

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Unaudited Statements of Financial Position as at 30 September 2018

	Note	The Group		The Bank	
		As at 30-09-2018 RM'000	As at 31-12-2017 RM'000	As at 30-09-2018 RM'000	As at 31-12-2017 RM'000
ASSETS					
Cash and short-term funds		597,278	588,245	209,249	214,687
Deposits and placements with banks and other financial institutions		-	10,313	-	10,313
Financial assets at fair value through profit or loss ("FVTPL")	11	358,205	95,051	309,177	69,269
Financial assets at fair value through other comprehensive income ("FVOCI")	11	5,207,881	-	5,207,881	-
Financial assets at amortised cost	11	48,968	-	48,968	-
Financial investments available-for-sale	11	-	4,824,526	-	4,793,901
Financial investments held-to-maturity	11	-	8,107	-	8,107
Loans, advances and financing	12	1,336,968	1,208,511	1,336,968	1,208,511
Trade receivables	13	407,233	549,359	317,255	420,747
Derivative financial assets		34,643	54,950	34,643	54,950
Commodity Gold at FVTPL		30,830	32,198	-	-
Other assets	14	56,533	33,958	51,640	30,713
Statutory deposits with Bank Negara Malaysia		186,403	169,000	186,300	169,000
Amount due from subsidiaries		-	-	14,340	21,660
Investment in subsidiaries		-	-	124,121	124,121
Investments in associated company		-	-	732	732
Taxation recoverable		15,378	12,338	13,319	12,202
Deferred tax assets		26,685	22,165	15,463	10,817
Property and equipment		31,391	33,136	19,190	20,719
Intangible assets		323,228	323,801	316,183	316,969
Total ASSETS		8,661,624	7,965,658	8,205,429	7,487,418
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	15	5,183,580	4,491,527	5,183,580	4,491,527
Deposits and placements of banks and other financial institutions	16	786,019	590,600	786,019	590,600
Obligations on securities sold under repurchase agreements	17	-	96,013	-	96,013
Trade payables	18	587,905	676,938	309,754	393,714
Derivative financial liabilities		38,406	54,808	38,406	54,808
Amount due to holding company		123	-	-	-
Amount due to related companies		6,181	9,222	-	-
Other liabilities	19	448,369	384,152	333,722	254,715
Provision for taxation		-	6,964	-	-
Total LIABILITIES		7,050,583	6,310,224	6,651,481	5,881,377
Share capital		999,800	999,800	999,800	999,800
Reserves	20	556,270	603,086	554,148	606,241
		1,556,070	1,602,886	1,553,948	1,606,041
Non-controlling interests		54,971	52,548	-	-
SHAREHOLDERS' EQUITY		1,611,041	1,655,434	1,553,948	1,606,041
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,661,624	7,965,658	8,205,429	7,487,418
COMMITMENTS AND CONTINGENCIES	30	6,524,253	7,706,101	6,524,253	7,706,101

CAPITAL ADEQUACY

Basel III

CET 1 capital ratio	29	31.540%	34.806%	34.689%	40.546%
Tier 1 capital ratio	29	32.056%	35.064%	34.689%	40.546%
Total capital ratio	29	32.882%	35.442%	35.604%	40.546%
After deducting proposed dividends:					
CET 1 capital ratio (net of proposed dividends)	29	28.871%	32.346%	31.447%	37.449%
Tier 1 capital ratio (net of proposed dividends)	29	29.386%	32.604%	31.447%	37.449%
Total capital ratio (net of proposed dividends)	29	30.212%	32.982%	32.362%	37.449%

The Group and the Bank have applied MFRS 9 and MFRS 15 on 1 January 2018. Under the transition methods adopted, comparative information are not restated.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Unaudited Income Statements for the financial period ended 30 September 2018

The Group	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period 30-09-2018	Preceding Year Corresponding Period 30-09-2017	Current Financial Period-to-date 30-09-2018	Preceding Year Corresponding Period-to-date 30-09-2017
		RM'000	RM'000	RM'000	RM'000
Interest income	21	76,799	71,247	223,319	210,067
Interest expense	22	(58,597)	(54,341)	(167,182)	(159,970)
Net interest income		18,202	16,906	56,137	50,097
Fee and commission income	23(a)	124,549	138,855	398,618	379,659
Fee and commission expense	23(b)	(36,592)	(57,751)	(130,686)	(147,105)
Net fee and commission income		87,957	81,104	267,932	232,554
Net gain and losses on financial instruments	24	22,132	45,099	69,505	109,133
Other operating income	25	3,564	(3,745)	8,878	8,456
Net income		131,855	139,364	402,452	400,240
Other operating expenses	26	(91,246)	(86,596)	(274,104)	(260,016)
Operating profit before allowances		40,609	52,768	128,348	140,224
(Allowances)/write-back of credit impairment losses	27(a)	541	-	(3,540)	-
Write-back of losses on loans, advances and financing and receivables	27(b)	-	415	-	1,162
Impairment loss on securities	28	-	(299)	-	(1,011)
Profit before zakat and taxation		41,150	52,884	124,808	140,375
Zakat		(173)	(408)	(816)	(1,131)
Profit before taxation		40,977	52,476	123,992	139,244
Taxation		(1,991)	(12,347)	(20,311)	(32,638)
Net profit after zakat and taxation		38,986	40,129	103,681	106,606
Attributable to:					
- Equity holders of the Bank		32,611	35,138	86,251	92,659
- Non-controlling interests		6,375	4,991	17,430	13,947
		38,986	40,129	103,681	106,606
Earnings per share:					
- basic/fully diluted (sen)		4.18	4.50	11.06	11.88

The Group and the Bank have applied MFRS 9 and MFRS 15 on 1 January 2018. Under the transition methods adopted, comparative information are not restated.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

**Unaudited Statement of Comprehensive Income
for the financial period ended 30 September 2018**

The Group	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-09-2018 RM'000	Preceding Year Corresponding Period 30-09-2017 RM'000	Current Financial Period-to-date 30-09-2018 RM'000	Preceding Year Corresponding Period-to-date 30-09-2017 RM'000
Net profit after zakat and taxation	38,986	40,129	103,681	106,606
Other comprehensive income:				
Net fair value changes in financial assets at FVOCI	37,767	-	10,480	-
Net fair value changes in financial investments available-for-sale	-	526	-	53,864
Net credit impairment losses change in financial assets at FVOCI	633	-	501	-
Net gain on financial assets at FVOCI reclassified to profit or loss on disposal	(4,348)	-	(5,380)	-
Net gain transferred to profit or loss on disposal of financial investments available-for-sale	-	(7,826)	-	(11,421)
Net transfer to profit or loss on impairment of financial investments available-for-sale	-	(660)	-	-
Deferred tax on financial assets at FVOCI	(8,020)	-	(1,224)	-
Deferred tax on financial investments available-for-sale	-	1,886	-	(10,221)
Other comprehensive income for the period, net of tax	26,032	(6,074)	4,377	32,222
Total comprehensive income for the period	65,018	34,055	108,058	138,828
Attributable to:				
Equity holders of the Bank	58,555	29,095	90,628	124,925
Non-controlling interests	6,463	4,960	17,430	13,903
Total comprehensive income	65,018	34,055	108,058	138,828

The Group and the Bank have applied MFRS 9 and MFRS 15 on 1 January 2018. Under the transition methods adopted, comparative information are not restated.

Affin Hwang Investment Bank Berhad
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Unaudited Income Statements
for the financial period ended 30 September 2018

The Bank

	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period 30-09-2018 RM'000	Preceding Year Corresponding Period 30-09-2017 RM'000	Current Financial Period-to-date 30-09-2018 RM'000	Preceding Year Corresponding Period-to-date 30-09-2017 RM'000
Interest income	21	76,199	70,845	221,808	209,329
Interest expense	22	(58,597)	(54,341)	(167,182)	(159,970)
Net interest income		17,602	16,504	54,626	49,359
Fee and commission income	23(a)	23,106	25,538	81,895	76,158
Fee and commission expense	23(b)	-	-	-	-
Net fee and commission income		23,106	25,538	81,895	76,158
Net gain and losses on financial instruments	24	22,889	45,013	70,619	108,911
Other operating income	25	15,939	(3,567)	43,765	8,775
Net income		79,536	83,488	250,905	243,203
Other operating expenses	26	(49,065)	(50,242)	(157,046)	(160,519)
Operating profit before allowances		30,471	33,246	93,859	82,684
(Allowances)/write-back of credit impairment losses	27(a)	553	-	(3,534)	-
Write-back of losses on loans, advances and financing and receivables	27(b)	-	415	-	1,162
Impairment loss on securities	28	-	(299)	-	(1,011)
Profit before zakat and taxation		31,024	33,362	90,325	82,835
Zakat		(107)	(346)	(582)	(927)
Profit before taxation		30,917	33,016	89,743	81,908
Taxation		1,030	(9,212)	(8,784)	(20,686)
Net profit after zakat and taxation		31,947	23,804	80,959	61,222
Attributable to:					
- Equity holders of the Bank		31,947	23,804	80,959	61,222
Earnings per share:					
- basic/fully diluted (sen)		4.10	3.05	10.38	7.85

The Group and the Bank have applied MFRS 9 and MFRS 15 on 1 January 2018. Under the transition methods adopted, comparative information are not restated.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

**Unaudited Statement of Comprehensive Income
for the financial period ended 30 September 2018**

The Bank	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-09-2018 RM'000	Preceding Year Corresponding Period 30-09-2017 RM'000	Current Financial Period-to-date 30-09-2018 RM'000	Preceding Year Corresponding Period-to-date 30-09-2017 RM'000
Net profit after zakat and taxation	31,947	23,804	80,959	61,222
Other comprehensive income:				
Net fair value changes in financial assets at FVOCI	37,767	-	10,480	-
Net fair value changes in financial investments available-for-sale	-	630	-	54,009
Net credit impairment losses change in financial assets at FVOCI	633	-	501	-
Net gain on financial assets at FVOCI reclassified to profit or loss on disposal	(4,350)	-	(5,380)	-
Net gain transferred to profit or loss on disposal of financial investments available-for-sale	-	(7,826)	-	(11,421)
Net transfer to profit or loss on impairment of financial investments available-for-sale	-	(660)	-	-
Deferred tax on financial assets at FVOCI	(8,020)	-	(1,224)	-
Deferred tax on financial investments available-for-sale	-	1,886	-	(10,221)
Other comprehensive income for the period, net of tax	26,030	(5,970)	4,377	32,367
Total comprehensive income for the period	57,977	17,834	85,336	93,589
Attributable to equity holders of the Bank:				
Total comprehensive income	57,977	17,834	85,336	93,589

The Group and the Bank have applied MFRS 9 and MFRS 15 on 1 January 2018. Under the transition methods adopted, comparative information are not restated.

