747

(iii) Unaudited Statements of Comprehensive Income

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	27,754	23,677	112,442	89,747
Other comprehensive income/(loss) :				
Items that may be reclassified subsequently to profit and loss :				
- Net fair value change in financial investments at FVOCI	1,147	-	12,934	-
- Net credit impairment losses change in financial assets at FVOCI	27	-	42	-
- Net fair value change in financial investments AFS	-	(9,261)	-	14,670
- Deferred tax on financial investments at FVOCI	(275)	-	(3,104)	-
- Deferred tax on financial investments AFS	-	2,222	-	(3,521)
Other comprehensive income for the financial period/year, net of tax	899	(7,039)	9,872	11,149
Total comprehensive income for the financial period/year	28,653	16,638	122,314	100,896

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

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

	<-----Attributable to Equity Holder of the Bank----->					Total RM'000
	Share capital RM'000	Statutory reserves RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
<u>Economic Entity</u>						
At 1 January 2018,						
- As previously reported	1,060,000	-	(6,915)	94,866	610,202	1,758,153
- Adjustment arising from adoption of MFRS 9	-	-	215	(27,810)	(17,645)	(45,240)
At 1 January 2018, as restated	1,060,000	-	(6,700)	67,056	592,557	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 year	-	-	9,872	-	112,442	122,314
Transfer to regulatory reserves	-	-	-	127,328	(127,328)	-
At 31 December 2018	1,060,000	-	3,172	194,384	577,671	1,835,227
At 1 January 2017	560,000	305,016	(18,064)	73,178	237,127	1,157,257
Comprehensive income :						
- Net profit for the financial year	-	-	-	-	89,747	89,747
Other comprehensive income (net of tax) :						
- Financial investments AFS	-	-	11,149	-	-	11,149
Total comprehensive income for the year	-	-	11,149	-	89,747	100,896
Issued during the financial year	500,000	-	-	-	-	500,000
Transfer to regulatory reserves	-	-	-	21,688	(21,688)	-
Transfer to retained profits	-	(305,016)	-	-	305,016	-
At 31 December 2017	1,060,000	-	(6,915)	94,866	610,202	1,758,153

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

	Group	
	31/12/2018	31/12/2017
	RM'000	RM'000
(v) Financing		
<u>By type</u>		
Cash line	374,079	312,995
Term financing		
- Housing financing	6,434,202	4,399,777
- Syndicated financing	700,117	1,065,163
- Hire purchase receivables	4,243,662	3,864,507
- Business term financing	5,591,252	4,300,525
Bills receivables	5,150	8,228
Trust receipts	16,329	14,717
Interest-free accepted bills	352,436	250,246
Staff financing	42,224	28,931
Credit/charge cards	11,408	12
Revolving credit	976,018	1,205,946
	<u>18,746,877</u>	<u>15,451,047</u>
Less : Allowance for impairment losses		
- Individual impairment	-	(24,039)
- Collective impairment	-	(57,261)
- ECL	(129,017)	-
Total net financing	<u>18,617,860</u>	<u>15,369,747</u>
(vi) Impaired financing		
<u>(a) Movements of impaired financing</u>		
At beginning of the financial year, as previously stated	142,310	97,498
Effect of adoption of MFRS 9	(594)	-
At beginning of the financial year, as restated	<u>141,716</u>	<u>97,498</u>
Classified as impaired during the financial year	551,758	419,647
Reclassified as non-impaired during the financial year	(117,229)	(337,769)
Amount recovered during the financial year	(27,139)	(28,700)
Amount written-off during the financial year	(18,277)	(8,366)
At end of the financial year	<u>530,829</u>	<u>142,310</u>
Ratio of gross impaired financing, advances and other financing to gross financing, advances and other financing (*)	<u>2.05</u>	<u>1.12%</u>
* RIA financing excluded in the ratio calculation		
<u>(b) Movements in the allowance for impairment on financing</u>		
Collective impairment		
At beginning of the financial year, as previously stated	57,261	44,995
Effect of adoption of MFRS 9	(57,261)	-
At beginning of the financial year, as restated	<u>-</u>	<u>44,995</u>
Allowance made during the financial year	-	20,595
Amount written-off during the financial year	-	(8,329)
At end of the financial year	<u>-</u>	<u>57,261</u>
Individual impairment		
At beginning of the financial year, as previously stated	24,039	18,003
Effect of adoption of MFRS 9	(24,039)	-
At beginning of the financial year, as restated	<u>-</u>	<u>18,003</u>
Allowance made during the financial year	-	16,404
Amount recovered during the financial year	-	(8,096)
Unwinding discount of allowance	-	(881)
Exchange difference	-	(1,391)
At end of the financial year	<u>-</u>	<u>24,039</u>

