

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Statements of Financial Position
as at 30 September 2019

	Note	The Group		The Bank	
		As at 30-09-2019 RM'000	As at 31-12-2018 RM'000	As at 30-09-2019 RM'000	As at 31-12-2018 RM'000
ASSETS					
Cash and short-term funds		843,372	624,791	464,736	204,360
Financial assets at fair value through profit or loss ("FVTPL")	11	435,345	232,824	357,539	181,365
Financial investments at fair value through other comprehensive income ("FVOCI")	11	4,373,665	5,038,173	4,373,665	5,038,173
Financial investments at amortised cost	11	45,142	48,381	45,142	48,381
Loans, advances and financing	12	1,083,258	1,276,004	1,083,258	1,276,004
Trade receivables	13	457,859	368,429	246,969	279,537
Derivative financial assets		50,213	29,857	50,213	29,784
Commodity Gold at FVTPL		39,661	42,733	-	-
Other assets	14	73,647	35,195	67,633	30,227
Statutory deposits with Bank Negara Malaysia		166,603	196,600	166,500	196,500
Amount due from subsidiaries		-	-	465	273
Amount due from related company		206	-	-	-
Amount due from ultimate holding company		65	-	-	-
Investment in subsidiaries		-	-	125,721	125,721
Investments in associated company		-	-	1,132	1,132
Taxation recoverable		34,646	28,879	23,663	22,095
Deferred tax assets		5,408	26,597	-	14,506
Property and equipment		29,593	30,334	17,455	18,658
Intangible assets		322,556	323,102	315,599	315,963
Right-of-use assets	15	21,912	-	4,597	-
TOTAL ASSETS		7,983,151	8,301,899	7,344,287	7,782,679
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	16	5,065,013	5,131,652	5,065,013	5,131,652
Deposits and placements of banks and other financial institutions	17	-	424,913	-	424,913
Obligations on securities sold under repurchase agreements	18	-	142,477	-	142,477
Trade payables	19	621,194	600,898	244,934	292,945
Lease Liabilities	20	22,116	-	4,663	-
Derivative financial liabilities		44,841	28,107	44,624	28,107
Amount due to holding company		34	47	-	-
Amount due to subsidiaries		-	-	104	-
Amount due to related company		50	448	-	-
Other liabilities	21	509,119	415,947	405,938	298,651
Deferred tax liabilities		11,754	-	11,754	-
TOTAL LIABILITIES		6,274,121	6,744,489	5,777,030	6,318,745
Share capital		999,800	999,800	999,800	999,800
Reserves	22	610,017	491,837	567,457	464,134
		1,609,817	1,491,637	1,567,257	1,463,934
Non-controlling interests		99,213	65,773	-	-
SHAREHOLDERS' EQUITY		1,709,030	1,557,410	1,567,257	1,463,934
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,983,151	8,301,899	7,344,287	7,782,679
COMMITMENTS AND CONTINGENCIES	31	8,404,903	6,376,955	8,404,903	6,376,955
CAPITAL ADEQUACY					
Basel III					
CET 1 capital ratio	30	35.019%	30.644%	41.290%	34.177%
Tier 1 capital ratio	30	35.694%	31.194%	41.290%	34.177%
Total capital ratio	30	36.488%	32.005%	42.185%	35.099%
After deducting proposed dividends:					
CET 1 capital ratio (net of proposed dividends)	30	35.019%	30.644%	41.290%	34.177%
Tier 1 capital ratio (net of proposed dividends)	30	35.694%	31.194%	41.290%	34.177%
Total capital ratio (net of proposed dividends)	30	36.488%	32.005%	42.185%	35.099%

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Income Statements
for the financial period ended 30 September 2019

The Group	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period 30-09-2019	Preceding Year Corresponding Period 30-09-2018	Current Financial Period-to-date 30-09-2019	Preceding Year Corresponding Period-to-date 30-09-2018
		RM'000	RM'000	RM'000	RM'000
Interest income	23	70,178	76,799	219,762	223,319
Interest expense	24	(54,121)	(58,597)	(173,435)	(167,182)
Net interest income		16,057	18,202	46,327	56,137
Fee and commission income	25(a)	127,504	124,549	349,342	398,618
Fee and commission expense	25(b)	(44,602)	(36,594)	(107,961)	(130,861)
Net fee and commission income	25	82,902	87,955	241,381	267,757
Net gain and losses on financial instruments	26	42,089	22,132	125,216	69,505
Other operating income	27	2,270	3,564	8,441	8,878
Net income		143,318	131,853	421,365	402,277
Other operating expenses	28	(91,760)	(91,244)	(273,722)	(273,929)
Operating profit before allowances		51,558	40,609	147,643	128,348
(Allowances)/write-back of credit impairment losses	29	(2,082)	541	(17)	(3,540)
Profit before zakat and taxation		49,476	41,150	147,626	124,808
Zakat		(1,006)	(173)	(2,316)	(816)
Profit before taxation		48,470	40,977	145,310	123,992
Taxation		(14,994)	(1,991)	(36,217)	(20,311)
Net profit after zakat and taxation		33,476	38,986	109,093	103,681
Attributable to:					
- Equity holders of the Bank		27,904	32,611	89,120	86,251
- Non-controlling interests		5,572	6,375	19,973	17,430
		33,476	38,986	109,093	103,681
Earnings per share:					
- basic/fully diluted (sen)		3.58	4.18	11.43	11.06

Affin Hwang Investment Bank Berhad
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Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
for the financial period ended 30 September 2019

The Group	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-09-2019 RM'000	Preceding Year Corresponding Period 30-09-2018 RM'000	Current Financial Period-to-date 30-09-2019 RM'000	Preceding Year Corresponding Period-to-date 30-09-2018 RM'000
Net profit after zakat and taxation	33,476	38,986	109,093	103,681
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
Net fair value changes in financial investments at FVOCI	34,214	37,767	162,816	10,480
Net credit impairment losses change in financial investments at FVOCI	1,227	633	(4,330)	501
Net gain on financial investments at FVOCI reclassified to profit or loss on disposal	(19,379)	(4,348)	(59,382)	(5,380)
Deferred tax on financial investments at FVOCI	(3,513)	(8,020)	(26,100)	(1,224)
<u>Items that may not be reclassified subsequently to profit or loss :</u>				
Net loss on disposal in financial investments at FVOCI (non-recycle to profit or loss)	494	-	3,249	-
Other comprehensive income for the period, net of tax	<u>13,043</u>	<u>26,032</u>	<u>76,253</u>	<u>4,377</u>
Total comprehensive income for the period	<u>46,519</u>	<u>65,018</u>	<u>185,346</u>	<u>108,058</u>
Attributable to:				
Equity holders of the Bank	40,947	58,555	165,373	90,628
Non-controlling interests	5,572	6,463	19,973	17,430
Total comprehensive income	<u>46,519</u>	<u>65,018</u>	<u>185,346</u>	<u>108,058</u>

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Income Statements
for the financial period ended 30 September 2019

The Bank

	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period 30-09-2019 RM'000	Preceding Year Corresponding Period 30-09-2018 RM'000	Current Financial Period-to-date 30-09-2019 RM'000	Preceding Year Corresponding Period-to-date 30-09-2018 RM'000
Interest income	23	69,656	76,199	218,235	221,808
Interest expense	24	(53,898)	(58,597)	(173,114)	(167,182)
Net interest income		15,758	17,602	45,121	54,626
Fee and commission income	25(a)	19,526	23,106	61,655	81,895
Fee and commission expense	25(b)	-	-	-	-
Net fee and commission income	25	19,526	23,106	61,655	81,895
Net gain and losses on financial instruments	26	41,270	22,889	119,707	70,619
Other operating income	27	1,748	15,939	39,479	43,765
Net income		78,302	79,536	265,962	250,905
Other operating expenses	28	(50,336)	(49,065)	(159,318)	(157,046)
Operating profit before allowances		27,966	30,471	106,644	93,859
(Allowances)/write-back of credit impairment losses	29	(2,080)	553	(8)	(3,534)
Profit before zakat and taxation		25,886	31,024	106,636	90,325
Zakat		(934)	(107)	(2,037)	(582)
Profit before taxation		24,952	30,917	104,599	89,743
Taxation		(6,283)	1,030	(17,529)	(8,784)
Net profit after zakat and taxation		18,669	31,947	87,070	80,959
Attributable to:					
- Equity holders of the Bank		18,669	31,947	87,070	80,959
Earnings per share:					
- basic/fully diluted (sen)		2.39	4.10	11.16	10.38

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Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
for the financial period ended 30 September 2019