Affin Hwang Investment Bank Berhad
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Unaudited Statement of Changes in Equity
for the financial period ended 30 September 2018

	Attributable to equity holders of the Bank							Total equity RM'000
	Share Capital RM'000	Regulatory reserve RM'000	Foreign exchange reserve RM'000	FVOCI revaluation reserve RM'000	Retained profits RM'000	Sub-total RM'000	Non- controlling interests RM'000	
The Group								
At 1 January 2018								
- As previously reported	999,800	11,790	151	(14,466)	605,611	1,602,886	52,548	1,655,434
- Adjustment arising from adoption of MFRS 9	-	13,186	-	5,193	(21,883)	(3,504)	(7)	(3,511)
- Adjustment arising from adoption of MFRS 15	-	-	-	-	(940)	(940)	-	(940)
At 1 January 2018, as restated	999,800	24,976	151	(9,273)	582,788	1,598,442	52,541	1,650,983
Comprehensive income:								
Net profit for the financial period	-	-	-	-	86,251	86,251	17,430	103,681
Other comprehensive income, (net of tax) -								
Financial investments at FVOCI	-	-	-	4,377	-	4,377	-	4,377
Total comprehensive income	-	-	-	4,377	86,251	90,628	17,430	108,058
Transfer to regulatory reserve	-	(381)	-	-	381	-	-	-
Dividend paid	-	-	-	-	(133,000)	(133,000)	(15,000)	(148,000)
At 30 September 2018	999,800	24,595	151	(4,896)	536,420	1,556,070	54,971	1,611,041

	Attributable to equity holders of the Bank							Total equity RM'000	
	Share Capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available -for-sale revaluation reserve RM'000	Retained profits RM'000	Sub-total RM'000		Non- controlling interests RM'000
The Group									
At 1 January 2017	780,000	219,800	251,343	9,667	(26,830)	246,496	1,480,476	41,372	1,521,848
Comprehensive income:									
Net profit for the financial period	-	-	-	-	-	92,659	92,659	13,947	106,606
Other comprehensive income, (net of tax) -									
Financial investments available-for-sale	-	-	-	-	32,266	-	32,266	(44)	32,222
Total comprehensive income	-	-	-	-	32,266	92,659	124,925	13,903	138,828
Transfer to regulatory reserve	-	-	-	2,446	-	(2,446)	-	-	-
Transfer pursuant to new BNM guidelines	-	-	(251,343)	-	-	251,343	-	-	-
Transfer pursuant to Companies Act 2016	219,800	(219,800)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(10,800)	(10,800)	-	(10,800)
At 30 September 2017	999,800	-	-	12,113	5,436	577,252	1,594,601	55,275	1,649,876

The Group and the Bank have applied MFRS 9 and MFRS 15 on 1 January 2018. Under the transition methods adopted, comparative information are not restated.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Unaudited Statement of Changes in Equity for the financial period ended 30 September 2018

	Attributable to equity holders of the Bank				
	Share Capital RM'000	Regulatory reserve RM'000	FVOCI revaluation reserve RM'000	Retained profits RM'000	Total equity RM'000
The Bank					
At 1 January 2018					
- As previously reported	999,800	11,790	(14,762)	609,213	1,606,041
- Adjustment arising from adoption of MFRS 9	-	13,186	5,434	(22,109)	(3,489)
- Adjustment arising from adoption of MFRS 15	-	-	-	(940)	(940)
At 1 January 2018, as restated	999,800	24,976	(9,328)	586,164	1,601,612
Comprehensive income:					
Net profit for the financial period	-	-	-	80,959	80,959
Other comprehensive income, (net of tax) -					
Financial investments at FVOCI	-	-	4,377	-	4,377
Total comprehensive income	-	-	4,377	80,959	85,336
Transfer to regulatory reserve	-	(381)	-	381	-
Dividend paid	-	-	-	(133,000)	(133,000)
At 30 September 2018	999,800	24,595	(4,951)	534,504	1,553,948

	Share Capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available	Retained profits RM'000	Total equity RM'000
					-for-sale revaluation reserve RM'000		
At 1 January 2017	780,000	219,800	251,343	9,667	(26,901)	274,279	1,508,188
Comprehensive income:							
Net profit for the financial period	-	-	-	-	-	61,222	61,222
Other comprehensive income, (net of tax) -							
Financial investments available-for-sale	-	-	-	-	32,367	-	32,367
Total comprehensive income	-	-	-	-	32,367	61,222	93,589
Transfer to statutory reserve	-	-	-	2,446	-	(2,446)	-
Transfer pursuant to new BNM guidelines	-	-	(251,343)	-	-	251,343	-
Transfer pursuant to Companies Act 2016	219,800	(219,800)	-	-	-	-	-
Dividend paid	-	-	-	-	-	(10,800)	(10,800)
At 30 September 2017	999,800	-	-	12,113	5,466	573,598	1,590,977

The Group and the Bank have applied MFRS 9 and MFRS 15 on 1 January 2018. Under the transition methods adopted, comparative information are not restated.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Unaudited Statement of Cash Flows for the financial period ended 30 September 2018

	The Group		The Bank	
	30-09-2018 RM'000	30-09-2017 RM'000	30-09-2018 RM'000	30-09-2017 RM'000
Cash flow from operating activities				
Net profit before tax for the financial period	123,992	139,244	89,743	81,908
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income				
- financial assets at FVTPL	(15,169)	(15,836)	(15,169)	(15,836)
- financial assets at FVOCI	(153,302)	-	(153,302)	-
- financial assets at amortised cost	(1,951)	-	(1,951)	-
- financial investments available-for-sale	-	(149,749)	-	(149,749)
- financial investments held-to-maturity	-	(1,505)	-	(1,505)
Dividend income:				
- financial assets at FVTPL	(3,407)	(352)	(2,258)	(352)
- financial assets at FVOCI	(3,308)	-	(3,308)	-
- from an subsidiary	-	-	(35,000)	-
- financial investments available-for-sale	-	(11,856)	-	(11,586)
Property and equipment written-off	22	1	19	-
Gain on disposal of property, plant and equipment	(130)	(470)	(113)	(132)
(Gain)/loss arising from disposal/redemption of:				
- derivative instruments	54	26	54	26
- financial assets at FVTPL	(44,383)	(53,464)	(44,672)	(53,465)
- financial assets at FVOCI	(5,752)	-	(5,752)	-
- financial investments available-for-sale	-	(24,606)	-	(24,564)
Depreciation of property and equipment	6,790	6,582	4,428	4,468
Amortisation of intangible assets	1,784	1,731	941	918
Net accretion of discounts/(amortisation of premiums)	3,343	3,164	3,343	3,164
Unrealised (gain)/loss on derivative instruments	(824)	(3,287)	(824)	(3,287)
Unrealised loss on financial assets at FVTPL	3,329	582	1,355	493
Impairment loss on financial investment available-for-sale	-	1,011	-	1,011
Net writeback of collective impairment	-	(789)	-	(789)
Net allowances of expected credit loss ("ECL")	1,894	-	1,897	-
Net allowance/(writeback) of individual impairment	1,699	(367)	1,690	(367)
Allowance for other assets	-	67	-	67
Zakat	816	1,131	582	927
Unrealised foreign exchange (gain)/loss	5,068	4,647	9,740	3,525
<i>Operating loss before changes in operating assets and liabilities</i>	<i>(79,435)</i>	<i>(104,095)</i>	<i>(148,557)</i>	<i>(165,125)</i>
<i>(Increase)/Decrease in operating assets</i>				
Deposits and placements with banks and other financial institutions	10,313	10,495	10,313	10,548
Financial assets at FVTPL	(203,524)	201,380	(179,164)	210,558
Loans, advances and financing	(136,250)	(138,123)	(136,249)	(138,123)
Statutory deposits with Bank Negara Malaysia	(17,403)	(4,260)	(17,300)	(4,260)
Intercompany balances	-	-	7,320	2,002
Trade receivables	142,367	(20,666)	103,729	123,376
Derivative financial assets	16,009	34,546	11,337	35,750
Reverse repurchase agreements	-	(47,527)	-	(47,527)
Commodity Gold at FVTPL	1,368	-	-	-
Other assets	(23,957)	27,841	(22,300)	28,667
	(211,077)	63,686	(222,314)	220,991
<i>Increase/(decrease) in operating liabilities</i>				
Deposits from customers	692,053	(209,275)	692,053	(209,275)
Deposits and placements of banks and other financial institutions	195,419	186,545	195,419	186,545
Repurchase agreements	(96,013)	(48,978)	(96,013)	(48,978)
Trade payables	(89,033)	38,210	(83,960)	(128,766)
Amount due to related companies	(3,041)	(170)	-	-
Amount due to ultimate holding company	123	-	-	-
Derivative financial liabilities	(16,402)	(56,773)	(16,402)	(56,773)
Other liabilities	65,002	29,793	80,021	23,007
	748,108	(60,648)	771,118	(234,240)
Cash generated from/(used in) from operating activities	457,596	(101,057)	400,247	(178,374)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

**Unaudited Statement of Cash Flows
for the financial period ended 30 September 2018**

	The Group		The Bank	
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)				
Net taxation paid	(34,542)	(20,775)	(14,251)	(11,374)
Zakat paid	107	(1,121)	107	(826)
Net cash generated from/(used in) from operating activities	423,161	(122,953)	386,103	(190,574)
Cash flow from investing activities				
Proceeds from disposal of property and equipment	173	695	114	132
Proceeds from sale of other investments	-	-	-	-
Purchase of property and equipment	(5,110)	(5,693)	(2,919)	(2,248)
Purchase of intangible assets	(1,211)	(2,217)	(155)	(999)
Interest received:				
- financial assets at FVOCI	153,302	-	153,302	-
- financial investments available-for-sale	-	149,749	-	149,749
- financial assets at amortised cost	1,951	-	1,951	-
- financial investments held-to-maturity	-	1,505	-	1,505
Net disposal/(purchase) of:				
- financial assets at FVOCI	10,105	-	10,129	-
- financial investments available-for-sale	-	(21,240)	-	4,419
Net proceeds on redemption of :				
- financial assets at amortised cost	(41,128)	-	(41,128)	-
- financial investments held-to-maturity	-	1,594	-	1,594
- financial assets at FVOCI	(387,199)	-	(417,824)	-
Capital injection for subsidiaries	-	-	-	(3,630)
Acquisition of an equity interest in an associate	-	-	-	(52)
Dividend income received from:				
- financial assets at FVOCI	3,308	-	3,308	-
- financial investments available-for-sale	-	11,856	-	11,586
- subsidiary	-	-	35,000	-
Net cash (used in)/generated from investing activities	(265,809)	136,249	(258,222)	162,056
Cash flow from financing activities				
Dividend paid by a subsidiary to minority interests	(15,000)	-	-	-
Dividend paid	(133,000)	(10,800)	(133,000)	(10,800)
Net cash used in financing activities	(148,000)	(10,800)	(133,000)	(10,800)
Net increase in cash and cash equivalents	9,352	2,496	(5,119)	(39,318)
Cash and cash equivalents at beginning of the financial period	539,126	554,377	165,568	218,351
Cash and cash equivalents at end of the financial period	548,478	556,873	160,449	179,033
Analysis of cash and cash equivalents				
Cash and short term funds	597,278	606,328	209,249	228,488
Amount held on behalf of clients and commissioned dealer's representatives	(48,800)	(49,455)	(48,800)	(49,455)
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	-	-	-	-
Cash and cash equivalents at end of the financial period	548,478	556,873	160,449	179,033

Affin Hwang Investment Bank Berhad
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1. Review of financial performance

The Group recorded a lower Profit Before Tax ("PBT") of RM124 million for the 9 months period ended 30 September 2018 compared to a PBT of RM139.2 million for the previous corresponding period. The investment bank contributed RM89.7 million (including dividend from subsidiary of RM35.0 million) (30.9.2017: RM81.9 million) while the asset management business contributed RM70.2 million (30.9.2017: RM58.4 million) to the Group's PBT in the current period under review.

Summarised analysis of the Group PBT for the 9 months period ended 30 September 2018 are as follows:

- Net interest income of RM56.1 million was higher than the net interest income of RM50.1 million recorded in the previous corresponding period primarily due to higher average interest earning assets in the current period under review.
- Net fee and commission income registered an increase from RM232.6 million in the previous corresponding period to RM267.9 million in the current period under review. The increase was primarily due to the higher net brokerage income, corporate advisory fees and higher unit trust management and incentive fees earned from the asset management business in the current period.
- Net gain and losses on financial instruments registered a decrease from RM109.1 million in the previous corresponding period to RM69.5 million in the current period mainly due to lower gains on disposal and net unrealised losses of financial assets measured at FVTPL and FVOCI coupled with lower dividend income during the current period.
- Other operating income registered a slight increase from RM8.5 million to RM8.9 million in the current period mainly due to higher net foreign exchange gain.
- Operating expenses incurred for the period under review were higher at RM274.1 million compared to RM260 million incurred in the previous corresponding period contributed mainly by higher personnel costs.
- Higher allowances of credit impairment losses was mainly due to increase in expected credit losses provided for loans and debt securities.