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

A33. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

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

31/12/2018	12-Month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At beginning of the financial year, on adoption of MFRS 9	54,528	10,975	58,334	123,837
Total transfer between stages	8,431	4,517	(12,948)	-
Changes due to change in credit risk :				
- Transfer to 12-month ECL (Stage 1)	13,357	(13,195)	(162)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,091)	33,102	(29,011)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(835)	(15,390)	16,225	-
Financing, advances and other financing derecognised during the period (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

	Group	
	31/12/2018 RM'000	31/12/2017 RM'000
<u>Qard</u>		
Demand deposits	2,598,371	3,071,743
Savings deposits	600,701	539,826
	<u>3,199,072</u>	<u>3,611,569</u>
<u>Mudarabah</u>		
General investment deposits	68,476	76,332
<u>Tawarruq</u>		
Murabahah term deposits	16,024,673	9,925,402
Commodity Murabahah Deposit	395,167	586,029
	<u>16,419,840</u>	<u>10,511,431</u>
Total deposits from customers	<u>19,687,388</u>	<u>14,199,332</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

Financial review for individual and cumulative quarter ended 31/12/2018 against preceding year's corresponding quarter ended 31/12/2017

	Individual Quarter Ended		Changes		Cumulative Quarter Ended		Changes	
	31/12/2018 RM'000	31/12/2017 RM'000	RM'000	%	31/12/2018 RM'000	31/12/2017 RM'000	RM'000	%
Net Income	453,558	534,703	(81,145)	(15.18)	1,920,602	1,560,455	360,147	23.08
Operating Profit	176,398	210,785	(34,387)	(16.31)	632,182	541,000	91,182	16.85
Profit Before Zakat and Tax	187,263	223,855	(36,592)	(16.35)	679,109	554,070	125,039	22.57
Profit Before Tax	187,027	223,484	(36,457)	(16.31)	674,996	550,699	124,297	22.57
Profit After Tax	151,914	176,119	(24,205)	(13.74)	527,420	424,438	102,982	24.26
Profit attributable to equity holders of the Bank	143,750	169,536	(25,786)	(15.21)	503,086	417,855	85,231	20.40

The Group reported a lower profit before taxation ("PBT") of RM187.0 million for the current financial quarter as compared to RM223.5 million for the preceding year's corresponding quarter. For the year ended 31 December 2018, the Group's PBT of RM674.9 million however indicated an increase of RM124.3 million or 22.6% as compared to RM550.7 million last year. The improved performance were attributable to higher net fee and commission income, net gain/losses on financial instruments and Islamic banking income by RM244.6 million, RM47.3 million and RM64.0 million respectively and the reduction in allowance for credit impairment losses of RM14.2 million. These were offset by the increase in overhead expenses of RM283.2 million and decrease in net interest income of RM5.5 million. In addition, the share of profits in associate and other operating income were higher by RM33.8 million and RM9.8 million respectively for the period under review.

Commercial Banking

The results of the commercial banking segment was mainly attributable to the ABB and AFFIN Islamic Bank Berhad ("AiBB").

ABB reported a higher PBT of RM202.9 million for the current financial quarter as compared to RM134.8 million for the preceding year's corresponding quarter. For the year ended 31 December 2018, ABB's PBT of RM675.0 million also shown an increase of RM300.5 million or 80.3% as compared to RM374.4 million achieved last year. This was mainly attributable to dividend income of RM323.0 million received from subsidiaries, gain of RM31.0 million on winding-up of AFFIN Recoveries and lower allowance for credit impairment losses and overhead expenses of RM19.5 million and RM3.5 million respectively. These were partially offset by the reduction in net interest income of RM66.5 million and net gain/losses on financial instruments of RM12.5 million.