The Bank	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-09-2019 RM'000	Preceding Year Corresponding Period 30-09-2018 RM'000	Current Financial Period-to-date 30-09-2019 RM'000	Preceding Year Corresponding Period-to-date 30-09-2018 RM'000
Net profit after zakat and taxation	18,669	31,947	87,070	80,959
Other comprehensive income:				
<u>Items that may be reclassified subsequently to profit or loss :</u>				
Net fair value changes in financial investments at FVOCI	34,214	37,767	162,816	10,480
Net credit impairment losses change in financial investments at FVOCI	1,227	633	(4,330)	501
Net gain on financial investments at FVOCI reclassified to profit or loss on disposal	(19,379)	(4,350)	(59,382)	(5,380)
Deferred tax on financial investments at FVOCI	(3,513)	(8,020)	(26,100)	(1,224)
<u>Items that may not be reclassified subsequently to profit or loss :</u>				
Net loss on disposal in financial investments at FVOCI (non-recycle to profit or loss)	494	-	3,249	-
Other comprehensive income for the period, net of tax	<u>13,043</u>	<u>26,030</u>	<u>76,253</u>	<u>4,377</u>
Total comprehensive income for the period	<u>31,712</u>	<u>57,977</u>	<u>163,323</u>	<u>85,336</u>
Attributable to equity holders of the Bank:				
Total comprehensive income	<u>31,712</u>	<u>57,977</u>	<u>163,323</u>	<u>85,336</u>

Affin Hwang Investment Bank Berhad
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Condensed Interim Financial Statements
Unaudited Statement of Changes in Equity
for the financial period ended 30 September 2019

	Attributable to equity holders of the Bank								Total equity RM'000
	Share Capital RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	Stock options reserves ^ RM'000	FVOCI revaluation reserves RM'000	Retained profits RM'000	Sub-total RM'000	Non- controlling interests RM'000	
The Group									
At 1 January 2019	999,800	28,357	593	8,328	3,968	450,591	1,491,637	65,773	1,557,410
Comprehensive income:									
Net profit for the financial period	-	-	-	-	-	89,120	89,120	19,973	109,093
Other comprehensive income, (net of tax) -									
- Financial investments at FVOCI (debt instruments)	-	-	-	-	76,253	-	76,253	-	76,253
- Net loss transferred to retained profits (non-recycle to PL)	-	-	-	-	3,249	(3,249)	-	-	-
Total comprehensive income	-	-	-	-	79,502	85,871	165,373	19,973	185,346
Options exercised during the period*	-	-	-	(8,328)	-	8,328	-	-	-
Dilution of interest in subsidiaries	-	-	-	-	-	12,807	12,807	31,967	44,774
Transfer from regulatory reserve	-	(4,386)	-	-	-	4,386	-	-	-
Dividend paid	-	-	-	-	-	(60,000)	(60,000)	(18,500)	(78,500)
At 30 September 2019	999,800	23,971	593	-	83,470	501,983	1,609,817	99,213	1,709,030

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

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

	Attributable to equity holders of the Bank								Total equity RM'000
	Share Capital RM'000	Regulatory reserves RM'000	Foreign exchange reserves RM'000	AFS revaluation reserves RM'000	FVOCI revaluation reserves 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
- Adjustments arising from adoption of MFRS 9	-	13,186	-	14,466	(9,273)	(21,884)	(3,505)	(7)	(3,512)
- Adjustments arising from adoption of MFRS 15	-	-	-	-	-	(1,262)	(1,262)	-	(1,262)
At 1 January 2018, as restated	999,800	24,976	151	-	(9,273)	582,465	1,598,119	52,541	1,650,660
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)	536,097	1,555,747	54,971	1,610,718

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Condensed Interim Financial Statements
Unaudited Statement of Changes in Equity
for the financial period ended 30 September 2019

	←----- Non-distributable -----→			← Distributable --→	
	Share Capital RM'000	Regulatory reserves RM'000	FVOCI revaluation reserves RM'000	Retained profits RM'000	Total equity RM'000
The Bank					
At 1 January 2019	999,800	28,357	3,913	431,864	1,463,934
Comprehensive income:					
Net profit for the financial period	-	-	-	87,070	87,070
Other comprehensive income, (net of tax) -					
- Financial investments at FVOCI (debt instruments)	-	-	76,253	-	76,253
- Net loss transferred to retained profits (non-recycle to PL)	-	-	3,249	(3,249)	-
Total comprehensive income	-	-	79,502	83,821	163,323
Transfer from regulatory reserve	-	(4,386)	-	4,386	-
Dividend paid	-	-	-	(60,000)	(60,000)
At 30 September 2019	999,800	23,971	83,415	460,071	1,567,257

	←----- Non-distributable -----→			← Distributable --→		
	Share Capital RM'000	Regulatory reserves RM'000	AFS revaluation reserves RM'000	FVOCI revaluation reserves 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	14,762	(9,328)	(22,109)	(3,489)
- Adjustment arising from adoption of MFRS 15	-	-	-	-	(1,262)	(1,262)
At 1 January 2018, as restated	999,800	24,976	-	(9,328)	585,842	1,601,290
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)	534,182	1,553,626

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Statement of Cash Flows
for the financial period ended 30 September 2019

	The Group		The Bank	
	30-09-2019 RM'000	30-09-2018 RM'000	30-09-2019 RM'000	30-09-2018 RM'000
Cash flow from operating activities				
Net profit before tax for the financial period	145,310	123,992	104,599	89,743
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income:				
- financial assets at FVTPL	(14,277)	(15,169)	(14,277)	(15,169)
- financial investments at FVOCI	(153,610)	(153,302)	(153,610)	(153,302)
- financial investments at amortised cost	(1,946)	(1,951)	(1,946)	(1,951)
Dividend income:				
- financial assets at FVTPL	(5,186)	(3,407)	(3,892)	(2,258)
- financial investments at FVOCI	(2,354)	(3,308)	(2,354)	(3,308)
- from a subsidiary	-	-	(31,500)	(35,000)
Interest expense on lease liability	514	-	193	-
Property and equipment written-off	6	22	4	19
Gain on disposal of property, plant and equipment	(202)	(130)	(49)	(113)
(Gain)/loss arising from disposal/redemption of:				
- derivative instruments	-	54	-	54
- financial assets at FVTPL	(42,520)	(44,383)	(41,908)	(44,672)
- financial investments at FVOCI	(58,567)	(5,752)	(58,567)	(5,752)
Depreciation of property and equipment	7,114	6,790	4,368	4,428
Depreciation of ROU assets	6,905	-	4,134	-
Amortisation of intangible assets	1,915	1,784	998	941
Net accretion of discounts/(amortisation of premiums)	5,832	3,343	5,832	3,343
Unrealised gain on derivative instruments	713	(824)	713	(824)
Unrealised (gain)/loss on financial assets at FVTPL	(2,760)	3,329	843	1,355
Expected credit losses ('ECL') made/(written-back) on:				
- securities and placements	(504)	533	(504)	525
- other assets	1,000	430	1,000	429
- loans, advances and financing and trade receivables	(356)	3,088	(365)	3,091
- loans and financing commitments and financial guarantee	(27)	(458)	(27)	(458)
Zakat	2,316	816	2,037	582
Unrealised foreign exchange (gain)/loss	(5,205)	5,068	(3,712)	9,740
<i>Operating loss before changes in operating assets and liabilities</i>	(115,889)	(79,435)	(187,990)	(148,557)
<i>(Increase)/Decrease in operating assets</i>				
Deposits and placements with banks and other financial institutions	-	10,313	-	10,313
Financial assets at FVTPL	(137,778)	(203,524)	(116,940)	(179,164)
Loans, advances and financing	193,050	(136,250)	193,050	(136,250)
Statutory deposits with Bank Negara Malaysia	29,997	(17,403)	30,000	(17,300)
Amt due from ultimate holding company	(65)	-	-	-
Intercompany balances	-	-	(88)	7,320
Trade receivables	(89,378)	142,367	32,629	103,729
Derivative financial assets	(15,864)	16,009	(17,431)	11,337
Commodity Gold at FVTPL	3,072	1,368	-	-
Other assets	(39,452)	(23,957)	(38,407)	(22,299)
	(56,418)	(211,077)	82,813	(222,314)
<i>Increase/(decrease) in operating liabilities</i>				
Deposits from customers	(66,639)	692,053	(66,639)	692,053
Deposits and placements of banks and other financial institutions	(424,913)	195,419	(424,913)	195,419
Repurchase agreements	(142,477)	(96,013)	(142,477)	(96,013)
Trade payables	20,296	(89,033)	(48,011)	(83,960)
Amount due to related companies	(604)	(3,041)	-	-
Amount due to holding company	(13)	123	-	-
Derivative financial liabilities	16,734	(16,402)	16,517	(16,402)
Other liabilities	120,266	65,002	134,247	80,021
	(477,350)	748,108	(531,276)	771,118
Cash (used in)/generated from operating activities	(649,657)	457,596	(636,453)	400,247

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

**Condensed Interim Financial Statements
Unaudited Statement of Cash Flows
for the financial period ended 30 September 2019**