2. Prospect for the current financial year

The Group expects the country's domestic demand to remain supportive of economic growth in 2H18 notwithstanding despite some concerns of slower consumer spending after the re-introduction of Sales and Services Tax (SST). However, Malaysia's real GDP growth may be influenced by developments on the global environment, with downside risk from concerns on the ongoing global trade tensions, which will likely weigh on trade and business sentiment in export-related industries. Despite some uncertainties from the external environment, we expect the country's real GDP growth to be around 5% projected for 2018.

The Group shall continue on its efforts to expand its present leading positions in the securities and asset management businesses management expect increasing domestic equity capital markets and mergers and acquisition activities especially for next year, with the restructuring of some listed companies under GLCs and GLICs reform. This will augur well for the investment banking business of the Group.

The Group shall continue to build resilience across its businesses taking into cognisance that a major part of its business and operations are highly dependent on the performance of the capital markets.

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Notes to the financial statement
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3. Basis of preparation

The unaudited interim financial statements for the period under review have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), Bank Negara Malaysia ("BNM") Guidelines and the requirements of the Companies Act 2016 in Malaysia.

The unaudited interim financial statements may be read in conjunction with the annual financial statements for the financial year ended 31 December 2017. The explanatory notes to the unaudited 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 financial 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 amendment to paragraph 82(a) of IAS 1 "Presentation of Financial Statements" which is effective from 1 January 2018.

(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 assets: amortised cost, fair value through profit or loss 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 loss 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 loss.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, 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 loss.

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 fair value through profit or loss ("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.

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3. Basis of preparation (continued)

(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 loss 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 expected credit loss impairment model:

- Stage 1 – 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 (12-month ECL).
- Stage 2 – 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 (Lifetime ECL).
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

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) 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 impact of adoption of the MFRS 9 on the Group's and the Bank's classification and measurement categories and opening retained profits as at 1 January 2018 are set out below:

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
	carrying value			value
	31 December 2017			1 January 2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised cost				
Cash and short-term funds				
Opening balance	588,245	-	-	588,245
Closing balance	588,245	-	-	588,245
Deposits and placements with banks and other financial institutions				
Opening balance	10,313	-	-	10,313
To FVTPL - Negotiable instruments of deposits	-	(10,313)	-	(10,313)
Closing balance	10,313	(10,313)	-	-
Financial Investments held-to-maturity ("HTM")				
Opening balance	8,107	-	-	8,107
To financial assets at amortised cost	-	(8,107)	-	(8,107)
Closing balance	8,107	(8,107)	-	-
Loans, advances and financing				
Opening balance	1,208,511	-	-	1,208,511
To financial assets at amortised cost	-	(40,497)	-	(40,497)
Remeasurement -expected credit loss ("ECL")	-	-	(3,785)	(3,785)
Closing balance	1,208,511	(40,497)	(3,785)	1,164,229

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3. Basis of preparation (continued)

(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	Reclassification	Remeasurement	MFRS 9 carrying
	carrying value			value
	31 December 2017			1 January 2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised cost				
Opening balance	-	-	-	-
From Loans, advances and financing	-	40,497	-	40,497
From HTM	-	8,107	-	8,107
Remeasurement	-	-	(235)	(235)
Closing balance	-	48,604	(235)	48,369
Trade receivables				
Opening balance	549,359	-	-	549,359
Remeasurement	-	-	(105)	(105)
Closing balance	549,359	-	(105)	549,254
Other assets				
Statutory deposits with Bank Negara Malaysia	33,958	-	(12)	33,946
	169,000	-	-	169,000
Total financial assets at amortised cost	2,567,493	(10,313)	(4,137)	2,553,043
Financial assets at FVOCI				
Financial investments available-for-sale ("AFS")				
Opening balance	4,824,526	-	-	4,824,526
AFS to FVOCI - debt	-	(4,487,401)	-	(4,487,401)
AFS to FVOCI -equity	-	(118,847)	-	(118,847)
AFS to FVTPL	-	(218,278)	-	(218,278)
Remeasurement	-	-	-	-
Closing balance	4,824,526	(4,824,526)	-	-
Financial assets at FVOCI - debt				
Investment securities:				
Opening balance	-	-	-	-
From AFS	-	4,487,401	-	4,487,401
From amortised cost	-	-	-	-
Remeasurement	-	-	(5,092)	-
Closing balance	-	4,487,401	(5,092)	4,487,401
Financial assets at FVOCI - equity				
Opening balance	-	-	-	-
From amortised cost	-	-	-	-
From AFS	-	118,847	-	118,847
Remeasurement	-	-	-	-
Closing balance	-	118,847	-	118,847
Total financial assets at FVOCI	4,824,526	(218,278)	-	4,606,248

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3. Basis of preparation (continued)

(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 carrying value 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying value 1 January 2018 RM'000
Financial assets at FVTPL and derivative financial assets				
Opening balance	150,001	-	-	150,001
From amortised cost - Deposits & placements with banks and other financial institutions	-	10,313	-	10,313
AFS	-	218,278	-	218,278
Total financial assets at FVTPL and derivative financial assets	150,001	228,591	-	378,592
Other liabilities				
Opening balance	384,152	-	-	384,152
Remeasurement off-balance sheet loan, loan commitments and financial guarantee issues	-	-	(596)	(596)
Closing balance	384,152	-	(596)	383,556

The following table shows the effects of the reclassification of financial assets from MFRS 139 categories into the amortised cost category under MFRS 9.

	MFRS 9 carrying value 1 January 2018 RM'000
From financial investments AFS under MFRS 139	
Fair value at 31 December 2017	-
Fair value gain that would have been recognised during 2018 in OCI if the financial assets had not been reclassified	-

The following table analyses the impact, net of tax, of transition to MFRS 9 on 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
Fair value reserve	
Closing balance under MFRS 139 (31 December 2017)	(14,466)
Recognition of expected credit losses under MFRS 9 for debt financial assets at FVOCI	5,092
Reclassification of financial assets (debt and equity) from AFS to FVTPL	101
Opening balance under MFRS 9 (1 January 2018)	(9,273)
Collective allowance ("CA") reserve - 1.2%	
Closing balance under MFRS 139 (31 December 2017)	11,790
Reserve to retained earnings on adoption of MFRS 9	(11,790)
Opening balance under MFRS 9 (1 January 2018)	-
Regulatory reserve ("RR") - 1%	
Transfer from retained earnings	24,976
Opening balance under MFRS 9 (1 January 2018)	24,976

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3. Basis of preparation (continued)

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

The following table analyses the impact, net of tax, of transition to MFRS 9 on 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. (continued)

Group	Impact of adopting MFRS 9 at 1 January 2018 RM'000
Retained earnings	
Closing balance under MFRS 139 (31 December 2017)	605,611
Reclassification under MFRS 9	(94)
Recognition of expected credit losses under MFRS 9 (including loan commitments)	(12,571)
BNM 1% RR	(24,976)
Reversal of 1.2% CA reserves	11,790
Reversal of Collective Allowance under MFRS 139	2,746
Deferred Tax	1,222
Opening balance under MFRS 9 (1 January 2018)	<u>583,728</u>

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with MFRS 139
- the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

Group	MFRS 139 CA	Reclassification	ECL	MFRS 9 ECL
	31 December 2017	RM'000	Remeasurement	1 January 2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Individual and collective impairment	2,756	-	3,785	6,541
Loans/financing commitments	-	-	596	596
Financial assets at FVTPL	-	-	-	-
Financial assets at FVOCI and amortised cost	16,509	(7,818)	5,444	14,135
	<u>19,265</u>	<u>(7,818)</u>	<u>9,825</u>	<u>21,272</u>
Deferred tax assets				
Opening balance	22,165	-	-	22,165
Remeasurement - deferred tax assets	-	-	1,222	1,222
Closing balance	<u>22,165</u>	<u>-</u>	<u>1,222</u>	<u>23,387</u>

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3. Basis of preparation (continued)

(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.

Bank	MFRS 139	Reclassification	Remeasurement	MFRS 9
	Carrying value			Carrying value
	31 December 2017			1 January 2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised cost				
Cash and short-term funds				
Opening balance	214,687	-	-	214,687
Closing balance	214,687	-	-	214,687
Deposits and placements with banks and banks and other financial institutions				
Opening balance	10,313	-	-	10,313
To FVTPL - Negotiable instruments of deposits	-	(10,313)	-	(10,313)
Closing balance	10,313	(10,313)	-	-
Financial Investments held-to-maturity ("HTM"):				
Opening balance	8,107	-	-	8,107
To financial assets at amortised cost	-	(8,107)	-	(8,107)
Closing balance	8,107	(8,107)	-	-
Loans, advances and financing:				
Opening balance	1,208,511	-	-	1,208,511
To financial assets at amortised cost	-	(40,497)	-	(40,497)
Remeasurement	-	-	(3,785)	(3,785)
Closing balance	1,208,511	(40,497)	(3,785)	1,164,229
Financial assets at amortised cost:				
Opening balance	-	-	-	-
From Loans, advances and financing	-	40,497	-	40,497
From HTM	-	8,107	-	8,107
Remeasurement	-	-	(235)	(235)
Closing balance	-	48,604	(235)	48,369
Trade receivables				
Opening balance	420,747	-	-	420,747
Remeasurement	-	-	(83)	(83)
Closing balance	420,747	-	(83)	420,664
Other assets	30,713	-	(12)	30,701
Statutory deposits with Bank Negara Malaysia	169,000	-	-	169,000
Amount due from subsidiaries	21,660	-	-	21,660
Amount due from associates	732	-	-	732
Total financial assets at amortised cost	2,084,470	(10,313)	(4,115)	2,070,042

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3. Basis of preparation (continued)

(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 Carrying value 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 Carrying value 1 January 2018 RM'000
Financial assets at FVOCI				
Financial Investments AFS :				
Opening balance	4,793,901	-	-	4,793,901
To financial assets at FVOCI - debt	-	(4,487,401)	-	(4,487,401)
To financial assets at FVOCI - equity	-	(118,847)	-	(118,847)
To financial assets at FVTPL - equity	-	(187,653)	-	(187,653)
Closing balance	4,793,901	(4,793,901)	-	-
Financial assets at FVOCI - debt				
Opening balance	-	-	-	-
From AFS	-	4,487,401	-	4,487,401
Remeasurement	-	-	(5,092)	-
Closing balance	-	4,487,401	(5,092)	4,487,401
Financial assets at FVOCI - equity				
Opening balance	-	-	-	-
From AFS	-	118,847	-	118,847
Remeasurement	-	-	-	-
Closing balance	-	118,847	-	118,847
Total financial assets at FVOCI	4,793,901	(187,653)	-	4,606,248
Financial assets at FVTPL and derivative financial assets				
Opening balance	124,219	-	-	124,219
From amortised cost - Deposits & placements with banks and other financial institutions	-	10,313	-	10,313
From AFS	-	187,653	-	187,653
Total financial assets at FVTPL and derivative financial assets	124,219	197,966	-	322,185
Other liabilities				
Opening balance	254,715	-	-	254,715
Remeasurement off-balance sheet loan, loan commitments and financial guarantee issues	-	-	(596)	(596)
Closing balance	254,715	-	(596)	254,119

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3. Basis of preparation (continued)

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

The following table shows the effects of the reclassification of financial assets from MFRS 139 categories into the amortised cost category under MFRS 9.