AiBB registered a lower PBT of RM38.2 million for the current financial quarter as compared to RM49.1 million for the preceding year's corresponding quarter. For the year ended 31 December 2018, AiBB however registered a higher PBT of RM155.4 million as compared to RM118.0 million achieved in last year. The improved performance was mainly due to the increase in operating income of RM67.8 million in line with the financing growth of 21.3%, net of higher overhead expenses of RM50.7 million. In addition, the allowance for financing impairment was lower by RM20.3 million for the year under review.

Investment Banking

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

The AHIB Group reported a PBT of RM160.5 million for the year ended 31 December 2018, mainly made up of net fee and commission income, net gain on financial instruments and net interest income of RM350.6 million, RM83.2 million and RM76.7 million respectively, net of overhead expenses of RM343.0 million. The 70%-owned subsidiary of AHIB, namely AFFIN Hwang Asset Management Berhad ("AHAM") also reported a PBT of RM105.6 million, mainly made up of net fee and commission income of RM244.8 million, net of overhead expenses of RM141.0 million.

The AHIB Group reported a lower PBT of RM10.5 million for the current financial quarter as compared to RM43.1 million for the preceding year's corresponding quarter. For the year ended 31 December 2018, the AHIB Group also reported a lower PBT of RM134.5 million as compared to RM182.3 million achieved last year. This was mainly due to lower net gain and losses on financial instruments of RM52.4 million and higher allowance for credit impairment losses of RM15.0 million, off set by lower overhead expenses of RM38.2 million and higher net interest income of RM6.9 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.)

Investment Banking (Cont.)

AHAM contributed a higher PBT of RM35.4 million for the current financial quarter as compared to RM27.2 million for the preceding year's corresponding quarter. For the year ended 31 December 2018, AHAM also registered a higher PBT RM105.6 million as compared to RM85.6 million achieved in the previous year, mainly attributable to lower overhead expenses of RM31.6 million net of lower net fee and commission income of RM10.6 million.

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 loss of RM7.3 million as compared to the pre-tax loss of RM26.1 million for the preceding year mainly due to lower reserve for future policyholders' liabilities required, operating expenses and change of policyholders' liabilities of RM7.1 million, RM3.3 million and RM 9.2 million respectively. However, these were offset by lower investment income of RM0.8 million.

AAGI reported a pre-tax profit of RM140.0 million for the year ended 31 December 2018, mainly made up of earned premium of RM1.2 billion and investment income of RM103.3 million, net of net claims incurred, net commission and management expenses of RM800.0 million, RM121.1 million and RM247.0 million respectively.

AAGI reported a lower pre-tax profit of RM33.6 million for the current financial quarter as compared to RM49.6 million for the preceding year's corresponding quarter. For the year ended 31 December 2018, AAGI also reported lower pre-tax profit of RM140.0 million as compared to RM142.2 million for the same period last year, mainly attributable to higher net claim incurred of RM66.6 million, net of higher earned premium of RM38.6 million, higher gain on disposal of investments of RM14.0 million and lower management expenses of RM11.8 million. The gross written premium reported for the year ended 31 December 2018 was RM1.5 billion, a growth of 4.8% as compared to the corresponding period last year, mainly contributed by Motor and Personal Accident.

Other business segment

The results of other business segment was made up of the pre-tax profit of RM1.5 million of AFFIN Moneybrokers Sdn Bhd ("AMB") for the year ended ended 31 December 2018 mainly made up of brokerage income of RM10.7 million net of overhead expenses of RM9.2 million.

AMB reported a pre-tax profit of RM0.4 million for the current financial quarter as compared to pre-tax loss of RM0.9 million for the preceding year's corresponding quarter. For the year ended 31 December 2018, AMB reported a higher PBT of RM1.5 million as compared to RM0.4 million achieved in the previous year, mainly due to lower overhead expenses by RM1.9 million, net of lower brokerage income of RM0.7 million.