	The Group		The Bank	
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)				
Net taxation paid	(35,143)	(34,542)	(18,936)	(14,251)
Zakat paid	(1,537)	107	(1,126)	107
Net cash (used in)/generated from operating activities	(686,337)	423,161	(656,515)	386,103
Cash flow from investing activities				
Proceeds from disposal of property and equipment	249	173	50	114
Purchase of property and equipment	(6,426)	(5,110)	(3,170)	(2,919)
Termination of lease contracts	-	-	-	-
Purchase of intangible assets	(1,369)	(1,211)	(633)	(155)
Interest received:				
- financial investments at FVOCI	153,610	153,302	153,610	153,302
- financial investments at amortised cost	1,359	1,951	1,359	1,951
Net disposal/(purchase) of:				
- financial investments at FVOCI	797,826	(377,094)	797,826	(407,695)
Net purchase of:				
- financial investments at amortised cost	-	(41,128)	-	(41,128)
Dividend income received from:				
- financial investments at FVOCI	2,354	3,308	2,354	3,308
- subsidiary	-	-	31,500	35,000
Exercised of stock options	44,774	-	-	-
Net cash generated from/(used in) investing activities	992,377	(265,809)	982,896	(258,222)
Cash flow from financing activities				
Cash payments for the principal portion of the lease liability	(7,215)	-	(4,261)	-
Dividend paid by a subsidiary to minority interest	(18,500)	(15,000)	-	-
Dividend paid	(60,000)	(133,000)	(60,000)	(133,000)
Net cash used in financing activities	(85,715)	(148,000)	(64,261)	(133,000)
Net increase in cash and cash equivalents	220,325	9,352	262,120	(5,119)
Cash and cash equivalents at beginning of the financial period	576,254	539,126	155,823	165,568
Cash and cash equivalents at end of the financial period	796,579	548,478	417,943	160,449
Analysis of cash and cash equivalents				
Cash and short term funds	843,372	597,278	464,736	209,249
Amount held on behalf of clients and commissioned dealer's representatives	(46,793)	(48,800)	(46,793)	(48,800)
Cash and cash equivalents at end of the financial period	796,579	548,478	417,943	160,449

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

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Notes to the financial statement
for the financial period ended 30 September 2019

1. Review of financial performance

The Group recorded a higher Profit Before Zakat and Taxation ("PBT") of RM147.6 million for the 9 months period ended 30 September 2019 compared to a PBT of RM124.8 million for the previous corresponding period. The investment bank contributed RM106.6 million (30.9.2018: RM90.3 million) for period ended 30 September 2019 while the asset management business contributed RM74.4 million (30.9.2018: RM70.4 million) to the Group's PBT. Included in the result of the investment bank is interim dividend from subsidiary of RM31.5 million (30.9.2018: RM35.0 million).

Summarised analysis of the Group PBT for the 9 months period ended 30 September 2019 are as follows:

- Net interest income of RM46.3 million was lower than the net interest income of RM56.1 million recorded in the previous corresponding period primarily due to lower net interest margin in the current period under review.
- Net fee and commission income registered a decrease from RM267.8 million in the previous corresponding period to RM241.4 million in the current period under review. The decrease was primarily due to the lower initial service charge, lower unit trust management and incentive fees earned from the asset management business and lower net brokerage income in the current period.
- Net gain and losses on financial instruments registered an increase from RM69.5 million in the previous corresponding period to RM125.2 million in the current period mainly due to higher gains on disposal of financial investments at FVOCI and net trading gains of financial assets measured at FVTPL.
- Other operating income registered a slight decrease from RM8.9 million to RM8.4 million in the current period mainly due to lower net foreign exchange gain.
- Operating expenses incurred for the period under review were slightly lower at RM273.7 million compared to RM273.9 million incurred in the previous corresponding period contributed mainly by lower personnel costs, offset by higher promotion and marketing-related expenses, higher establishment-related expenses and higher general administrative expenses.
- Lower net allowances of credit impairment losses was mainly contributed by the net write-back of credit impairment losses for loans and debt securities in the current period.

2. Prospect for the current financial year

Notwithstanding ongoing uncertainties from the external front concerning global trade tensions and growth deceleration, the Group maintains its cautious optimistic outlook for the remainder of the year and beyond. The possibility of a trade compromise and pockets of growth in the global economy remains tepid. The presence of these downside risks poses some challenges for the performance of both local and regional bourses. This in turn may weigh on the performance of the Group, which is highly dependent on the performance of the capital markets.

Locally, Malaysia's economic growth is expected to be continually supported by healthy domestic demand especially private consumption amid steady labour market as well as ongoing Government initiatives and measures. Even amid a highly challenging business environment, the Group will continue to seek pockets of business opportunities, while asset management and securities businesses shall also continue to enhance the customer experience. As Malaysia moves towards Industry 4.0, the Group will also maintain its focus on embracing digitalisation efforts in order to improve operational and business efficiencies.

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 2018. 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 2018.

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3. Basis of preparation (continued)

There are no changes to the accounting policies adopted since the last financial year except for the adoption of MFRS 16 "Leases". The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The Group and the Bank has adopted MFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the financial year ended 31 December 2018 as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening financial position on 1 January 2019.

Adjustments recognised on adoption of MFRS 16

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the market's incremental borrowing rate as of 1 January 2019. The weighted average market incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.33% for the Group and 3.92% for the Bank.

The remeasurement were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Lease commitments	The Group		The Bank	
	30.9.2019	31.12.2018	30.9.2019	31.12.2018
Within one year	6,951	8,759	3,895	6,656
One to five years	15,165	1,676	768	827
Total	22,116	10,435	4,663	7,483

Reconciliation between the MFRS 117 operating lease commitments to MFRS 16

	The Group 2019 RM'000	The Bank 2019 RM'000
Operating lease commitments disclosed as at 31 December 2018	10,435	7,483
Discounted using the market's incremental borrowing rate at the date of initial application	(693)	(285)
Add: finance lease liabilities recognised as at 31 December 2018	-	-
(Less): short-term leases recognised on a straight-line basis as expense	(1,027)	(987)
(Less): low-value leases recognised on a straight-line basis as expense	(35)	(30)
(Less): contracts reassessed as service agreements	-	-
Add: adjustments as a result of a different treatment of extension and termination options	4,416	2,222
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-	-
Lease liability recognised as at 1 January 2019	13,096	8,403

4. Qualification of preceding annual financial statements

The Bank's financial statements for financial year ended 31 December 2018 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.

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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. Material litigations

Material litigation during the financial period ended 30 September 2019 is as follows:

The Bank is the Agent for the syndicated lenders in the syndicated facilities for the sum of up to RM165 million comprising Revolving Credit Facility, Letter of Credit ("LC") Facility and Bank Guarantee ("BG") Facility granted to a borrower. The Bank is also one of the lenders and had granted a BG Facility in the sum of RM25 million to the borrower. The borrower had defaulted in its payment of the syndicated facilities and the Bank and 2 other syndicated lenders ("Plaintiffs") have filed a claim against the borrower on 29 October 2018 claiming for the sums owing to the Plaintiffs. The borrower has filed its Defence and Counterclaim against the Plaintiffs, claiming amongst others, return of the 3rd party charge document given to secure the Syndicated Facility, general damages and cost against the Participating Bank. The Court had fixed the matter for case management on 28 November 2019.

9. Changes in the composition of the Bank

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

10. Dividends

An interim dividend of 7.692 sen per share amounting to RM60,000,000 for the financial year ending 31 December 2019 was paid on 11 September 2019.

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Notes to the financial statement for the financial period ended 30 September 2019

11. Securities portfolio

Classification of securities portfolio:

(i) Financial assets at fair value through profit or loss ("FVTPL")

	The Group		The Bank	
	30-09-2019 RM'000	31-12-2018 RM'000	30-09-2019 RM'000	31-12-2018 RM'000
At fair value				
Money Market Instruments				
Negotiable Instruments of Deposit	-	10,007	-	10,007
Malaysian Government Securities	20,646	50,387	20,646	50,387
Malaysian Government Islamic Investment Issues	96,876	10,115	96,876	10,115
	<u>117,522</u>	<u>70,509</u>	<u>117,522</u>	<u>70,509</u>
Quoted securities				
In Malaysia:				
Shares, warrants and REITS	18,105	21,531	18,105	21,531
Unit trusts	264,201	120,143	207,056	89,325
	<u>282,306</u>	<u>141,674</u>	<u>225,161</u>	<u>110,856</u>
Unquoted securities				
Corporate bonds and/or Sukuk in Malaysia	4,391	4,365	6	-
Corporate bonds and/or Sukuk outside Malaysia	31,126	16,276	14,850	-
	<u>35,517</u>	<u>20,641</u>	<u>14,856</u>	<u>-</u>
	<u>435,345</u>	<u>232,824</u>	<u>357,539</u>	<u>181,365</u>

(ii) Financial investments at fair value through other comprehensive income ("FVOCI")

	The Group and the Bank	
	30-09-2019 RM'000	31-12-2018 RM'000
At fair value		
Money Market Instruments		
Malaysian Government Islamic Investment Issues	797,846	520,154
Malaysian Government Securities	297,007	247,082
Cagamas Bonds	26,244	101,906
Negotiable Instruments of Deposit	41,346	10,047
	<u>1,162,443</u>	<u>879,189</u>
Quoted securities		
In Malaysia:		
REITS *	-	18,406
Outside Malaysia:		
REITS *	-	41,126
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia #	3,060,244	3,926,332
Corporate bonds and/or Sukuk outside Malaysia	127,976	151,299
Shares in Malaysia *	23,002	21,821
	<u>4,373,665</u>	<u>5,038,173</u>

* Equity securities designated at fair value through other comprehensive income.