	MFRS 9 Carrying value 1 January 2018 RM'000
Bank	
From financial investments AFS under MFRS 139	
Fair value at 31 December 2017	-
Fair value gain that would have been recognised during 2018 in OCI if the financial assets had not been reclassified	-

The following table analyses the impact, net of tax, of transition to MFRS 9 on 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 1 January 2018 RM'000
Bank	
Fair value reserve	
Closing balance under MFRS 139 (31 December 2017)	(14,762)
Recognition of expected credit losses under MFRS 9 for debt financial assets at FVOCI	5,092
Reclassification of financial assets (debt and equity) from AFS to FVTPL	342
Opening balance under MFRS 9 (1 January 2018)	<u>(9,328)</u>
Collective allowance ("CA") reserve - 1.2%	
Closing balance under MFRS 139 (31 December 2017)	11,790
Reserve to retained earnings on adoption of MFRS 9	(11,790)
Opening balance under MFRS 9 (1 January 2018)	<u>-</u>
Regulatory reserve ("RR") - 1%	
Transfer from retained earnings	24,976
Opening balance under MFRS 9 (1 January 2018)	<u>24,976</u>
Retained earnings	
Closing balance under MFRS 139 (31 December 2017)	609,213
Reclassification under MFRS 9	(342)
Recognition of expected credit losses under MFRS 9 (including loan commitments)	(12,549)
BNM 1% RR	(24,976)
Reversal of 1.2% CA Reserve	11,790
Reversal of Collective Allowance under MFRS 139	2,746
Deferred Tax	1,222
Opening balance under MFRS 9 (1 January 2018)	<u>587,104</u>

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3. Basis of preparation (continued)

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

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with MFRS 139
- the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

	MFRS 139 CA		ECL	MFRS 9 ECL
	31 December 2017	Reclassification	Remeasurement	1 January 2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Individual and collective impairment	2,756	-	3,785	6,541
Loans/financing commitments	-	-	596	596
FVTPL	-	-	-	-
FVOCI and amortised cost	16,509	(7,818)	5,422	14,113
	<u>19,265</u>	<u>(7,818)</u>	<u>9,803</u>	<u>21,250</u>
Deferred tax assets				
Opening balance	10,817	-	-	10,817
Remeasurmetn - deferred tax assets	-	-	1,222	1,222
Closing balance	<u>10,817</u>	<u>-</u>	<u>1,222</u>	<u>12,039</u>

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3. Basis of preparation (continued)

(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.

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 and Bank 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 and the Bank's opening retained profits are set out below:

Group and Bank	As at 1.1.2018		
	Gross fees	Tax effect	Net impact
	DR/(CR)	DR/(CR)	DR/(CR)
	RM'000	RM'000	RM'000
Impact to Opening Retained Profits arising from:-			
Fees for services transferred at a point in time upon satisfaction performance obligations	(755)	181	(574)
Fees for services transferred over time in respect of agency and guarantee fees	1,991	(477)	1,514
Net debit impact to Retained Profits as at 1.1.2018	1,236	(296)	940

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

(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 IAS 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.

As 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 IFRS 9).

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3. Basis of preparation (continued)

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

Accordingly, 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 24 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 24 to the interim financial statements.

4. Qualification of preceding annual financial statements

The Bank's financial statements for financial year ended 31 December 2017 were not qualified by the auditors.

5. Seasonal or cyclical factors

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

6. Unusual items due to their nature, size or incidence

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

7. Changes in debt and equity securities

There were no issuances, cancellation, repurchases, resale or repayment of debt and equity securities at the Bank's level during the financial reporting period.

8. Litigations against the Bank

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. On 4 May 2018, the Kuala Lumpur High Court ("KLHC") 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, which is fixed for case management on 7 August 2018. The chargor had also filed its appeal against the KLHC's decision. During case management on 7 August 2018, the Court had directed the Bank's appeal to be heard together with the chargor's appeal on 23 November 2018.

9. Changes in the composition of the Bank

There is no change to the composition of the Bank as at end of the reporting period.

10. Dividends

A final dividend of 11.282 sen gross per share, amounting to RM88,000,000 in respect of the previous financial year ended 31 December 2017 was paid on 16 April 2018.

An interim dividend of 5.769 sen gross per share, amounting to RM 45,000,000 in respect of the financial year ending 31 December 2018 was paid on 20 September 2018.

The Directors now recommend the payment of a special dividend of 12.821 sen gross per share amounting to RM100,000,000 for the financial year ending 31 December 2018, which is subject to approval from Bank Negara Malaysia.

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for the financial period ended 30 September 2018

11. Securities portfolio

	The Group		The Bank	
	30-09-2018 RM'000	31-12-2017 RM'000	30-09-2018 RM'000	31-12-2017 RM'000
<u>Classification of securities portfolio:</u>				
(i) Financial assets at fair value through profit or loss				
<u>At fair value</u>				
<u>Money Market Instruments</u>				
<u>Quoted</u>				
Negotiable Instruments of Deposit	9,968	-	9,968	-
Malaysian Government Securities	100,793	20,349	100,793	20,349
Malaysian Government Islamic Investment Issues	20,489	10,224	20,489	10,224
	<u>131,250</u>	<u>30,573</u>	<u>131,250</u>	<u>30,573</u>
<u>At fair value</u>				
<u>Quoted securities</u>				
In Malaysia:				
Shares, warrants and REITS	33,172	38,696	33,172	38,696
Unit trusts	118,219	6,979	88,986	-
Outside Malaysia:				
Shares, warrants and REITS	5,619	-	5,619	-
	<u>157,010</u>	<u>45,675</u>	<u>127,777</u>	<u>38,696</u>
<u>Unquoted securities</u>				
Corporate bonds and/or Sukuk in Malaysia	52,917	1,775	50,150	-
Corporate bonds and/or Sukuk outside Malaysia	17,028	17,028	-	-
	<u>358,205</u>	<u>95,051</u>	<u>309,177</u>	<u>69,269</u>
	The Group	The Bank	The Group	The Bank
	30-09-2018	31-12-2017	30-09-2018	31-12-2017
	RM'000	RM'000	RM'000	RM'000
(ii) Financial assets at fair value through other comprehensive income ("FVOCI")/Financial investments available-for-sale				
<u>At fair value</u>				
<u>Money Market Instruments</u>				
Malaysian Government Securities	269,675	151,279	269,675	151,279
Negotiable Instruments of Deposit	210,451	50,594	210,451	50,594
Malaysian Government Islamic Investment Issues	531,851	392,090	531,851	392,090
Cagamas Bonds	102,045	61,391	102,045	61,391
Sukuk Perumahan Kerajaan	-	80,280	-	80,280
	<u>1,114,022</u>	<u>735,634</u>	<u>1,114,022</u>	<u>735,634</u>
<u>Quoted securities</u>				
In Malaysia:				
Shares	-	6,296	-	6,296
Unit Trusts	-	208,907	-	179,272
REITS	19,738	13,083	19,738	13,083
Outside Malaysia:				
REITS	43,474	10,977	43,474	10,977
<u>Unquoted securities</u>				
Corporate bonds and/or Sukuk in Malaysia	3,858,569	3,628,578	3,858,569	3,627,588
Corporate bonds and/or Sukuk outside Malaysia	150,257	206,066	150,257	206,066
Shares in Malaysia	21,821	22,803	21,821	22,803
	<u>5,207,881</u>	<u>4,832,344</u>	<u>5,207,881</u>	<u>4,801,719</u>
Allowance for impairment of securities (a)	-	(7,818)	-	(7,818)
	<u>5,207,881</u>	<u>4,824,526</u>	<u>5,207,881</u>	<u>4,793,901</u>

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Notes to the financial statement
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11. Securities portfolio (continued)

(ii) Financial assets at fair value through other comprehensive income ("FVOCI")/Financial investments available-for-sale (continued)

(a) Movement in allowance for impairment of securities

At the beginning allowance of financial period/year
MFRS 9 reclassification to cost
At 1 January 2018, as restated
Amount made during the financial period/year
Amount disposal

The Group and the Bank	
30-09-2018	31-12-2017
RM'000	RM'000
7,818	23,238
(7,818)	-
-	23,238
-	2,298
-	(17,718)
-	7,818

(b) Expected credit loss:

At beginning of the financial period, on adoption of MFRS 9
Allowance made/(written back) due to changes in credit risk
Exchange differences
At the end of financial period

The Group and the Bank				
Lifetime ECL				
		Non Credit	Lifetime ECL	
		Impaired	Credit Impaired	
		(Stage 2)	(Stage 3-IA)	
Total	12 months ECL	30-09-2018	30-09-2018	
30-09-2018	(Stage 1)	30-09-2018	30-09-2018	
RM'000	30-09-2018	RM'000	RM'000	
	RM'000			
5,092	912	4,180	-	
507	546	(59)	20	
(6)	-	(6)	-	
5,593	1,458	4,115	20	

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11. Securities portfolio (continued)

		The Group and the Bank	
		30-09-2018	31-12-2017
		RM'000	RM'000
(iii) Financial assets at amortised cost/			
Financial investments held-to-maturity			
<u>At amortised cost</u>			
<u>Unquoted securities</u>			
Corporate bonds and/or Sukuk in Malaysia		41,084	16
Redeemable Secured Loan Stocks (a)		15,101	15,041
		56,185	15,057
Impairment transferred from loan and advances (b)		-	(6,950)
Expected credit loss ("ECL") (c)		(7,217)	-
		48,968	8,107
The Group and the Bank			
Lifetime ECL			
Credit Impaired			
(Stage 3-IA)			
30-09-2018			
RM'000			
(a) Movement of credit impaired account:			15,041
At beginning of the financial period, on adoption of MFRS 9			60
Classified as credit impaired during the financial period			15,101
At end of the financial period			
The Group and the Bank			
30-09-2018			
RM'000			
(b) Movement in allowance for impairment losses of financial investment held-to-maturity:			6,950
At beginning of the financial period		6,950	6,950
Effect of adoption of MFRS 9		(6,950)	-
At end of the financial period		-	6,950
The Group and the Bank			
Lifetime ECL			
		Non Credit	Lifetime ECL
		Impaired	Credit Impaired
		(Stage 2)	(Stage 3-IA)
Total	12 months ECL	30-09-2018	30-09-2018
30-09-2018	(Stage 1)	RM'000	RM'000
RM'000	30-09-2018		
	RM'000		
(c) Expected credit loss:			6,950
At beginning of the financial period, on adoption of MFRS 9		7,185	235
Allowance made/(written back) due to changes in credit risk		32	-
At end of the financial period		7,217	6,950

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Notes to the financial statement
for the financial period ended 30 September 2018

12. Loans, advances and financing

(i) By Type of Loan/Financing

	The Group and the Bank	
	30-09-2018	31-12-2017
	RM'000	RM'000
Term loans/financing		
- Syndicated term loan/financing	239,440	342,131
- Other term loans/financing	670,592	412,788
Staff loans	5,734	5,225
Share margin financing	354,806	357,181
Revolving credits	76,348	53,445
Receivables	-	40,497
Gross loans, advances and financing	<u>1,346,920</u>	<u>1,211,267</u>
Less :		
Allowances for impaired loans, advances and financing		
- Expected credit loss ("ECL")	(9,952)	-
- Individual allowance	-	(10)
- Collective allowance	-	(2,746)
Total net loans, advances and financing	<u><u>1,336,968</u></u>	<u><u>1,208,511</u></u>