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

Financial review for current quarter against preceding quarter

	Current Financial Quarter	Preceding Financial Quarter	Changes	
	31/12/2018 RM'000	30/9/2018 RM'000	RM'000	%
Net income	453,558	496,249	(42,691)	(8.60)
Operating Profit	176,398	185,060	(8,662)	(4.68)
Profit Before Zakat and Tax	187,263	190,553	(3,290)	(1.73)
Profit Before Tax	187,027	187,319	(292)	(0.16)
Profit After Tax	151,914	150,518	1,396	0.93
Profit attributable to equity holders of the Bank	143,750	144,563	(813)	(0.56)

For the current financial quarter, the Group reported a pre-tax profit of RM187.0 million as compared to RM187.3 million achieved in the preceding quarter.

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

B3. PROSPECTS FOR FINANCIAL YEAR 2019

Banking

In 2019, Malaysia's economic growth is forecasted to expand by 4.7%, similar to the growth in 2018. The government is maintaining the 2019 GDP growth at 4.9%. The country's growth will continue to be supported by private consumption and private investment mainly in household spending and on-going infrastructure projects. Despite the proposed reintroduction of targeted fuel subsidy in the 2H2019, inflation is projected to remain manageable in the range of 2.0% - 2.2% this year versus the official target of 2.5% to 3.5%. Due to the weak ringgit and rising downside risk to global economy, Bank Negara will likely hold its Overnight Policy Rate at 3.25% throughout 2019.

The industry is expected to be dragged by moderate loan growth with fee-based income expected to be soft due to volatile capital markets. Caution will still prevail in the industry due to the soft economy outlook. Selective asset growth will be the focus for the banks. Impairment allowances will remain consistent, which could buffer the banks' bottom lines. Competitive lending rates are expected in the near term as banks strive to achieve their loan growth targets. Although Malaysian banks may see earnings come under pressure due to keen competition on both loans and deposits, their asset quality, capital as well as funding and liquidity profiles remain strong. Malaysian banks' credit metrics compare favourably against its regional peers.

2019 will be another momentous year for the Group as we will continue our growth path with Affinity. In addition, the reorganisation of the Group which was completed in year 2018 is expected to strengthen the Bank's capital position. Leveraging on the Group's infrastructure, the Bank will continue to strengthen its existing offerings, accelerate the development of its digital banking solution and further improve its innovativeness to meet customers' requirement.

Our strategic focus for the 2019 will remain on both retail and business banking segments, especially in the Small and Medium Enterprises ('SME') segment as well as transactional banking. The Bank will also be focusing on brand visibility, compliance requirements, improving asset quality and liquidity management.

Given the expansion of the SME segment is pivotal to Malaysia's economic growth, the Group is placing greater emphasis in this area. The Group collaborates with Small and Medium Enterprises Association (SAMENTA) Malaysia by engaging with its members to understand their financing needs. The Group also introduced SMEngage which is a singular identity initiative to promote and support activities for SME customers through a series of programmes which include seminars, customer engagement and financial knowledge sharing.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :				
- Income tax based on profit for the financial year	91,604	54,337	211,722	143,003
Under provision in prior year :				
- Current taxation	338	46	6,196	1,551
Deferred tax :				
- Relating to originating temporary differences	(56,829)	(7,018)	(70,342)	(18,293)
	35,113	47,365	147,576	126,261
	<-----Bank----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :				
- Income tax based on profit for the financial year	60,711	26,986	120,200	94,114
Under provision in prior year :				
- Current taxation	-	-	9,747	1,416
Deferred tax :				
- Relating to originating temporary differences	(42,140)	6,984	(49,044)	(3,994)
	18,571	33,970	80,903	91,536

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

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

B6. SIGNIFICANT EVENT

Reorganisation of AFFIN Holdings Berhad Group of Companies ["Group Reorganisation"]

On 16 February 2017, AHIB had on behalf of the Board of Directors of AHB announced that AHB and ABB intend to undertake the following proposals:-

- (i) Proposed Transfer by AHB of the following identified companies to ABB:
- AHIB, a wholly-owned subsidiary of AHB;
 - AMB, a wholly-owned subsidiary of AHB;
 - AALI, a 51.00%-owned joint venture company of AHB; and
 - AAGI, a 37.07%-owned associate company of AHB,