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

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11. Securities portfolio (continued)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

- (a) The Group and the Bank designated certain portfolio of unquoted securities as well as equity securities listed in the local and foreign exchanges at FVOCI as the investments were made for strategic purposes rather than with a view to profit on subsequent sale as follows:

	Carrying Amount at 30-09-2019 RM'000	Dividend Income for the financial period 30-09-2019 RM'000	Dividend Income of equity investments disposed during the period 30-09-2019 RM'000
Quoted securities			
REITs in Malaysia	-	621	621
REITs outside Malaysia	-	1,473	1,473
	-	2,094	2,094
Unquoted securities	73,180	260	-
	73,180	2,354	2,094
	31-12-2018	31-12-2018	31-12-2018
	RM'000	RM'000	RM'000
Quoted securities			
REITs in Malaysia	18,406	1,133	-
REITs outside Malaysia	41,126	2,754	-
	59,532	3,887	-
Unquoted securities	103,339	270	-
	162,871	4,157	-

- (b) During the financial period, the Bank has disposed all quoted equity instrument and redemption of an unquoted equity instruments at a value amounting to RM56.90 million and RM30.00 million respectively. The net cumulative realised loss of RM3.25 million, which included a net loss of RM0.30 million arising from a return of investments via special dividend made by RHT Health Trust, was reclassified from FVOCI revaluation reserves to retained profits during the financial reporting period.

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11. Securities portfolio (continued)

(ii) Financial assets at fair value through other comprehensive income ("FVOCI") (continued)

(c) Movements in allowance for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

	The Group and the Bank			
	12 months ECL	Lifetime ECL Not	Lifetime ECL	Total
	Stage 1	Credit Impaired	Credit Impaired	
	30-09-2019	Stage 2	Stage 3	
RM'000	30-09-2019	30-09-2019		
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial period	1,168	40	17,515	18,723
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	-	-	-
Total transfer between stages	-	-	-	-
Derecognised during the financial year				
(other than write-offs)	(143)	-	(7,073)	(7,216)
New originated or purchased	64	-	-	64
Changes in model/risk parameters	(27)	(2)	-	(29)
Changes due to change in credit risk	1,177	(1)	1,675	2,851
Write-offs	-	-	-	-
Other adjustments				
- Foreign exchange and other adjustments	-	-	-	-
At end of the financial period	2,239	37	12,117	14,393

	The Group and the Bank			
	12 months ECL	Lifetime ECL Not	Lifetime ECL	Total
	Stage 1	Credit Impaired	Credit Impaired	
	31-12-2018	Stage 2	Stage 3	
RM'000	31-12-2018	31-12-2018		
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	912	4,180	-	5,092
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(22)	22	-	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	(4,094)	4,094	-
Total transfer between stages	(22)	(4,072)	4,094	-
Derecognised during the financial year				
(other than write-offs)	(537)	-	-	(537)
New originated or purchased	761	-	-	761
Changes due to change in credit risk	54	(103)	13,421	13,372
Other adjustments				
- Foreign exchange and other adjustments	-	35	-	35
At end of the financial year	1,168	40	17,515	18,723

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11. Securities portfolio (continued)

(ii) Financial assets at fair value through other comprehensive income ("FVOCI") (continued)

(d) Movements in the gross carrying amount of financial investments that contributed to changes in the expected credit losses are as follows:

	The Group and the Bank			Total	
	12 months ECL	Lifetime ECL Not	Lifetime ECL		
	Stage 1	Credit Impaired	Credit Impaired		
	30-09-2019	Stage 2	Stage 3		
	RM'000	RM'000	RM'000	30-09-2019	RM'000
At beginning of the financial period	4,775,167	73,595	26,540	4,875,302	
Transfer between stages due to change in credit risk:					
- Transfer to 12-months ECL (Stage 1)	-	-	-	-	
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	-	-	-	
Total transfer between stages	-	-	-	-	
Derecognised during the financial period (other than write-offs)	(4,562,903)	(15,388)	(15,056)	(4,593,347)	
New originated or purchased	4,373,698	-	-	4,373,698	
Changes due to change in credit risk	(347,505)	(857)	(5,990)	(354,352)	
Other adjustments					
- Foreign exchange and other adjustments	180	-	(996)	(816)	
At end of the financial period	4,238,637	57,350	4,498	4,300,485	

	The Group and the Bank			Total	
	12 months ECL	Lifetime ECL Not	Lifetime ECL		
	Stage 1	Credit Impaired	Credit Impaired		
	31-12-2018	Stage 2	Stage 3		
	RM'000	RM'000	RM'000	31-12-2018	RM'000
At beginning of the financial year	4,383,487	103,914	-	4,487,401	
Transfer between stages due to change in credit risk:					
- Transfer to 12-months ECL (Stage 1)	10,062	(10,062)	-	-	
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(10,972)	10,972	-	-	
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	(31,787)	31,787	-	
Total transfer between stages	(910)	(30,877)	31,787	-	
Derecognised during the financial year (other than write-offs)	(1,475,254)	-	-	(1,475,254)	
New originated or purchased	1,956,117	-	-	1,956,117	
Changes due to change in credit risk	(88,841)	255	(5,228)	(93,814)	
Other adjustments					
- Foreign exchange and other adjustments	568	303	(19)	852	
At end of the financial year	4,775,167	73,595	26,540	4,875,302	

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11. Securities portfolio (continued)

(iii) Financial investments at amortised cost

	The Group and the Bank	
	30-09-2019	31-12-2018
	RM'000	RM'000
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia	41,084	40,497
Redeemable Secured Loan Stocks	15,000	15,000
	<u>56,084</u>	<u>55,497</u>
Expected credit loss ("ECL")	(10,942)	(7,116)
	<u>45,142</u>	<u>48,381</u>

(a) Movements in allowance for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

	The Group and the Bank			
	12 months ECL	Lifetime ECL Not	Lifetime ECL	Total
	Stage 1	Credit Impaired	Credit Impaired	
	30-09-2019	30-09-2019	30-09-2019	
RM'000	RM'000	RM'000		
At beginning of the financial period	166	-	6,950	7,116
Changes due to change in credit risk	(9)	-	3,830	3,821
Changes in model/risk parameters	5	-	-	5
At end of the financial period	<u>162</u>	<u>-</u>	<u>10,780</u>	<u>10,942</u>

	The Group and the Bank			
	12 months ECL	Lifetime ECL Not	Lifetime ECL	Total
	Stage 1	Credit Impaired	Credit Impaired	
	31-12-2018	31-12-2018	31-12-2018	
RM'000	RM'000	RM'000		
At beginning of the financial year	235	-	6,950	7,185
Derecognised during the financial year (other than write-offs)	(487)	-	-	(487)
New originated or purchased	487	-	-	487
Changes due to change in credit risk	(69)	-	-	(69)
At end of the financial year	<u>166</u>	<u>-</u>	<u>6,950</u>	<u>7,116</u>

(b) Movements in the gross carrying amount of financial investments that contributed to changes in the expected credit losses:

	The Group and the Bank			
	12 months ECL	Lifetime ECL Not	Lifetime ECL	Total
	Stage 1	Credit Impaired	Credit Impaired	
	30-09-2019	30-09-2019	30-09-2019	
RM'000	RM'000	RM'000		
At beginning of the financial period	40,497	-	15,000	55,497
Changes due to change in credit risk	587	-	-	587
At end of the financial period	<u>41,084</u>	<u>-</u>	<u>15,000</u>	<u>56,084</u>

	The Group and the Bank			
	12 months ECL	Lifetime ECL Not	Lifetime ECL	Total
	Stage 1	Credit Impaired	Credit Impaired	
	31-12-2018	31-12-2018	31-12-2018	
RM'000	RM'000	RM'000		
At beginning of the financial year	40,513	-	15,041	55,554
Derecognised during the financial year (other than write-offs)	(200,034)	-	-	(200,034)
New originated or purchased	200,018	-	-	200,018
Changes due to change in credit risk	-	-	(41)	(41)
At end of the financial year	<u>40,497</u>	<u>-</u>	<u>15,000</u>	<u>55,497</u>

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12. Loans, advances and financing

(i) By Type of Loan/Financing

	The Group and the Bank	
	30-09-2019	31-12-2018
	RM'000	RM'000
Term loans/financing		
- Syndicated term loan/financing	156,680	229,444
- Other term loans/financing	397,876	643,887
Share margin financing	434,660	336,644
Revolving credits	97,771	70,396
Staff loans	5,734	5,494
Gross loans, advances and financing	<u>1,092,721</u>	<u>1,285,865</u>
Less :		
Allowances for impaired loans, advances and financing		
- Expected credit loss ("ECL")	(9,463)	(9,861)
Total net loans, advances and financing	<u>1,083,258</u>	<u>1,276,004</u>

(ii) By Type of Customers

Domestic business enterprises		
- Small medium enterprises	183,369	95,176
- Others	682,509	938,743
Domestic non-bank financial institutions	28,296	57,362
Individuals	197,866	194,047
Foreign individuals	681	537
Total gross loans, advances and financing	<u>1,092,721</u>	<u>1,285,865</u>

(iii) By Interest/Profit Rate Sensitivity

Fixed rate		
- Share margin financing	434,660	336,644
- Other fixed rate loans/financing	36,573	36,585
- Housing loans/financing	3,262	2,628
- Hire purchase receivables	2,443	2,826
Variable rate		
- Cost-plus	560,308	849,595
- BLR plus	21,098	21,125
- Other floating rate	34,377	36,462
Total gross loans, advances and financing	<u>1,092,721</u>	<u>1,285,865</u>