(ii) By Type of Customers

Domestic business enterprises		
- Small medium enterprises	95,654	65,900
- Others	953,470	790,599
Domestic non-bank financial institutions	60,375	44,523
Individuals	236,849	251,779
Foreign individuals	572	58,466
Total gross loans, advances and financing	<u><u>1,346,920</u></u>	<u><u>1,211,267</u></u>

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Notes to the financial statement
for the financial period ended 30 September 2018

12. Loans, advances and financing (continued)

(iii) By Interest/Profit Rate Sensitivity

	The Group and the Bank	
	30-09-2018	31-12-2017
	RM'000	RM'000
Fixed rate		
- Share margin financing	354,806	357,181
- Receivables	-	40,497
- Other fixed rate loans/financing	56,345	106,868
- Housing loans/financing	2,579	2,913
- Hire purchase receivables	3,107	2,253
Variable rate		
- Cost-plus	871,682	640,192
- BLR plus	21,121	23,383
- Other floating rate	37,280	37,980
Total gross loans, advances and financing	<u><u>1,346,920</u></u>	<u><u>1,211,267</u></u>

(iv) By Economic Purpose

Purchase of securities	586,188	685,610
Working capital	246,507	190,779
Purchase of transport vehicles	42,968	51,745
Construction	55,044	38,687
Purchase of landed properties (non-residential)	18,032	19,511
Purchase of landed properties (residential)	52,677	9,140
Personal use	48	59
Others	345,456	215,736
Total gross loans, advances and financing	<u><u>1,346,920</u></u>	<u><u>1,211,267</u></u>

(v) By Sector

Manufacturing	351,688	108,716
Household	237,420	310,245
Real estate	247,406	228,449
Finance, insurance and business services	116,145	194,165
Wholesale retail trade and restaurant and hotels	107,500	61,764
Transport, storage and communication	93,499	138,984
Education, health & others	55,653	58,203
Construction	60,431	56,811
Agriculture	51,837	1,461
Mining and quarrying	5,590	6,424
Electricity, gas and water	19,751	-
Others	-	46,045
Total gross loans, advances and financing	<u><u>1,346,920</u></u>	<u><u>1,211,267</u></u>

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Notes to the financial statement
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12. Loans, advances and financing (continued)

(vi) By Geographical Distribution

	The Group and the Bank	
	30-09-2018	31-12-2017
	RM'000	RM'000
Wilayah Persekutuan	492,329	575,151
Selangor	464,904	502,450
Johor	254,132	51,499
Sarawak	41,719	38,193
Perak	23,341	26,479
Pulau Pinang	17,291	15,540
Sabah	50,440	442
Negeri Sembilan	2,303	1,234
Kedah	461	203
Melaka	-	76
Total gross loans, advances and financing	<u>1,346,920</u>	<u>1,211,267</u>

(vii) By Maturity Structure

Maturing within one year	599,330	598,590
One year to three years	435,687	281,014
Three years to five years	177,384	203,970
Over five years	134,519	127,693
Total gross loans, advances and financing	<u>1,346,920</u>	<u>1,211,267</u>

(viii) Movement of impaired loans, advances and financing

At beginning of the financial period	65,910	49,307
Classified as impaired during the financial period	2,581	36,558
Amount written-off	-	(18,176)
Amount recovered	(1,517)	(1,779)
At end of the financial period	<u>66,974</u>	<u>65,910</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>4.97%</u>	<u>5.44%</u>

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Notes to the financial statement
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12. Loans, advances and financing (continued)

The Group and the Bank
30-09-2018 **31-12-2017**
RM'000 **RM'000**

(ix) Movement in allowances:**Individual allowance**

At beginning of the financial period	10	18,176
Effect of adoption of MFRS 9	(10)	-
At beginning of the financial period, as restated	-	18,176
Allowance made	-	13
Amount written off	-	(18,176)
Amount written-back	-	(3)
At end of the financial period	-	10

Collective allowance

At beginning of the financial period	2,746	3,323
Effect of adoption of MFRS 9	(2,746)	-
At beginning of the financial period, as restated	-	3,323
Allowance made	-	542
Amount written-back	-	(1,119)
At end of the financial period	-	2,746

The Group and the Bank

Lifetime ECL
not Credit
Impaired

Lifetime ECL
Credit Impaired

Total	12 months ECL	Lifetime ECL	Lifetime ECL
30-09-2018	(Stage 1)	not Credit	Credit Impaired
RM'000	30-09-2018	Impaired	(Stage 3-IA)
RM'000	RM'000	(Stage 2)	(Stage 3-IA)
RM'000	RM'000	30-09-2018	30-09-2018
RM'000	RM'000	RM'000	RM'000

Expected credit loss

At the beginning allowance of financial period, on adoption of MFRS 9	6,540	5,756	774	10
Effect of adoption of MFRS9:-				
Total transfer between stages	-	(758)	580	178
Transfer to 12-month ECL (Stage 1)	-	-	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2):				
- Changes due to change in credit risk	-	(758)	758	-
Transfer to Lifetime ECL credit impaired provision (Stage 3):				
- Changes due to change in credit risk	-	-	(178)	178
Loans/Financing derecognised during the period (other than write-offs)	(2,318)	(1,880)	(438)	-
New loans/financing originated or purchased	2,179	2,057	122	-
Changes due to change in credit risk	3,551	(1,092)	3,294	1,349
Other adjustments	-	-	-	-
At the end of financial period	9,952	4,083	4,332	1,537

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Notes to the financial statement
for the financial period ended 30 September 2018

12. Loans, advances and financing (continued)

The Group and the Bank
30-09-2018 **31-12-2017**
RM'000 **RM'000**

(x) Impaired loans, advances and financing analysed by their economic purpose

Working capital	36,545	36,545
Purchase of landed properties (non-residential)	18,032	19,511
Other purpose	9,808	9,844
Purchase of transport vehicles	2,584	5
Personal use	5	5
Total impaired loans, advances and financing	<u>66,974</u>	<u>65,910</u>

(xi) Impaired loans, advances and financing analysed by their economic sector

Construction	36,545	36,545
Finance, insurance and business services	13,460	14,938
Real estate	14,264	14,264
Mining and quarrying	2,581	-
Wholesale retail trade and restaurant and hotels	117	153
Household	7	10
Total impaired loans, advances and financing	<u>66,974</u>	<u>65,910</u>

(xii) Impaired loans, advances, and financing by geographical distribution

Sarawak	36,545	36,545
Selangor	27,845	29,359
Wilayah Persekutuan	2,584	6
Total impaired loans, advances and financing	<u>66,974</u>	<u>65,910</u>

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Notes to the financial statement for the financial period ended 30 September 2018

13. Trade receivables

	The Group		The Bank	
	30-09-2018 RM'000	31-12-2017 RM'000	30-09-2018 RM'000	31-12-2017 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	89,996	128,612	-	-
Amount due from clients (a)	181,400	267,165	181,400	267,165
Amount due from brokers	136,647	71,330	136,647	71,330
	<u>408,043</u>	<u>467,107</u>	<u>318,047</u>	<u>338,495</u>
Amount due from Bursa Securities Clearing Sdn. Bhd.	-	83,281	-	83,281
	<u>408,043</u>	<u>550,388</u>	<u>318,047</u>	<u>421,776</u>
Less: - Individual allowance (b)	-	(1,029)	-	(1,029)
- Expected credit loss ("ECL") (c)	(810)	-	(792)	-
	<u>407,233</u>	<u>549,359</u>	<u>317,255</u>	<u>420,747</u>

	The Group and the Bank	
	30-09-2018 RM'000	31-12-2017 RM'000
(a) Movement of impaired amount due from clients		
At beginning of the financial period	1,366	1,705
Addition during the period	320	541
Amount recovered	(916)	(880)
At end of the financial period	<u>770</u>	<u>1,366</u>

(b) Movement in individual allowances

At beginning of the financial period	1,029	1,368
Effect of adoption of MFRS 9	(1,029)	-
At beginning of the financial period, as restated	-	1,368
Allowance made	-	541
Amount written back	-	(880)
At end of the financial period	<u>-</u>	<u>1,029</u>

	The Group		Lifetime ECL Credit Impaired 30-09-2018 RM'000
	Total 30-09-2018 RM'000	Lifetime ECL Non Credit Impaired 30-09-2018 RM'000	
(c) Expected credit loss			
At the beginning of financial period, on adoption of MFRS 9	1,134	105	1,029
Amount written back	(324)	(38)	(286)
At end of the financial period	<u>810</u>	<u>67</u>	<u>743</u>

	The Bank		Lifetime ECL Credit Impaired 30-09-2018 RM'000
	Total 30-09-2018 RM'000	Lifetime ECL Non Credit Impaired 30-09-2018 RM'000	
(c) Expected credit loss			
At the beginning of financial period, on adoption of MFRS 9	1,112	83	1,029
Amount written back	(320)	(34)	(286)
At end of the financial period	<u>792</u>	<u>49</u>	<u>743</u>

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Notes to the financial statement for the financial period ended 30 September 2018

14. Other assets

	The Group		The Bank	
	30-09-2018 RM'000	31-12-2017 RM'000	30-09-2018 RM'000	31-12-2017 RM'000
Other debtors, deposits and prepayments	53,126	31,475	48,323	28,330
Collateral pledged for derivative transactions	1,321	168	1,321	168
Clearing Guarantee Fund	2,041	1,827	2,041	1,827
Clearing Fund	1,000	1,000	1,000	1,000
Transferable membership	200	200	100	100
Less : Individual allowance (a)	-	(712)	-	(712)
Expected credit loss ("ECL") (b)	(1,155)	-	(1,145)	-
	56,533	33,958	51,640	30,713

The Group Lifetime ECL Credit Impaired 30-09-2018 RM'000	The Bank Lifetime ECL Credit Impaired 30-09-2018 RM'000
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Movement in credit impaired accounts

At beginning of the financial period	712	712
Classified as impaired during the financial period	438	429
At end of the financial period	1,150	1,141

The Group and the Bank	
30-09-2018 RM'000	31-12-2017 RM'000

(a) Movement in individual allowances

At beginning of the financial period	712	6,134
Effect of adoption of MFRS 9	(712)	-
At beginning of the financial period, as restated	-	6,134
Allowance made	-	661
Amount written back	-	(663)
Amount written off	-	(5,420)
At end of the financial period	-	712

Total 30-09-2018 RM'000	The Group Lifetime ECL Non Credit Impaired 30-09-2018 RM'000	Lifetime ECL Credit Impaired 30-09-2018 RM'000
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(b) Expected credit loss

At beginning of the financial period, on adoption of MFRS 9	725	13	712
(Allowance)/write-back made	430	(8)	438
At end of the financial period	1,155	5	1,150

Total 30-09-2018 RM'000	The Bank Lifetime ECL Non Credit Impaired 30-09-2018 RM'000	Lifetime ECL Credit Impaired 30-09-2018 RM'000
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(b) Expected credit loss

At beginning of the financial period, on adoption of MFRS 9	724	12	712
(Allowance)/write-back made	421	(8)	429
At end of the financial period	1,145	4	1,141

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Notes to the financial statement
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15. **Deposit from customers**

	The Group and the Bank	
	30-09-2018	31-12-2017
	RM'000	RM'000
<u>By type of deposits:</u>		
Fixed deposits	4,088,942	3,377,252
Negotiable instruments of deposits	1,018,397	1,012,464
Other deposits	76,241	101,811
	<u>5,183,580</u>	<u>4,491,527</u>
<u>By maturity structure:</u>		
Due within six months	3,527,739	3,167,525
Six months to one year	622,978	367,127
More than one year	1,032,863	956,875
	<u>5,183,580</u>	<u>4,491,527</u>
<u>By type of customer:</u>		
Domestic non-banking financial institutions	2,663,923	2,099,370
Business enterprises	1,045,486	1,024,714
Domestic banking institutions	1,017,734	1,012,181
Government and statutory bodies	349,342	286,167
Individuals	53,320	37,650
Foreign entities	16,696	5,125
Others	37,079	26,320
	<u>5,183,580</u>	<u>4,491,527</u>