(AHIB, AMB, AALI and AAGI shall collectively be referred to as the "Identified Companies" and item (i) above shall now referred to as "the Reorganisation");

- (ii) Proposed distribution of the entire shareholdings in ABB held by AHB to the entitled shareholders of AHB whose names appear in AHB's Record of Depositors on an entitlement date to be determined and announced by the Board at a later date ("Entitlement Date") ("Entitled Shareholders"), after the completion of the Reorganisation, on the Entitlement Date by way of a distribution-in-specie via a reduction of the following:
- the entire consolidated capital of AHB (which includes the entire issued and paid-up share capital of AHB and the share premium account of AHB); and
 - the retained profits of AHB,

(item (ii) above shall now referred to as "the Distribution");

- (iii) Proposed subscription by ABB of 2 new ordinary shares in AHB ("AHB Shares") which will be undertaken simultaneously with the Proposed Distribution ("the Subscription");
- (iv) Proposed amendments of the Memorandum and Articles of Association ("M&A") of AHB and ABB to facilitate the Proposed Transfer of Listing Status ("the Amendments");
- (v) Proposed transfer of the listing status from AHB to ABB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Transfer of Listing Status"); and

(the above shall collectively be referred to as the "Proposals").

On 16 October 2017, the Transfer Consideration had been finalised to be RM 2.505 billion and satisfied by ABB, partly in cash and partly in shares and the Reorganisation is deemed completed on 16 October 2017.

Subsequent to the Reorganisation, AHB implemented the Distribution and Subscription simultaneously which was completed on 30 January 2018.

The Distribution entailed the distribution of the entire shareholding in ABB held by AHB to its Entitled Shareholders on the basis of 1 ABB share for each AHB share held was completed on 30 January 2018 by way of distribution-in-specie via a reduction of the entire consolidated capital of AHB and the retained earnings of AHB.

ABB subscribed to 2 new ordinary shares of AHB for RM2.00 under the Subscription. Consequently, AHB had become a subsidiary of ABB upon the completion of the Distribution and the Subscription on 30 January 2018.

Upon completion of the Distribution and the Subscription, the Transfer of Listing Status from AHB to ABB was completed on 2 February 2018.

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

B6. SIGNIFICANT EVENT (Cont.)

Reorganisation of AFFIN Holdings Berhad Group of Companies ["Group Reorganisation"] (Cont.)

The effects of the predecessor accounting arising from the Reorganisation

The Group has adopted predecessor accounting and consolidated the acquired entity's results, assets and liabilities prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous year are not restated.

	AHB
	RM'000
ASSETS	
Cash and short-term funds	15,545
Deposits and placements with banks and other financial institutions	57,634
Amount due from associate	88,740
Other assets	532
Tax recoverable	1,862
Amount due from subsidiary	3
TOTAL ASSETS	<u>164,316</u>
LIABILITIES	
Other liabilities	5,328
Deferred tax liabilities	5
Borrowings	<u>57,420</u>
TOTAL LIABILITIES	<u>62,753</u>
Net assets transferred to the Group	101,563
Effect of predecessor accounting	<u>(101,563)</u>
Total purchase consideration [Note]	-
Add: Cash and cash equivalent of the net assets transferred	<u>15,545</u>
Net cash inflow from Group Reorganisation	<u>15,545</u>

Note: ABB had on 30 January 2018 subscribed to 2 new ordinary shares of AHB for RM2.00 pursuant to the Subscription.