(iv) By Economic Purpose

Purchase of securities	551,812	526,705
Working capital	159,337	221,038
Purchase of transport vehicles	39,401	41,870
Construction	64,429	53,922
Purchase of landed properties (non-residential)	59,764	63,124
Purchase of landed properties (residential)	3,262	2,628
Personal use	29	40
Others	214,687	376,538
Total gross loans, advances and financing	<u>1,092,721</u>	<u>1,285,865</u>

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12. Loans, advances and financing (continued)

(v) By Sector

	The Group and the Bank	
	30-09-2019 RM'000	31-12-2018 RM'000
Real estate	175,707	228,074
Household	198,547	194,582
Manufacturing	139,317	309,533
Finance, insurance and business services	124,297	131,121
Transport, storage and communication	98,371	106,142
Construction	119,881	109,137
Wholesale retail trade and restaurant and hotels	65,813	86,816
Agriculture	53,524	50,748
Electricity, gas and water	-	19,747
Education, health & others	21,098	21,125
Mining and quarrying	5,590	5,591
Others	90,576	23,249
Total gross loans, advances and financing	<u>1,092,721</u>	<u>1,285,865</u>

(vi) By Geographical Distribution

Wilayah Persekutuan	462,073	465,868
Selangor	337,077	393,240
Johor	130,295	243,482
Sabah	48,495	50,499
Sarawak	41,169	41,971
Terengganu	31,662	19,747
Perak	24,676	50,935
Pulau Pinang	13,063	16,740
Negeri Sembilan	2,874	2,411
Kedah	1,337	972
Total gross loans, advances and financing	<u>1,092,721</u>	<u>1,285,865</u>

(vii) By Maturity Structure

Maturing within one year	726,522	684,962
One year to three years	135,370	352,430
Three years to five years	133,919	114,472
Over five years	96,910	134,001
Total gross loans, advances and financing	<u>1,092,721</u>	<u>1,285,865</u>

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12. Loans, advances and financing (continued)

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

	The Group and the Bank			Total 30-09-2019 RM'000
	12 months ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	
	Stage 1	Stage 2	Stage 3	
	30-09-2019 RM'000	30-09-2019 RM'000	30-09-2019 RM'000	
At beginning of financial period	4,065	223	5,573	9,861
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(229)	229	-	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	(44)	(174)	218	-
Total transfer between stages	(273)	55	218	-
Loans/Financing derecognised during the period (other than write-offs)	(315)	-	-	(315)
New loans/financing originated or purchased	90	-	-	90
Changes due to change in credit risk	(1,071)	(201)	1,092	(180)
Changes in model/risk parameters	90	3	-	93
Write-offs	-	-	(94)	(94)
Other adjustments:				
- Foreign exchange and other adjustments	8	-	-	8
At end of financial period	2,594	80	6,789	9,463

	The Group and the Bank			Total 31-12-2018 RM'000
	12 months ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	
	Stage 1	Stage 2	Stage 3	
	31-12-2018 RM'000	31-12-2018 RM'000	31-12-2018 RM'000	
At beginning of the financial year	5,756	775	10	6,541
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(758)	758	-	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	-	(4,219)	4,219	-
Total transfer between stages	(758)	(3,461)	4,219	-
Loans/Financing derecognised during the financial year (other than write-offs)	(1,889)	(438)	-	(2,327)
New loans/financing originated or purchased	2,168	-	-	2,168
Changes due to change in credit risk	(1,229)	3,347	1,344	3,462
Other adjustments:				
- Foreign exchange and other adjustments	17	-	-	17
At end of the financial year	4,065	223	5,573	9,861

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12. Loans, advances and financing (continued)

(x) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses

	The Group and the Bank			Total 30-09-2019 RM'000
	12 months ECL	Lifetime ECL Not	Lifetime ECL	
	Stage 1	Credit Impaired	Credit Impaired	
	30-09-2019	Stage 2	Stage 3	
	RM'000	30-09-2019	30-09-2019	RM'000
At beginning of financial period	1,191,473	13,541	80,851	1,285,865
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(133,686)	133,686	-	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	(8,265)	(13,130)	21,395	-
Total transfer between stages	(141,951)	120,556	21,395	-
Loans/Financing derecognised during the financial year (other than write-offs)	(124,628)	(182)	(2,228)	(127,038)
New loans/financing originated or purchased	241,611	-	-	241,611
Changes due to change in credit risk	(251,400)	(53,819)	(2,824)	(308,043)
Write-offs	-	-	(94)	(94)
Other adjustments				
- Foreign exchange and other adjustments	420	-	-	420
At end of financial period	915,525	80,096	97,100	1,092,721

	The Group and the Bank			Total 31-12-2018 RM'000
	12 months ECL	Lifetime ECL Not	Lifetime ECL	
	Stage 1	Credit Impaired	Credit Impaired	
	31-12-2018	Stage 2	Stage 3	
	RM'000	31-12-2018	31-12-2018	RM'000
At beginning of the financial year	1,075,087	29,773	65,910	1,170,770
Transfer between stages due to change in credit risk:				
- Transfer to 12-months ECL (Stage 1)	185	(185)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(29,784)	29,784	-	-
- Transfer to Lifetime ECL credit impaired provision (Stage 3)	(2)	(23,731)	23,733	-
Total transfer between stages	(29,601)	5,868	23,733	-
Loans/Financing derecognised during the financial year (other than write-offs)	(308,826)	(12,679)	(5,572)	(327,077)
New loans/financing originated or purchased	810,372	-	-	810,372
Changes due to change in credit risk	(356,352)	(9,421)	(3,220)	(368,993)
Other adjustments				
- Foreign exchange and other adjustments	793	-	-	793
At end of the financial year	1,191,473	13,541	80,851	1,285,865

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12. Loans, advances and financing (continued)

(xi) Movement of impaired loans, advances and financing

	The Group and the Bank	
	30-09-2019	31-12-2018
	RM'000	RM'000
At beginning of the financial period	80,851	65,910
Classified as impaired during the financial period	32,734	23,708
Reclassified as non-impaired during the financial period	(11,810)	-
Amount written-off	(95)	-
Amount recovered	(4,580)	(8,767)
At end of the financial period	<u>97,100</u>	<u>80,851</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>8.89%</u>	<u>6.29%</u>

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

Working capital	67,428	36,545
Construction	21,098	21,125
Purchase of landed properties (non-residential)	-	13,010
Other purpose	5,992	7,586
Purchase of transport vehicles	2,582	2,583
Personal use	-	1
Purchase of securities	-	1
Total impaired loans, advances and financing	<u>97,100</u>	<u>80,851</u>

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

Construction	36,545	36,545
Education, health and others	21,098	21,125
Manufacturing	20,025	-
Finance, insurance and business services	-	13,010
Transport, storage and communication	10,858	-
Real estate	5,992	7,492
Mining and quarrying	2,581	2,581
Wholesale retail trade and restaurant and hotels	-	94
Household	1	4
Total impaired loans, advances and financing	<u>97,100</u>	<u>80,851</u>

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

Sarawak	36,545	36,545
Perak	21,097	21,125
Selangor	36,877	7,589
Wilayah Persekutuan	2,581	15,592
Total impaired loans, advances and financing	<u>97,100</u>	<u>80,851</u>

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13. Trade receivables

	The Group		The Bank	
	30-09-2019 RM'000	31-12-2018 RM'000	30-09-2019 RM'000	31-12-2018 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	210,915	88,908	-	-
Amount due from clients:				
- performing accounts	167,149	179,766	167,149	179,766
- impaired accounts (a)	363	424	363	424
Amount due from brokers	72,873	59,657	72,873	59,657
Amount due from Bursa Securities Clearing Sdn. Bhd.	6,975	40,142	6,975	40,142
	<u>458,275</u>	<u>368,897</u>	<u>247,360</u>	<u>279,989</u>
Less: Expected credit loss ("ECL") (b)	(416)	(468)	(391)	(452)
	<u>457,859</u>	<u>368,429</u>	<u>246,969</u>	<u>279,537</u>

(a) Movement of impaired amount due from clients

	The Group and the Bank	
	30-09-2019 RM'000	31-12-2018 RM'000
At beginning of the financial period/year	424	1,366
Reclassified to other assets	-	(583)
Addition during the period/year	402	295
Amount recovered	(463)	(654)
At end of the financial period/year	<u>363</u>	<u>424</u>

(b) Movements in allowances for impairment on trade receivables

	The Group		
	Lifetime ECL Not Credit Impaired 30-09-2019 RM'000	Lifetime ECL Credit Impaired 30-09-2019 RM'000	Total 30-09-2019 RM'000
At beginning of financial period	54	414	468
Allowance made	69	402	471
Amount written back	(68)	(455)	(523)
At end of financial period	<u>55</u>	<u>361</u>	<u>416</u>

	The Bank		
	Lifetime ECL Not Credit Impaired 30-09-2019 RM'000	Lifetime ECL Credit Impaired 30-09-2019 RM'000	Total 30-09-2019 RM'000
At beginning of financial period	38	414	452
Allowance made	60	402	462
Amount written back	(68)	(455)	(523)
At end of financial period	<u>30</u>	<u>361</u>	<u>391</u>

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13. Trade receivables (continued)