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Notes to the financial statement for the financial period ended 30 September 2018

16. Deposit and placements of banks and other financial institution

	The Group and the Bank	
	30-09-2018	31-12-2017
	RM'000	RM'000
Licensed banks	580,674	590,600
Licensed investment banks	205,345	-
	<u>786,019</u>	<u>590,600</u>

17. Obligations on securities sold under repurchase agreements

	The Group and the Bank	
	30-09-2018	31-12-2017
	RM'000	RM'000
Financial investments available-for-sale	-	96,013
	<u>-</u>	<u>96,013</u>

18. Trade payables

	The Group		The Bank	
	30-09-2018	31-12-2017	30-09-2018	31-12-2017
	RM'000	RM'000	RM'000	RM'000
Amount due to clients	153,731	299,655	153,731	299,655
Amount due to brokers	153,966	94,059	153,966	94,059
Amount due to unit trust funds	201,931	253,359	-	-
Amount due to unit holders	76,220	29,865	-	-
Amount due to Bursa Securities Clearing Sdn. Bhd.	2,057	-	2,057	-
	<u>587,905</u>	<u>676,938</u>	<u>309,754</u>	<u>393,714</u>

19. Other liabilities

	The Group		The Bank	
	30-09-2018	31-12-2017	30-09-2018	31-12-2017
	RM'000	RM'000	RM'000	RM'000
Commissioned dealer's representative trust balances	48,800	49,119	48,800	49,119
Collateral pledged for derivative transactions	29	29	29	29
Amount payable to dealer's representative	40,301	39,505	40,301	39,505
Accrued employee benefit	81,302	89,338	27,208	31,115
Securities borrowing and lending - borrow	167,709	82,030	167,709	82,030
Other liabilities	110,090	124,131	49,537	52,917
Less : Expected credit loss -loan commitments and financial guarantee (a)	138	-	138	-
	<u>448,369</u>	<u>384,152</u>	<u>333,722</u>	<u>254,715</u>

The Group and the Bank 12 months ECL (Stage 1) 30-09-2018 RM'000

(a) Expected credit loss

At beginning of the financial period, on adoption of MFRS 9	596
Loan commitment and financial guarantees issued during the financial period	1,233
Net remeasurement of loss allowance	(1,691)
At end of the financial period	<u>138</u>

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Notes to the financial statement for the financial period ended 30 September 2018

20. Reserves

	The Group		The Bank	
	30-09-2018 RM'000	31-12-2017 RM'000	30-09-2018 RM'000	31-12-2017 RM'000
Foreign exchange reserve	151	151	-	-
Regulatory reserves (a)	24,595	11,790	24,595	11,790
FVOCI/available-for-sale revaluation reserves (b)	(4,896)	(14,466)	(4,951)	(14,762)
	<u>19,850</u>	<u>(2,525)</u>	<u>19,644</u>	<u>(2,972)</u>
Retained profits	<u>536,420</u>	<u>605,611</u>	<u>534,504</u>	<u>609,213</u>
	<u><u>556,270</u></u>	<u><u>603,086</u></u>	<u><u>554,148</u></u>	<u><u>606,241</u></u>

(a) The Group and the Bank are required to maintain in aggregate expected credit allowances and regulatory reserves of no less than 1.0% of total exposure amount net of impaired credit allowances.

(b) The FVOCI/available-for-sale revaluation reserves represent the unrealised gains or losses arising from a change in the fair value of investments classified as financial assets at fair value through other comprehensive income ("FVOCI") and expected credit loss allowances on financial assets at FVOCI. The gains or losses are transferred to the income statement upon disposal or when the securities becomes impaired.

21. Interest income

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended 30-09-2018 RM'000	Preceding Year Corresponding Period ended 30-09-2017 RM'000	Current Financial Period-to-date 30-09-2018 RM'000	Preceding Year Corresponding Period-to-date 30-09-2017 RM'000
Loans, advances and financing				
- Interest income on loans and advances	15,074	12,483	41,206	37,058
- Margin financing	6,441	5,743	19,553	16,087
Money at call and deposit placements with financial institutions	2,731	2,570	10,251	8,512
Financial assets at amortised cost	654	-	1,951	-
Financial assets at FVOCI	52,915	-	153,302	-
Financial investments available-for-sale	-	50,915	-	149,749
Financial investments held-to-maturity	-	480	-	1,505
Others	124	89	399	319
	<u>77,939</u>	<u>72,280</u>	<u>226,662</u>	<u>213,231</u>
Net accretion of discounts less amortisation of premiums	(1,140)	(1,033)	(3,343)	(3,164)
	<u><u>76,799</u></u>	<u><u>71,247</u></u>	<u><u>223,319</u></u>	<u><u>210,067</u></u>
of which:				
Interest income earned on impaired loans, advances and financing	<u>951</u>	<u>282</u>	<u>2,730</u>	<u>837</u>

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21. Interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income on loans and advances	15,065	12,483	41,182	37,058
- Margin financing	6,441	5,743	19,553	16,087
Money at call and deposit placements with financial institutions	2,140	2,169	8,764	7,775
Financial assets at amortised cost	654	-	1,951	-
Financial assets at FVOCI	52,915	-	153,302	-
Financial investments available-for-sale	-	50,914	-	149,749
Financial investments held-to-maturity	-	480	-	1,505
Others	124	89	399	319
	<u>77,339</u>	<u>71,878</u>	<u>225,151</u>	<u>212,493</u>
Net accretion of discounts less amortisation of premiums	(1,140)	(1,033)	(3,343)	(3,164)
	<u>76,199</u>	<u>70,845</u>	<u>221,808</u>	<u>209,329</u>
of which:				
Interest income earned on impaired loans, advances and financing	<u>951</u>	<u>282</u>	<u>2,730</u>	<u>837</u>

22. Interest expense

	The Group and the Bank			
	Current		Preceding Year	
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	53,176	49,610	155,356	144,366
Deposits and placements of banks and other financial institutions	4,123	3,407	7,817	10,694
Obligations on securities sold under repurchase agreements	56	575	1,084	2,660
Foreign currency borrowings	585	662	1,558	1,888
Others	657	87	1,367	362
	<u>58,597</u>	<u>54,341</u>	<u>167,182</u>	<u>159,970</u>

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23. Net fee and commission income

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income :				
Unit trust management and incentive fee	75,870	65,695	227,509	187,931
Initial service charge	24,639	44,195	86,338	110,354
Net brokerage income	16,541	15,377	54,119	51,005
Private placement Fee	100	573	3,011	4,232
Corporate advisory fees	2,277	2,620	9,993	7,473
Underwriting commissions and placement fees	482	4,008	2,844	6,011
Fees on loans, advances and financing	1,781	1,105	5,325	2,918
Arrangement fees	139	4,175	1,564	5,175
Agency fees	503	715	2,548	1,759
Guarantee fees	150	-	711	192
Others	2,067	392	4,656	2,609
	124,549	138,855	398,618	379,659
(b) Fee and commission expense :				
Commission and referral expenses	(36,592)	(57,751)	(130,686)	(147,105)
Net fee and commission income	87,957	81,104	267,932	232,554

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
Fee income				
Net brokerage income	16,541	15,377	54,119	51,005
Private placement Fee	100	573	3,011	4,232
Corporate advisory fees	2,118	2,850	9,577	7,703
Fees on loans, advances and financing	1,781	1,105	5,325	2,918
Arrangement fees	139	4,175	1,564	5,175
Agency fees	503	715	2,548	1,759
Underwriting commissions and placement fees	-	503	1,116	938
Guarantee fees	150	-	711	192
Others	1,774	240	3,924	2,236
	23,106	25,538	81,895	76,158
(b) Fee and commission expense :				
Commission and referral expenses	-	-	-	-
Net fee and commission income	23,106	25,538	81,895	76,158

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Notes to the financial statement for the financial period ended 30 September 2018

24. Net gain and losses on financial instruments

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
30-09-2018	30-09-2017	30-09-2018	30-09-2017	
	RM'000	RM'000	RM'000	RM'000
Gains/(losses) arising on financial assets at FVTPL				
- net gain on disposal	10,861	12,593	44,383	53,464
- unrealised loss	(1,224)	(302)	(3,329)	(582)
- gross dividend income	1,190	219	3,407	352
- interest income	5,300	5,276	15,169	15,836
Gains/(losses) on derivative instruments				
- net loss on disposal	-	(26)	(54)	(26)
- unrealised gain/(loss)	85	7,488	824	3,287
- interest income	397	729	1,499	2,250
- interest expense	(495)	(653)	(1,454)	(1,910)
Gains arising on financial assets at FVOCI				
- net gain on disposal	4,652	-	5,752	-
- gross dividend income	1,366	-	3,308	-
Gains arising on financial investments available-for-sale				
- net gain on disposal	-	16,197	-	24,606
- gross dividend income	-	3,578	-	11,856
	22,132	45,099	69,505	109,133

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
30-09-2018	30-09-2017	30-09-2018	30-09-2017	
	RM'000	RM'000	RM'000	RM'000
Gains/(losses) arising on financial assets at FVTPL				
- net gain on disposal	10,824	12,594	44,672	53,465
- unrealised loss	(166)	(245)	(1,355)	(493)
- gross dividend income	926	219	2,258	352
- interest income	5,300	5,276	15,169	15,836
Gains/(losses) on derivative instruments				
- net loss on disposal	-	(26)	(54)	(26)
- unrealised gain/(loss)	85	7,488	824	3,287
- interest income	397	729	1,499	2,250
- interest expense	(495)	(653)	(1,454)	(1,910)
Gains arising on financial assets at FVOCI				
- net gain on disposal	4,652	-	5,752	-
- gross dividend income	1,366	-	3,308	-
Gains arising on financial investments available-for-sale				
- net gain on disposal	-	16,197	-	24,564
- gross dividend income	-	3,434	-	11,586
	22,889	45,013	70,619	108,911

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25. Other operating income

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)				
- realised	6,099	6,722	13,400	12,083
- unrealised	(2,455)	(10,723)	(5,068)	(4,647)
Gain on disposal of property, plant and equipment	9	56	130	470
Other non-operating income	(89)	200	416	550
	3,564	(3,745)	8,878	8,456

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)				
- realised	5,112	5,924	17,794	11,283
- unrealised	(2,998)	(9,819)	(9,740)	(3,525)
Gain on disposal of property and equipment	9	2	113	132
Gross dividend income from subsidiaries	14,000	-	35,000	-
Other non-operating income	(184)	326	598	885
	15,939	(3,567)	43,765	8,775

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**Notes to the financial statement
for the financial period ended 30 September 2018****26. Other operating expenses**