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

B7. DEPOSITS AND BORROWINGS

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
(i) <u>Deposits from Customers</u>				
<u>By Type of Deposits :</u>				
Money Market Deposits	1,256,223	1,450,161	1,256,223	1,450,161
Demand Deposits	6,830,259	7,514,976	4,245,815	4,445,816
Savings Deposits	2,109,239	2,068,084	1,508,539	1,528,259
Fixed Deposits	42,820,134	34,333,682	22,702,344	20,955,124
Negotiable Instruments of Deposits ("NID")	3,838,419	4,865,486	3,848,298	4,915,793
Commodity Murabahah Deposits ("CMD")	395,167	586,029	-	-
Others	97,006	101,811	-	-
	<u>57,346,447</u>	<u>50,920,229</u>	<u>33,561,219</u>	<u>33,295,153</u>
 Maturity structure of fixed deposits and NIDs are as follows :				
Due within six months	29,459,431	28,248,154	16,890,847	18,136,022
Six months to one year	14,371,113	8,440,099	7,579,649	5,645,663
One year to three years	2,521,315	2,326,825	2,054,033	2,065,142
Three years to five years	403,700	285,901	26,113	24,090
	<u>46,755,559</u>	<u>39,300,979</u>	<u>26,550,642</u>	<u>25,870,917</u>
 <u>By Type of Customers :</u>				
Government and statutory bodies	12,148,553	8,025,732	2,205,373	2,502,386
Business enterprises	15,343,682	13,909,710	9,111,267	8,813,469
Individuals	16,220,138	14,544,917	14,289,446	12,927,124
Domestic banking institutions	3,915,899	4,924,729	3,932,579	4,970,867
Domestic non-banking financial institutions	8,446,052	8,316,341	3,133,150	3,221,556
Foreign entities	547,452	596,604	431,780	507,288
Others	724,671	602,196	457,624	352,463
	<u>57,346,447</u>	<u>50,920,229</u>	<u>33,561,219</u>	<u>33,295,153</u>
 (ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>				
<u>By Type of Institutions :</u>				
Licensed banks	2,371,858	2,875,922	2,154,065	1,833,042
Licensed investment banks	153,398	98,321	-	43,711
Bank Negara Malaysia	361,359	1,176,407	361,359	1,176,296
Other financial institutions	1,960,297	1,555,949	1,785,424	927,256
	<u>4,846,912</u>	<u>5,706,599</u>	<u>4,300,848</u>	<u>3,980,305</u>
 <u>By Maturity Structure :</u>				
Due within six months	4,772,885	5,706,599	4,226,821	3,980,305
Six months to one year	74,027	-	74,027	-
	<u>4,846,912</u>	<u>5,706,599</u>	<u>4,300,848</u>	<u>3,980,305</u>

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

B7. DEPOSITS AND BORROWINGS (Cont.)

	Group		Bank	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
(iii) Borrowings				
(a) Tier-2 Subordinated Medium Term Notes ("MTN")	2,036,144	2,036,144	2,036,144	2,036,144
(b) Additional Tier-1 Capital Securities ("ATICS")	512,235	-	512,235	-
(c) Additional Tier-1 Sukuk Wakalah	303,483	-	-	-
(d) MTN Sukuk Tier-2 Sukuk Murabahah	201,950	-	-	-
	<u>3,053,812</u>	<u>2,036,144</u>	<u>2,548,379</u>	<u>2,036,144</u>

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

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

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

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

(c) Additional Tier 1 Sukuk Wakalah

AiBB had on 18 October 2018 issued first tranche of Additional Tier-1 Capital Sukuk Wakalah 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 Sukuk Tier-2 Sukuk Murabahah

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

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

B8. MATERIAL LITIGATION

AFFIN Bank Berhad

A claim by the Plaintiff against the Bank vide Write of Summons and Statement of Claim dated 22 January 2016 ("Writ") for the following:-

- i) RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
- ii) SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
- iii) 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;
- iv) 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 Case Management on 15 August 2018. On 15 August 2018, full trial was fixed from 27 to 29 August 2018. Hearing was part heard on 27 and 28 August 2018, postponed to 2 October 2018 which was further postponed to 16 and 17 October 2018. 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 Case Management morning before the new Judge, YA Dato' Ahmad bin Bache (who took over the matter from the previous Judge), whereby the Court has fixed new trial dates on 25 to 28 March 2019 and 8 to 11 April 2019.

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

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

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

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

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

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

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

B8. MATERIAL LITIGATION (Cont.)