(b) Movements in allowances for impairment on trade receivables (continued)

	Lifetime ECL Not Credit Impaired 31-12-2018 RM'000	The Group Lifetime ECL Credit Impaired 31-12-2018 RM'000	Total 31-12-2018 RM'000
At beginning of the financial year	105	1,029	1,134
Reclassified to other assets	-	(420)	(420)
Allowance made	154	212	366
Amount written back	(205)	(407)	(612)
At end of the financial year	<u>54</u>	<u>414</u>	<u>468</u>

	Lifetime ECL Not Credit Impaired 31-12-2018 RM'000	The Bank Lifetime ECL Credit Impaired 31-12-2018 RM'000	Total 31-12-2018 RM'000
At beginning of the financial year	83	1,029	1,112
Reclassified to other assets	-	(420)	(420)
Allowance made	152	212	364
Amount written back	(197)	(407)	(604)
At end of the financial year	<u>38</u>	<u>414</u>	<u>452</u>

14. Other assets

	The Group		The Bank	
	30-09-2019 RM'000	31-12-2018 RM'000	30-09-2019 RM'000	31-12-2018 RM'000
Other debtors, deposits and prepayments	68,033	32,207	62,118	27,338
Collateral pledged for derivative transactions	4,650	1,298	4,650	1,298
Clearing Guarantee Fund	2,018	2,159	2,018	2,159
Clearing Fund	1,000	1,000	1,000	1,000
Transferable membership	350	200	250	100
Less : Expected credit loss ("ECL") (a)	(2,404)	(1,669)	(2,403)	(1,668)
	<u>73,647</u>	<u>35,195</u>	<u>67,633</u>	<u>30,227</u>

	The Group and the Bank	
	30-09-2019 RM'000	31-12-2018 RM'000
Movement in credit impaired accounts		
At beginning of the financial period/year	1,661	712
Reclassified from trade receivables	-	583
Classified as impaired during the financial period/year	1,428	1,053
Amount recovered	(398)	(687)
Amount written off	(265)	-
At end of the financial period/year	<u>2,426</u>	<u>1,661</u>

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14. Other assets (continued)

(a) Movements in allowances for impairment on other assets

	Lifetime ECL Not Credit Impaired 30-09-2019 RM'000	The Group Lifetime ECL Credit Impaired 30-09-2019 RM'000	Total 30-09-2019 RM'000
At beginning of financial period	11	1,658	1,669
Allowance made	31	1,349	1,380
Amount written back	(38)	(342)	(380)
Write-off	-	(265)	(265)
At end of financial period	<u>4</u>	<u>2,400</u>	<u>2,404</u>

	Lifetime ECL Not Credit Impaired 30-09-2019 RM'000	The Bank Lifetime ECL Credit Impaired 30-09-2019 RM'000	Total 30-09-2019 RM'000
At beginning of financial period	10	1,658	1,668
Allowance made	31	1,349	1,380
Amount written back	(38)	(342)	(380)
Write-off	-	(265)	(265)
At end of financial period	<u>3</u>	<u>2,400</u>	<u>2,403</u>

	Lifetime ECL Not Credit Impaired 31-12-2018 RM'000	The Group Lifetime ECL Credit Impaired 31-12-2018 RM'000	Total 31-12-2018 RM'000
At beginning of the financial year	13	712	725
Reclassified from trade receivables	-	420	420
Allowance made	27	1,412	1,439
Amount written back	(29)	(886)	(915)
At end of the financial year	<u>11</u>	<u>1,658</u>	<u>1,669</u>

	Lifetime ECL Not Credit Impaired 31-12-2018 RM'000	The Bank Lifetime ECL Credit Impaired 31-12-2018 RM'000	Total 31-12-2018 RM'000
At beginning of the financial year	12	712	724
Reclassified from trade receivables	-	420	420
Allowance made	27	1,412	1,439
Amount written back	(29)	(886)	(915)
At end of the financial year	<u>10</u>	<u>1,658</u>	<u>1,668</u>

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15. Right-of-use assets

	The Group 30-09-2019 RM'000	The Bank 30-09-2019 RM'000
Cost		
At beginning of the financial period	13,096	8,403
Additions	15,826	328
Termination of contracts	(141)	-
Write-off	-	-
At end of the financial period	<u>28,781</u>	<u>8,731</u>
Less: Accumulated Amortisation		
At beginning of the financial period	-	-
Charge for the financial period	6,905	4,134
Termination of contracts	(36)	-
Write-off	-	-
At end of the financial period	<u>6,869</u>	<u>4,134</u>
NBV of Right-Of-Use assets at end of the financial period	<u>21,912</u>	<u>4,597</u>

16. Deposit from customers

	The Group and the Bank 30-09-2019 RM'000	31-12-2018 RM'000
(i) By type of deposits		
Fixed deposits	3,983,229	4,025,083
Negotiable instruments of deposits	1,018,623	1,009,563
Other deposits	63,161	97,006
	<u>5,065,013</u>	<u>5,131,652</u>
(ii) By maturity structure		
Due within six months	3,536,189	3,861,340
Six months to one year	813,096	544,123
More than one year	715,728	726,189
	<u>5,065,013</u>	<u>5,131,652</u>
(iii) By type of customer		
Domestic non-banking financial institutions	2,672,253	2,679,465
Business enterprises	885,498	1,028,397
Domestic banking institutions	1,017,705	1,009,373
Government and statutory bodies	401,804	314,584
Individuals	37,503	42,785
Foreign entities	37,497	16,850
Others	12,753	40,198
	<u>5,065,013</u>	<u>5,131,652</u>

17. Deposit and placements of banks and other financial institution

	The Group and the Bank 30-09-2019 RM'000	31-12-2018 RM'000
Licensed banks	-	271,515
Licensed investment banks	-	153,398
	<u>-</u>	<u>424,913</u>

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18. Obligations on securities sold under repurchase agreements

	The Group and the Bank	
	30-09-2019	31-12-2018
	RM'000	RM'000
Financial investments at FVOCI	-	142,477

19. Trade payables

	The Group		The Bank	
	30-09-2019	31-12-2018	30-09-2019	31-12-2018
	RM'000	RM'000	RM'000	RM'000
Amount due to clients	123,901	151,463	123,901	151,463
Amount due to brokers	121,033	141,482	121,033	141,482
Amount due to unit trust funds	117,674	260,864	-	-
Amount due to unit holders	258,586	47,089	-	-
	<u>621,194</u>	<u>600,898</u>	<u>244,934</u>	<u>292,945</u>

20. Lease Liabilities

	The Group	The Bank
	30-09-2019	30-09-2019
	RM'000	RM'000
At beginning of the financial period, on adoption of MFRS 16	13,096	8,403
Additions	15,826	328
Termination of contracts	(105)	-
Interest expense	514	193
Lease payment	(7,215)	(4,261)
At end of the financial period	<u>22,116</u>	<u>4,663</u>

21. Other liabilities

	The Group		The Bank	
	30-09-2019	31-12-2018	30-09-2019	31-12-2018
	RM'000	RM'000	RM'000	RM'000
Commissioned dealer's representative trust balances	46,793	48,537	46,793	48,537
Amount payable to dealer's representative	35,255	37,874	35,255	37,874
Accrued employee benefit	62,820	67,703	32,614	30,543
Securities borrowing and lending	223,775	127,194	223,775	127,194
Other liabilities	106,141	92,249	67,494	54,469
ESOS liabilities	-	8,028	-	-
Puttable liabilities	34,328	34,328	-	-
Add: Expected credit loss -loan commitments and financial guarantee (a)	7	34	7	34
	<u>509,119</u>	<u>415,947</u>	<u>405,938</u>	<u>298,651</u>

(a) Movement in expected credit losses ("ECL")

	The Group and the Bank	
	30-09-2019	31-12-2018
	RM'000	RM'000
At beginning of the financial period	34	596
Changes due to change in credit risk	(68)	(1,797)
New loan commitments/financial guarantees issued	40	1,235
Changes in model/risk parameters	1	-
At end of the financial period	<u>7</u>	<u>34</u>

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22. Reserves

	The Group		The Bank	
	30-09-2019	31-12-2018	30-09-2019	31-12-2018
	RM'000	RM'000	RM'000	RM'000
FVOCI revaluation reserves (a)	83,470	3,968	83,415	3,913
Regulatory reserves (b)	23,971	28,357	23,971	28,357
Stock option reserves (c)	-	8,328	-	-
Foreign exchange reserve	593	593	-	-
	108,034	41,246	107,386	32,270
Retained profits	501,983	450,591	460,071	431,864
	610,017	491,837	567,457	464,134

- (a) The FVOCI revaluation reserves represent the unrealised gains or losses arising from a change in the fair value of investments classified as financial investments at FVOCI, as well as the expected credit loss allowance for financial investments FVOCI. The gains or losses are transferred to the income statement upon disposal or when the securities becomes impaired.
- (b) Pursuant to BNM letter dated 1 November 2017, effective from 1 January 2018, the Bank shall maintain, in aggregate, Stage 1 and Stage 2 provisions and regulatory reserves of no less than 1% of all credit exposures (on and off balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from Malaysian Government), net of Stage 3 provision.
- (c) The stock option reserves in the previous financial year represented the fair value of the options of a subsidiary's employee stock option incentive scheme. On March 2019, the options holders have fully exercised the employee stock option incentive scheme.