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
30-09-2018	30-09-2017	30-09-2018	30-09-2017	
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	47,258	46,824	147,719	142,904
Contributions to defined contribution plan	8,086	8,071	23,837	21,948
Other personnel costs	13,768	9,404	35,654	26,189
	<u>69,112</u>	<u>64,299</u>	<u>207,210</u>	<u>191,041</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	2,112	2,113	6,185	7,715
Travelling and accomodation	947	1,085	2,748	2,671
Entertainment	895	746	2,391	2,479
Others	334	566	1,611	1,991
Dealers' handling fees	300	300	900	900
Commission and brokerage expenses	123	157	481	419
	<u>4,711</u>	<u>4,967</u>	<u>14,316</u>	<u>16,175</u>
Establishment-related expenses				
Rental of premises	3,234	3,119	9,627	9,707
Depreciation of property and equipment	2,249	2,249	6,790	6,582
Repair and maintenance	1,745	1,581	5,063	4,962
Electricity, water and sewerage	588	579	1,848	1,787
Amortisation of intangible assets	613	600	1,784	1,731
Equipment rental	(125)	348	618	965
Insurance and indemnities	170	135	659	567
Others	52	52	146	151
	<u>8,526</u>	<u>8,663</u>	<u>26,535</u>	<u>26,452</u>
General administrative expenses				
Telecommunication expenses	2,544	2,963	7,227	7,291
Subscription	2,811	765	7,424	4,488
Professional fees	1,224	1,912	3,562	5,961
Directors' remuneration	547	657	1,978	1,948
Auditors' remuneration	309	185	670	643
Property, plant and equipment written off	9	-	22	1
Others	1,453	2,185	5,160	6,016
	<u>8,897</u>	<u>8,667</u>	<u>26,043</u>	<u>26,348</u>
Total other operating expenses	<u>91,246</u>	<u>86,596</u>	<u>274,104</u>	<u>260,016</u>

26. (a) Directors' Remuneration

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
30-09-2018	30-09-2017	30-09-2018	30-09-2017	
	RM'000	RM'000	RM'000	RM'000
Group Managing Director				
Fixed and non-deferred remuneration				
- Salary	450	450	1,350	1,350
- Other emoluments*	218	195	239	216
Variable and non-deferred remuneration				
- Bonus	900	750	2,850	2,350
- Estimate money value of benefit-in-kind	-	-	31	31
	<u>1,568</u>	<u>1,395</u>	<u>4,470</u>	<u>3,947</u>
Non-executive directors				
Fixed and non-deferred remuneration				
- Fees	441	512	1,602	1,457
- Other emoluments*	106	145	376	491
	<u>547</u>	<u>657</u>	<u>1,978</u>	<u>1,948</u>

* Other emoluments comprise mainly fixed allowances and meeting allowances.

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26. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended	Preceding Year Corresponding Period ended	Current Financial Period-to-date	Preceding Year Corresponding Period-to-date
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	29,417	29,816	96,536	99,541
Contributions to defined contribution plan	3,953	4,110	12,038	11,787
Other personnel costs	3,329	2,495	8,458	8,220
	<u>36,699</u>	<u>36,421</u>	<u>117,032</u>	<u>119,548</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	536	592	2,117	1,656
Travelling and accommodation	339	514	1,143	1,279
Dealers' handling fees	300	300	900	900
Commission and brokerage expenses	106	157	460	419
Entertainment	162	212	431	557
	<u>1,443</u>	<u>1,775</u>	<u>5,051</u>	<u>4,811</u>
Establishment-related expenses				
Rental of premises	2,287	2,206	6,802	7,015
Depreciation of property and equipment	1,444	1,504	4,428	4,468
Repair and maintenance	785	1,077	2,790	3,313
Electricity, water and sewerage	498	502	1,583	1,548
Amortisation of intangible assets	311	312	941	918
Insurance and indemnities	154	105	574	456
Equipment rental	21	25	67	63
Others	52	52	146	151
	<u>5,552</u>	<u>5,783</u>	<u>17,331</u>	<u>17,932</u>
General administrative expenses				
Telecommunication expenses	2,170	2,530	6,100	6,003
Subscription	1,580	643	5,098	4,147
Directors' remuneration	334	530	1,496	1,570
Auditors' remuneration	126	266	378	518
Professional fees	186	320	362	673
Property, plant and equipment written off	6	-	19	-
Others	969	1,974	4,179	5,317
	<u>5,371</u>	<u>6,263</u>	<u>17,632</u>	<u>18,228</u>
Total other operating expenses	<u>49,065</u>	<u>50,242</u>	<u>157,046</u>	<u>160,519</u>

26. (a) Directors' Remuneration

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended	Preceding Year Corresponding Period ended	Current Financial Period-to-date	Preceding Year Corresponding Period-to-date
	30-09-2018	30-09-2017	30-09-2018	30-09-2017
	RM'000	RM'000	RM'000	RM'000
Group Managing Director				
Fixed and non-deferred remuneration				
- Salary	450	450	1,350	1,350
- Other emoluments*	218	195	239	216
Variable and non-deferred remuneration				
- Bonus	900	750	2,850	2,350
- Estimate money value of benefit-in-kind	-	-	31	31
	<u>1,568</u>	<u>1,395</u>	<u>4,470</u>	<u>3,947</u>
Non-executive directors				
Fixed and non-deferred remuneration				
- Fees	271	444	1,245	1,196
- Other emoluments*	63	86	251	374
	<u>334</u>	<u>530</u>	<u>1,496</u>	<u>1,570</u>

* Other emoluments comprise mainly fixed allowances and meeting allowances.

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27 (a). (Allowances)/write-back of credit impairment losses

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
Period ended	Period ended	Period-to-date	Period-to-date	
30-09-2018	30-09-2017	30-09-2018	30-09-2017	
RM'000	RM'000	RM'000	RM'000	
(Allowances)/write-back of credit impairment losses :				
Expected credit losses				
- loans, advances and financing and trade receivables	760	-	(3,088)	-
- securities placements and other assets	(658)	-	(963)	-
- loan and financing commitments and contingencies	419	-	458	-
Bad debts recovered	20	-	53	-
	541	-	(3,540)	-

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
Period ended	Period ended	Period-to-date	Period-to-date	
30-09-2018	30-09-2017	30-09-2018	30-09-2017	
RM'000	RM'000	RM'000	RM'000	
(Allowances)/write-back of credit impairment losses :				
Expected credit losses				
- loans, advances and financing and trade receivables	764	-	(3,091)	-
- securities placements and other assets	(650)	-	(954)	-
- loan and financing commitments and contingencies	419	-	458	-
Bad debts recovered	20	-	53	-
	553	-	(3,534)	-

27(b). Write-back of losses on loans, advances and financing and receivables

	The Group and the Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
Period ended	Period ended	Period-to-date	Period-to-date	
30-09-2018	30-09-2017	30-09-2018	30-09-2017	
RM'000	RM'000	RM'000	RM'000	
Allowances/(write-back) of losses on loans, advances and financing and receivables:				
Individual allowance				
- Made during the financial period	-	(24)	-	(429)
- Written back during the financial period	-	428	-	796
Collective allowance				
- Made during the financial period	-	24	-	(174)
- Written back during the financial period	-	60	-	963
Bad debts recovered	-	-	-	73
Write-back for other assets	-	(73)	-	(67)
	-	415	-	1,162

28. Impairment loss on securities

	The Group and the Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Financial	Financial	Financial
Period ended	Period ended	Period-to-date	Period-to-date	
30-09-2018	30-09-2017	30-09-2018	30-09-2017	
RM'000	RM'000	RM'000	RM'000	
Allowances for impairment loss:				
- Financial investments available-for-sale	-	(299)	-	(1,011)
	-	(299)	-	(1,011)

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Notes to the financial statement for the financial period ended 30 September 2018

29. Capital adequacy

	The Group		The Bank	
	30-09-2018 RM'000	31-12-2017 RM'000	30-09-2018 RM'000	31-12-2017 RM'000
Basel III				
Common Equity Tier (CET) 1 Capital :				
Paid-up share capital	999,800	999,800	999,800	999,800
Foreign exchange translation reserve	151	151	-	-
Retained profits	561,015	617,401	559,099	621,003
Unrealised losses on FVOCI instruments/AFS instruments	(4,896)	(14,466)	(4,951)	(14,762)
	<u>1,556,070</u>	<u>1,602,886</u>	<u>1,553,948</u>	<u>1,606,041</u>
Less : Regulatory adjustment				
Goodwill and Intangible assets	(323,228)	(323,801)	(316,183)	(316,969)
Investment in subsidiaries /associates	-	-	(127,784)	(114,235)
Regulatory reserve	(24,595)	(11,790)	(24,595)	(11,790)
Deferred tax assets	(26,685)	(22,165)	(15,463)	(10,817)
Total CET 1 capital	<u>1,181,562</u>	<u>1,245,130</u>	<u>1,069,923</u>	<u>1,152,230</u>
Additional Tier 1 Capital				
Non-controlling interests	19,308	9,213	-	-
Total CET 1 capital / Tier 1 capital (a)	<u>1,200,870</u>	<u>1,254,343</u>	<u>1,069,923</u>	<u>1,152,230</u>
Tier 2 capital				
Collective allowance for financial assets	30,947	13,549	28,223	13,549
Less : Regulatory adjustment				
Investment in subsidiaries	-	-	-	(13,549)
Total Tier 2 capital (b)	<u>30,947</u>	<u>13,549</u>	<u>28,223</u>	<u>-</u>
Total Capital (a) + (b)	<u>1,231,817</u>	<u>1,267,892</u>	<u>1,098,146</u>	<u>1,152,230</u>
Proposed dividends	<u>100,000</u>	<u>88,000</u>	<u>100,000</u>	<u>88,000</u>
Capital Ratio				
CET 1 capital ratio	31.540%	34.806%	34.689%	40.546%
Tier 1 capital ratio	32.056%	35.064%	34.689%	40.546%
Total capital ratio	32.882%	35.442%	35.604%	40.546%
CET 1 capital ratio (net of proposed dividends)	28.871%	32.346%	31.447%	37.449%
Tier 1 capital ratio (net of proposed dividends)	29.386%	32.604%	31.447%	37.449%
Total capital ratio (net of proposed dividends)	30.212%	32.982%	32.362%	37.449%
Breakdown of risk-weighted assets in the various categories of risk-weights:				
Credit risk	2,475,737	2,359,199	2,257,860	2,131,880
Market risk	410,703	440,245	379,140	299,635
Operational risk	859,754	777,901	447,291	410,291
Total Risk-Weighted Assets	<u>3,746,194</u>	<u>3,577,345</u>	<u>3,084,291</u>	<u>2,841,806</u>

With effect from 1 January 2013, the regulatory capital ratios as well as the level of these ratios of which the Bank is required to operate are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel III) and Capital Adequacy framework (capital components).