AFFIN Hwang Investment Bank Berhad

A chargor of a piece of land ('the Land') charged to the Bank as part of the collaterals for a syndicated facility granted to a borrower by a consortium financial institutions, had filed a claim against the Bank on 9 June 2016 for the sum of RM5,185,683.19 or in the alternative damages to be assessed, interests and costs, alleging that the Bank as Security Agent had failed to perform its contractual and/or statutory obligations in relation to the application of the sales proceeds of the Land and had wrongfully deducted the recovery and enforcement expenses, which included expenses for other properties/securities from the surplus of the sales proceed of the Land. As Security Agent, the consortium financial institutions will indemnify the Bank for the claim instituted against the Bank. The Bank had filed an application for disposal of the claim under Order 14A of the Rules of Court 2012 and the Kuala Lumpur High Court ('KLHC') had decided in favour of the Bank, by dismissing the chargor's suit, with costs. Nevertheless, one out of the four questions posed by the Bank was not answered in favour of the Bank, i.e. the chargor was not estopped from disputing the redemption sum. In this regard, the Bank had filed its appeal against the said part of the decision. The chargor had also filed its appeal against the KLHC's decision. The Court had directed the Bank's appeal to be heard together with the chargor's appeal on 9 April 2019. On the balance of probabilities, the Bank's solicitor is of the view that the Bank has a fairly good chance in succeeding in the Bank's appeal and in opposing the chargor's appeal.

B9. DIVIDENDS

The Board of Directors has declared a single-tier interim dividend for the financial year ending 31 December 2018. The Board of Directors has also approved that the DRP be applied to the said interim dividend and the entire interim dividend can be elected and reinvested in new ordinary shares.

Amount per share	:	5.0 sen per share
Previous corresponding year	:	2.34 sen per share
Date payable	:	22 January 2019
Date of entitlement	:	24 December 2018
Total dividend for the current financial year	:	5.0 sen per share

B10. EARNINGS PER SHARE

(a) Basic earnings per share

	----- Group ----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit attributable to equity holders of the Bank (RM'000)	143,750	169,536	503,086	417,855
Weighted average number of ordinary shares in issue	1,942,948,547	1,901,506,330	1,942,948,547	1,742,390,925
Basic earnings per share (sen)	7.40	8.92	25.89	23.98

The basic earnings per share of the Group for the current financial quarter ended 31 December 2018 has been calculated based on the net profit attributable to the equity holders of the Bank of RM143,750,000 (2017: RM169,536,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2017: 1,901,506,330).

The basic earnings per share of the Group for the cumulative quarter ended 31 December 2018 has been calculated based on the net profit attributable to the equity holders of the Bank of RM503,086,000 (2017: RM417,855,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2017: 1,742,390,925).

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

B10. EARNINGS PER SHARE (Cont.)

(a) Basic earnings per share (cont.)

	<----- Bank ----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit attributable to equity holders of the Bank (RM'000)	184,313	100,876	594,006	282,852
Weighted average number of ordinary shares in issue	1,942,948,547	1,901,506,330	1,942,948,547	1,742,390,925
Basic earnings per share (sen)	9.49	5.31	30.57	16.23

The basic earnings per share of the Bank for the current financial quarter ended 31 December 2018 has been calculated based on the net profit attributable to the equity holders of the Bank of RM184,313,000 (2017: RM100,876,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2017: 1,901,506,330).

The basic earnings per share of the Bank for the cumulative quarter ended 31 December 2018 has been calculated based on the net profit attributable to the equity holders of the Bank of RM594,006,000 (2017: RM282,852,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2017: 1,742,390,925).

(b) Diluted earnings per share

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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit attributable to equity holders of the Bank (RM'000)	143,750	169,536	503,086	417,855
Diluted weighted average number of ordinary shares in issue	1,986,020,123	1,901,506,330	1,986,020,123	1,742,390,925
Diluted earnings per share (sen)	7.24	8.92	25.33	23.98

	<----- Bank ----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit attributable to equity holders of the Bank (RM'000)	184,313	100,876	594,006	282,852
Diluted weighted average number of ordinary shares in issue	1,986,020,123	1,901,506,330	1,986,020,123	1,742,390,925
Diluted earnings per share (sen)	9.28	5.31	29.91	16.23

	Group and Bank	
	31/12/2018	31/12/2017
Basic weighted average number of ordinary shares in issue	1,942,948,547	1,742,390,925
Number of potential ordinary shares	43,071,576	-
Diluted weighted average number of ordinary shares in issue	1,986,020,123	1,742,390,925