23. Interest 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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	17,403	21,515	54,726	60,759
Money at call and deposit placements with financial institutions	4,390	2,731	14,043	10,251
Financial investments at amortised cost	688	654	1,946	1,951
Financial investments at FVOCI	49,617	52,915	153,610	153,302
Others	640	124	1,269	399
	72,738	77,939	225,594	226,662
Net accretion of discounts less amortisation of premiums	(2,560)	(1,140)	(5,832)	(3,343)
	70,178	76,799	219,762	223,319
of which:				
Interest income earned on impaired loans, advances and financing	1,432	951	3,588	2,730

	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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	17,396	21,506	54,703	60,735
Money at call and deposit placements with financial institutions	3,875	2,140	12,539	8,764
Financial investments at amortised cost	688	654	1,946	1,951
Financial investments at FVOCI	49,617	52,915	153,610	153,302
Others	640	124	1,269	399
	72,216	77,339	224,067	225,151
Net accretion of discounts less amortisation of premiums	(2,560)	(1,140)	(5,832)	(3,343)
	69,656	76,199	218,235	221,808
of which:				
Interest income earned on impaired loans, advances and financing	1,432	951	3,588	2,730

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24. Interest expense

	The Group			
	Current Financial Period ended 30-09-2019 RM'000	Preceding Year Corresponding Period ended 30-09-2018 RM'000	Current Financial Period-to-date 30-09-2019 RM'000	Preceding Year Corresponding Period-to-date 30-09-2018 RM'000
Deposits from customers	52,167	53,176	164,913	155,356
Deposits and placements of banks and other financial institutions	483	4,123	4,136	7,817
Obligations on securities sold under repurchase agreements	1	56	791	1,084
Interest expense on lease liability	276	-	514	-
Foreign currency borrowings	15	585	303	1,558
Others	1,179	657	2,778	1,367
	54,121	58,597	173,435	167,182

	The Bank			
	Current Financial Period ended 30-09-2019 RM'000	Preceding Year Corresponding Period ended 30-09-2018 RM'000	Current Financial Period-to-date 30-09-2019 RM'000	Preceding Year Corresponding Period-to-date 30-09-2018 RM'000
Deposits from customers	52,167	53,176	164,913	155,356
Deposits and placements of banks and other financial institutions	483	4,123	4,136	7,817
Obligations on securities sold under repurchase agreements	1	56	791	1,084
Interest expense on lease liability	53	-	193	-
Foreign currency borrowings	15	585	303	1,558
Others	1,179	657	2,778	1,367
	53,898	58,597	173,114	167,182

25. Net fee and commission income

	The Group			
	Individual Quarter Current Financial Period ended 30-09-2019 RM'000	Preceding Year Corresponding Period ended 30-09-2018 RM'000	Cumulative Quarter Current Financial Period-to-date 30-09-2019 RM'000	Preceding Year Corresponding Period-to-date 30-09-2018 RM'000
(a) Fee and commission income				
Unit trust management and incentive fee	75,345	75,870	219,421	227,509
Initial service charge	30,457	24,639	63,625	86,338
Net brokerage income	14,191	16,541	42,592	54,119
Corporate advisory fees	2,314	2,277	8,202	9,993
Guarantee fees	415	150	2,932	711
Underwriting commissions and placement fees	1,526	482	3,643	2,844
Fees on loans, advances and financing	874	1,781	2,789	5,325
Arrangement fees	623	139	1,693	1,564
Agency fees	697	503	1,742	2,548
Private placement Fee	-	100	477	3,011
Others	1,062	2,067	2,226	4,656
	127,504	124,549	349,342	398,618
(b) Fee and commission expense				
Commission and referral expenses	(44,602)	(36,594)	(107,961)	(130,861)
Net fee and commission income	82,902	87,955	241,381	267,757

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25. Net fee and commission 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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income				
Net brokerage income	14,191	16,541	42,592	54,119
Corporate advisory fees	1,877	2,118	7,405	9,577
Guarantee fees	415	150	2,932	711
Fees on loans, advances and financing	874	1,781	2,789	5,325
Arrangement fees	623	139	1,693	1,564
Agency fees	697	503	1,742	2,548
Underwriting commissions and placement fees	-	-	554	1,116
Private placement Fee	-	100	477	3,011
Others	849	1,774	1,471	3,924
	<u>19,526</u>	<u>23,106</u>	<u>61,655</u>	<u>81,895</u>
(b) Fee and commission expense				
Commission and referral expenses	-	-	-	-
Net fee and commission income	<u>19,526</u>	<u>23,106</u>	<u>61,655</u>	<u>81,895</u>

26. 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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	RM'000	RM'000	RM'000	RM'000
Gains/(losses) arising on financial assets at FVTPL				
- net gain on disposal	13,368	10,861	42,520	44,383
- unrealised gain/(loss)	2,443	(1,224)	2,760	(3,329)
- gross dividend income	2,082	1,190	5,186	3,407
- interest income	4,853	5,300	14,277	15,169
Gains/(losses) on derivative instruments				
- net loss on disposal	-	-	-	(54)
- unrealised gain/(loss)	(765)	85	(713)	824
- interest income	1,219	397	2,336	1,499
- interest expense	(1,111)	(495)	(2,071)	(1,454)
Gains arising on financial investments at FVOCI				
- net gain on disposal	19,895	4,652	58,567	5,752
- gross dividend income	105	1,366	2,354	3,308
	<u>42,089</u>	<u>22,132</u>	<u>125,216</u>	<u>69,505</u>

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26. Net gain and losses on financial instruments (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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	RM'000	RM'000	RM'000	RM'000
Gains/(losses) arising on financial assets at FVTPL				
- net gain on disposal	12,856	10,824	41,908	44,672
- unrealised gain/(loss)	2,812	(166)	(843)	(1,355)
- gross dividend income	1,406	926	3,892	2,258
- interest income	4,853	5,300	14,277	15,169
Gains/(losses) on derivative instruments				
- net loss on disposal	-	-	-	(54)
- unrealised gain/(loss)	(765)	85	(713)	824
- interest income	1,219	397	2,336	1,499
- interest expense	(1,111)	(495)	(2,071)	(1,454)
Gains arising on financial investments at FVOCI				
- net gain on disposal	19,895	4,652	58,567	5,752
- gross dividend income	105	1,366	2,354	3,308
	<u>41,270</u>	<u>22,889</u>	<u>119,707</u>	<u>70,619</u>

27. 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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)				
- realised	(2,503)	6,099	1,823	13,400
- unrealised	4,054	(2,455)	5,205	(5,068)
Gain on disposal of property and equipment	88	9	202	130
Other non-operating income	631	(89)	1,211	416
	<u>2,270</u>	<u>3,564</u>	<u>8,441</u>	<u>8,878</u>

	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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)				
- realised	(2,320)	5,112	3,038	17,794
- unrealised	3,482	(2,998)	3,712	(9,740)
Gain on disposal of property and equipment	-	9	49	113
Gross dividend income from subsidiaries	-	14,000	31,500	35,000
Other non-operating income	586	(184)	1,180	598
	<u>1,748</u>	<u>15,939</u>	<u>39,479</u>	<u>43,765</u>

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28. Other operating expenses

	The Group			
	Individual Quarter Current Financial Period ended 30-09-2019 RM'000	Preceding Year Corresponding Period ended 30-09-2018 RM'000	Cumulative Quarter Current Financial Period-to-date 30-09-2019 RM'000	Preceding Year Corresponding Period-to-date 30-09-2018 RM'000
Personnel costs				
Salaries, allowances and bonuses	47,260	47,258	149,409	147,719
Contributions to defined contribution plan	8,327	8,086	24,186	23,837
Other personnel costs	11,715	13,768	27,535	35,654
	<u>67,302</u>	<u>69,112</u>	<u>201,130</u>	<u>207,210</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	2,717	2,110	8,518	6,010
Travelling and accommodation	774	947	2,754	2,748
Entertainment	975	895	2,836	2,391
Others	344	334	1,017	1,611
Dealers' handling fees	3	300	603	900
Commission and brokerage expenses	148	123	447	481
	<u>4,961</u>	<u>4,709</u>	<u>16,175</u>	<u>14,141</u>
Establishment-related expenses				
Rental of premises	733	3,234	2,526	9,627
Depreciation of property and equipment	2,408	2,249	7,114	6,790
Depreciation –ROU assets	2,275	-	6,905	-
Repair and maintenance	2,573	1,817	7,784	5,320
Electricity, water and sewerage	626	588	1,872	1,848
Amortisation of intangible assets	654	613	1,915	1,784
Insurance and indemnities	203	170	769	659
Equipment rental	121	(125)	331	618
Others	46	52	143	146
	<u>9,639</u>	<u>8,598</u>	<u>29,359</u>	<u>26,792</u>
General administrative expenses				
Telecommunication expenses	2,572	2,544	7,510	7,227
Subscription	3,080	2,811	8,833	7,424
Professional fees	1,771	1,224	4,854	3,562
Directors' remuneration	851	754	1,797	1,978
Auditors' remuneration	287	309	712	670
Property, plant and equipment written off	2	9	6	22
Others	1,295	1,645	3,346	4,903
	<u>9,858</u>	<u>8,825</u>	<u>27,058</u>	<u>25,786</u>
Total other operating expenses	<u><u>91,760</u></u>	<u><u>91,244</u></u>	<u><u>273,722</u></u>	<u><u>273,929</u></u>