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30. Commitments and contingencies

	The Group and the Bank	
	30-09-2018	31-12-2017
	Principal amount RM'000	Principal amount RM'000
Direct credit substitutes	99,070	104,927
Forward assets purchases	50,000	-
Commitments to extend credit:		
- maturity not exceeding one year	112,546	58,339
- maturity exceeding one year	700	480
Interest rate related contracts:		
- less than one year	300,000	250,000
- one year to less than five years	2,205,000	1,515,000
- more than five years	30,000	-
Foreign exchange related contracts:		
- less than one year	3,048,347	5,084,328
- one year to less than five years	249,023	283,764
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 borrower's creditworthiness	429,567	409,263
Total	<u>6,524,253</u>	<u>7,706,101</u>

31. Credit exposures arising from transactions with connected parties

In compliance with the requirement of BNM's guidelines on Credit Transactions and Exposures with Connected Parties for the Bank (Ref No: BNM/RH/GL 001-25), the following information as at 30 September 2018 are as follows:

(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	519,660
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	7.94%
(iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil

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32. 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:-

- Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities
- Level 2 - inputs other than quoted price included within level 1 that are observable for the assets or liability, either (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset and liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30-09-2018				
Assets				
Financial assets at fair value through profit or loss				
- Money market instruments	-	131,250	-	131,250
- Corporate bonds or sukuk	-	69,945	-	69,945
- Shares, warrant unit trusts and REITs	157,010	-	-	157,010
Financial assets at FVOCI				
- Money market instruments	-	1,114,022	-	1,114,022
- Corporate bonds or sukuk	-	4,008,826	-	4,008,826
- Equity securities	63,212	-	21,821	85,033
Derivative financial assets	-	34,643	-	34,643
	220,222	5,358,686	21,821	5,600,729
Liabilities				
Derivative financial liabilities	-	38,406	-	38,406
31-12-2017				
Assets				
Financial assets at fair value through profit or loss				
- Money market instruments	-	30,573	-	30,573
- Corporate bonds or sukuk	-	18,803	-	18,803
- Shares, warrant unit trusts and REITs	45,675	-	-	45,675
Financial investments available-for-sale *				
- Money market instruments	-	735,634	-	735,634
- Corporate bonds or sukuk	-	3,834,644	-	3,834,644
- Shares, warrant unit trusts and REITs	233,637	-	20,611	254,248
Derivative financial assets	-	54,950	-	54,950
	279,312	4,674,604	20,611	4,974,527
Liabilities				
Derivative financial liabilities	-	54,808	-	54,808

* Net of allowance for impairment

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32. FAIR VALUE MEASUREMENTS (continued)

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

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30-09-2018				
Assets				
Financial assets at fair value through profit or loss				
- Money market instruments	-	131,250	-	131,250
- Corporate bonds and/or sukuk	-	50,150	-	50,150
- Shares, warrant unit trusts and REITs	127,777	-	-	127,777
Financial assets at FVOCI				
- Money market instruments	-	1,114,022	-	1,114,022
- Corporate bonds and/or sukuk	-	4,008,826	-	4,008,826
- Equity securities	63,212	-	21,821	85,033
Derivative financial assets	-	34,643	-	34,643
	190,989	5,338,891	21,821	5,551,701
Liabilities				
Derivative financial liabilities	-	38,406	-	38,406
31-12-2017				
Assets				
Financial assets at fair value through profit or loss				
- Money market instruments	-	30,573	-	30,573
- Shares, warrant unit trusts and REITs	38,696	-	-	38,696
Financial investments available-for-sale *				
- Money market instruments	-	735,634	-	735,634
- Corporate bonds and/or sukuk	-	3,833,654	-	3,833,654
- Shares, warrant unit trusts and REITs	204,002	-	20,611	224,613
Derivative financial assets	-	54,950	-	54,950
	242,698	4,654,811	20,611	4,918,120
Liabilities				
Derivative financial liabilities	-	54,808	-	54,808

* Net of allowance for impairment

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32. FAIR VALUE MEASUREMENTS (continued)

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 of the valuation hierarchy. These would include listed equities which are actively traded. Where fair value is determined using quoted 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. These would include corporate private debt securities, corporate notes and most of the Group's over-the-counter ("OTC") derivatives.

The Group and the Bank classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The Group and the Bank may also use valuation models or discounted cash flow technique to determine the fair value.

Most of the OTC derivatives are priced using valuation models. Where derivative products have been established in the markets for some time, the Group and the Bank use models that are widely accepted by the industry. The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models. OTC derivatives which are valued using unobservable inputs that are supported by little or no market activity which are significant to the fair value of the assets or liabilities are classified as Level 3.

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

	The Group and The Bank	
	30-09-2018	31-12-2017
	RM'000	RM'000
Opening	20,611	19,528
FVOCI revaluation reserve	1,210	-
AFS revaluation reserve	-	1,083
Closing	<u><u>21,821</u></u>	<u><u>20,611</u></u>

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at end of the current reporting date and last financial year ended 31 December 2017, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purpose.

In estimating its significance, the Group used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflect the values that the Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be statistical or other relevant approved techniques.

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**Notes to the financial statement
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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. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities:

Group	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	No specific maturity	Total
30-09-2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	597,278	-	-	-	-	-	597,278
Financial assets at fair value through profit or loss ("FVTPL")	816	818	1,595	91,138	45,712	218,126	358,205
Financial assets at fair value through other comprehensive income ("FVOCI")	246,084	70,953	206,133	1,887,414	2,712,264	85,033	5,207,881
Financial assets at amortised cost	-	-	-	48,968	-	-	48,968
Derivative financial assets	5,235	11,319	5,995	11,929	165	-	34,643
Loans, advances and financing	435,641	70,340	94,112	583,939	152,936	-	1,336,968
Trade Receivables	407,233	-	-	-	-	-	407,233
Other assets	25,726	174	2,998	6,105	100	21,430	56,533
Other non financial assets (Note 1)	-	-	-	-	-	427,512	427,512
Statutory deposits with Bank Negara Malaysia	186,403	-	-	-	-	-	186,403
Total assets	1,904,416	153,604	310,833	2,629,493	2,911,177	752,101	8,661,624
Liabilities							
Deposits from customers	2,101,290	480,626	1,568,801	1,032,863	-	-	5,183,580
Deposits and placements with banks and other financial institutions	786,019	-	-	-	-	-	786,019
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-
Derivatives financial liabilities	11,793	10,348	7,150	9,115	-	-	38,406
Trade payables	587,905	-	-	-	-	-	587,905
Other liabilities	261,300	44,099	129,862	13,108	-	-	448,369
Other non financial liabilities (Note 2)	-	-	-	-	-	6,304	6,304
Total liabilities	3,748,307	535,073	1,705,813	1,055,086	-	6,304	7,050,583
Net liquidity gap	(1,843,891)	(381,468)	(1,394,980)	1,574,406	2,911,177	745,797	1,611,041

Note 1 : Other non-financial assets includes commodity gold at FVTPL, property and equipment, intangible assets, taxation recoverable and deferred tax assets.

Note 2 : Other non-financial liabilities include amount due to holding and related companies.

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**Notes to the financial statement
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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. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	No specific maturity	Total
Group 31-12-2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	588,245	-	-	-	-	-	588,245
Deposits and placements with banks and other financial institutions	-	-	-	10,313	-	-	10,313
Financial assets at fair value through profit or loss	797	818	1,595	15,846	30,321	45,674	95,051
Financial investments available-for-sale	74,948	15,268	298,424	1,578,685	2,602,953	254,248	4,824,526
Financial investments held-to-maturity	-	-	-	8,107	-	-	8,107
Derivative financial assets	18,381	12,274	13,251	11,044	-	-	54,950
Loans, advances and financing	371,383	-	101,137	523,694	212,297	-	1,208,511
Trade Receivables	549,359	-	-	-	-	-	549,359
Other assets	8,659	146	1,996	7,708	290	15,159	33,958
Other non financial assets (Note 1)	-	-	-	-	-	423,638	423,638
Statutory deposits with Bank Negara Malaysia	169,000	-	-	-	-	-	169,000
Total assets	1,780,772	28,506	416,403	2,155,397	2,845,861	738,719	7,965,658
Liabilities							
Deposits from customers	1,571,167	1,118,794	844,691	956,875	-	-	4,491,527
Deposits and placements with banks and other financial institutions	590,600	-	-	-	-	-	590,600
Obligations on securities sold under repurchase agreements	96,013	-	-	-	-	-	96,013
Derivatives financial liabilities	16,952	15,579	12,188	10,089	-	-	54,808
Trade payables	676,938	-	-	-	-	-	676,938
Other liabilities	205,781	40,455	136,814	1,102	-	-	384,152
Other non financial liabilities (Note 2)	-	-	-	-	-	16,186	16,186
Total liabilities	3,157,451	1,174,828	993,693	968,066	-	16,186	6,310,224
Net liquidity gap	(1,376,679)	(1,146,322)	(577,290)	1,187,331	2,845,861	722,533	1,655,434

Note 1 : Other non-financial assets includes commodity gold at FVTPL, property and equipment, intangible assets, taxation recoverable and deferred tax assets.

Note 2 : Other non-financial liabilities include provision for taxation, and amount due to related companies.

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33. LIQUIDITY RISK (continued)

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. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

Bank	Up to 1	> 1-3	> 3-12	> 1-5	Over 5	No specific	Total
30-09-2018	month	months	months	years	years	maturity	RM'000
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	209,249	-	-	-	-	-	209,249
Financial assets at fair value through profit or loss ("FVTPL")	-	-	-	81,101	40,175	187,901	309,177
Financial assets at fair value through other comprehensive income ("FVOCI")	246,084	70,953	206,133	1,887,414	2,712,264	85,033	5,207,881
Financial assets at amortised cost	-	-	-	48,968	-	-	48,968
Derivative financial assets	5,236	11,319	5,994	11,929	165	-	34,643
Loans, advances and financing	435,641	70,340	94,112	583,939	152,936	-	1,336,968
Trade Receivables	317,255	-	-	-	-	-	317,255
Amount due from subsidiaries	-	-	-	-	-	14,340	14,340
Other assets	24,235	174	2,998	4,894	-	19,339	51,640
Other non financial assets (Note 1)	-	-	-	-	-	489,008	489,008
Statutory deposits with Bank Negara Malaysia	186,300	-	-	-	-	-	186,300
Total assets	1,424,000	152,786	309,237	2,618,245	2,905,540	795,621	8,205,429
Liabilities							
Deposits from customers	2,101,290	480,626	1,568,801	1,032,863	-	-	5,183,580
Deposits and placements with banks and other financial institutions	786,019	-	-	-	-	-	786,019
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-
Derivatives financial liabilities	11,793	10,348	7,150	9,115	-	-	38,406
Trade payables	309,754	-	-	-	-	-	309,754
Other liabilities	233,693	44,099	55,222	708	-	-	333,722
Total liabilities	3,442,549	535,073	1,631,173	1,042,686	-	-	6,651,481
Net liquidity gap	(2,018,549)	(382,287)	(1,321,936)	1,575,559	2,905,540	795,621	1,553,948

Note 1: Other non-financial assets includes property and equipment, intangible assets, taxation recoverable, deferred tax assets, investment in subsidiaries and investment in associated company.

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33. LIQUIDITY RISK (continued)

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. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

	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
Bank 31-12-2017							
Assets							
Cash and short-term funds	214,687	-	-	-	-	-	214,687
Deposits and placements with banks and other financial institutions	-	-	-	10,313	-	-	10,313
Financial assets at fair value through profit or loss	(19)	-	-	10,309	20,283	38,696	69,269
Financial investments available-for-sale	74,948	15,268	298,424	1,577,695	2,602,953	224,613	4,793,901
Financial investments held-to-maturity	-	-	-	8,107	-	-	8,107
Derivative financial assets	18,381	12,274	13,251	11,044	-	-	54,950
Loans, advances and financing	371,383	-	101,137	523,694	212,297	-	1,208,511
Trade Receivables	420,747	-	-	-	-	-	420,747
Amount due from subsidiaries	-	-	-	-	-	21,660	21,660
Other assets	8,099	146	1,996	6,385	190	13,897	30,713
Other non financial assets (Note 1)	-	-	-	-	-	485,560	485,560
Statutory deposits with Bank Negara Malaysia	169,000	-	-	-	-	-	169,000
Total assets	1,277,226	27,688	414,808	2,147,547	2,835,723	784,426	7,487,418
Deposits from customers	1,571,167	1,118,794	844,691	956,875	-	-	4,491,527
Deposits and placements with banks and other financial institutions	590,600	-	-	-	-	-	590,600
Obligations on securities sold under repurchase agreements	96,013	-	-	-	-	-	96,013
Derivatives financial liabilities	16,952	15,579	12,188	10,089	-	-	54,808
Trade payables	393,714	-	-	-	-	-	393,714
Other liabilities	153,571	40,452	59,590	1,102	-	-	254,715
Total liabilities	2,822,017	1,174,825	916,469	968,066	-	-	5,881,377
Net liquidity gap	(1,544,791)	(1,147,137)	(501,661)	1,179,481	2,835,723	784,426	1,606,041

Note 1 : Other non-financial assets includes property and equipment, intangible assets, taxation recoverable, deferred tax assets, investment in subsidiaries and investment in associated company.