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28. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended 30-09-2019 RM'000	Preceding Year Corresponding Period ended 30-09-2018 RM'000	Current Financial Period-to-date 30-09-2019 RM'000	Preceding Year Corresponding Period-to-date 30-09-2018 RM'000
Personnel costs				
Salaries, allowances and bonuses	29,515	29,417	95,898	96,536
Contributions to defined contribution plan	4,165	3,953	12,889	12,038
Other personnel costs	4,020	3,329	10,894	8,458
	<u>37,700</u>	<u>36,699</u>	<u>119,681</u>	<u>117,032</u>
Promotion and marketing-related expenses				
Business promotion and advertisement	301	536	1,765	2,117
Travelling and accommodation	265	339	1,081	1,143
Dealers' handling fees	3	300	603	900
Commission and brokerage expenses	146	106	442	460
Entertainment	107	162	518	431
	<u>822</u>	<u>1,443</u>	<u>4,409</u>	<u>5,051</u>
Establishment-related expenses				
Rental of premises	638	2,287	2,237	6,802
Depreciation of property and equipment	1,469	1,444	4,368	4,428
Depreciation –ROU assets	1,397	-	4,134	-
Repair and maintenance	1,180	861	4,059	3,037
Electricity, water and sewerage	540	498	1,614	1,583
Amortisation of intangible assets	343	311	998	941
Insurance and indemnities	190	154	654	574
Equipment rental	19	21	10	67
Others	46	52	143	146
	<u>5,822</u>	<u>5,628</u>	<u>18,217</u>	<u>17,578</u>
General administrative expenses				
Telecommunication expenses	2,099	2,170	6,248	6,100
Subscription	1,759	1,580	5,348	5,098
Directors' remuneration (a)	370	318	1,244	1,496
Auditors' remuneration	126	126	378	378
Professional fees	477	186	1,507	362
Property, plant and equipment written off	-	6	4	19
Others	1,161	909	2,282	3,932
	<u>5,992</u>	<u>5,295</u>	<u>17,011</u>	<u>17,385</u>
Total other operating expenses	<u>50,336</u>	<u>49,065</u>	<u>159,318</u>	<u>157,046</u>

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29. (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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	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	(575)	760	356	(3,088)
- securities placements	(1,234)	(622)	504	(533)
- other assets	(277)	(36)	(1,000)	(430)
- loan and financing commitments and financial guarantee	5	419	27	458
Bad debts recovered	-	20	104	53
Bad debts written off	(1)	-	(8)	-
	<u>(2,082)</u>	<u>541</u>	<u>(17)</u>	<u>(3,540)</u>

	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
	30-09-2019	30-09-2018	30-09-2019	30-09-2018
	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	(574)	764	365	(3,091)
- securities placements	(1,234)	(615)	504	(525)
- other assets	(276)	(35)	(1,000)	(429)
- loan and financing commitments and financial guarantee	5	419	27	458
Bad debts recovered	-	20	104	53
Bad debts written off	(1)	-	(8)	-
	<u>(2,080)</u>	<u>553</u>	<u>(8)</u>	<u>(3,534)</u>

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Notes to the financial statement for the financial period ended 30 September 2019

30. Capital adequacy

	The Group		The Bank	
	30-09-2019 RM'000	31-12-2018 RM'000	30-09-2019 RM'000	31-12-2018 RM'000
Basel III				
Common Equity Tier (CET) 1 Capital :				
Share capital	999,800	999,800	999,800	999,800
Foreign exchange translation reserve	593	593	-	-
Retained profits	498,049	478,948	465,373	460,221
Unrealised gains on FVOCI instruments	83,470	3,968	83,415	3,913
	1,581,912	1,483,309	1,548,588	1,463,934
Less : Regulatory adjustment				
Goodwill and Intangible assets	(322,556)	(323,102)	(315,599)	(315,963)
Investment in subsidiaries /associates	-	-	(131,384)	(131,384)
Regulatory reserve	(23,971)	(28,357)	(23,971)	(28,357)
55% of unrealised gains on FVOCI instruments	(45,909)	(2,183)	(45,879)	(2,152)
Deferred tax assets	(5,408)	(26,597)	-	(14,506)
Total CET 1 capital	1,184,068	1,103,070	1,031,755	971,572
Additional Tier 1 Capital				
Qualifying non-controlling interests	22,820	19,783	-	-
Total CET 1 capital / Tier 1 capital (a)	1,206,888	1,122,853	1,031,755	971,572
Tier 2 capital				
Expected credit loss for financial assets	26,871	29,215	22,365	26,197
Total Tier 2 capital (b)	26,871	29,215	22,365	26,197
Total Capital (a) + (b)	1,233,759	1,152,068	1,054,120	997,769
Proposed dividends	-	-	-	-
Capital Ratio				
CET 1 capital ratio	35.019%	30.644%	41.290%	34.177%
Tier 1 capital ratio	35.694%	31.194%	41.290%	34.177%
Total capital ratio	36.488%	32.005%	42.185%	35.099%
CET 1 capital ratio (net of proposed dividends)	35.019%	30.644%	41.290%	34.177%
Tier 1 capital ratio (net of proposed dividends)	35.694%	31.194%	41.290%	34.177%
Total capital ratio (net of proposed dividends)	36.488%	32.005%	42.185%	35.099%
Breakdown of risk-weighted assets in the various categories of risk-weights:				
Credit risk	2,194,848	2,337,222	1,789,191	2,095,749
Market risk	265,573	383,926	244,939	289,550
Operational risk	920,817	878,448	464,675	457,468
Total Risk-Weighted Assets	3,381,238	3,599,596	2,498,805	2,842,767

With effect from 1 January 2018, the total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 2 February 2018.

The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ("CET 1") and Tier 1 Capital Ratio are 7.00% (2018: 6.38%) and 8.50% (2018: 7.88%) respectively for the current financial period. The minimum regulatory capital adequacy requirement at 10.50% (2018: 9.88%) for total capital ratio.

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31. Commitments and contingencies

	The Group and the Bank	
	30-09-2019	31-12-2018
	Principal amount	Principal amount
	RM'000	RM'000
Transaction related contingent Items	93,200	96,674
Obligations under underwriting agreements	-	27,000
Commitments to extend credit:		
- maturity not exceeding one year	11,571	24,133
- maturity exceeding one year	4,476	588
Interest rate related contracts:		
- less than one year	845,000	695,000
- one year to less than five years	2,480,000	1,810,000
- more than five years	30,000	30,000
Foreign exchange related contracts:		
- less than one year	3,905,760	2,920,701
- one year to less than five years	525,964	304,689
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		
	508,932	468,170
Total	8,404,903	6,376,955

32. 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 2019 are as follows:

(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	782,506
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	14.08%
(iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil

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

- (a) Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities
 (b) Level 2 - inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 (c) 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
30-09-2019				
Assets				
Financial assets at FVTPL				
- Money market instruments	-	117,522	-	117,522
- Corporate bonds or sukuk	-	35,517	-	35,517
- Shares, warrants, unit trusts and REITs	282,306	-	-	282,306
Financial investments at FVOCI				
- Money market instruments	-	1,162,443	-	1,162,443
- Corporate bonds or sukuk	-	3,188,220	-	3,188,220
- Shares and REITs	-	-	23,002	23,002
Derivative financial assets	-	50,213	-	50,213
	282,306	4,553,915	23,002	4,859,223
Liabilities				
Derivative financial liabilities	-	44,841	-	44,841
31-12-2018				
Assets				
Financial assets at FVTPL				
- Money market instruments	-	70,509	-	70,509
- Corporate bonds or sukuk	-	20,641	-	20,641
- Shares, warrants, unit trusts and REITs	141,674	-	-	141,674
Financial investments at FVOCI				
- Money market instruments	-	879,189	-	879,189
- Corporate bonds or sukuk	-	4,077,631	-	4,077,631
- Shares and REITs	59,532	-	21,821	81,353
Derivative financial assets	-	29,857	-	29,857
	201,206	5,077,827	21,821	5,300,854
Liabilities				
Derivative financial liabilities	-	28,107	-	28,107

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**Notes to the financial statement
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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
30-09-2019				
Assets				
Financial assets at FVTPL				
- Money market instruments	-	117,522	-	117,522
- Corporate bonds and/or sukuk	-	14,856	-	14,856
- Shares, warrants, unit trusts and REITs	225,161	-	-	225,161
Financial investments at FVOCI				
- Money market instruments	-	1,162,443	-	1,162,443
- Corporate bonds and/or sukuk	-	3,188,220	-	3,188,220
- Shares and REITs	-	-	23,002	23,002
Derivative financial assets	-	50,213	-	50,213
	<u>225,161</u>	<u>4,533,254</u>	<u>23,002</u>	<u>4,781,417</u>
Liabilities				
Derivative financial liabilities	-	44,624	-	44,624
	<u>-</u>	<u>44,624</u>	<u>-</u>	<u>44,624</u>
31-12-2018				
Assets				
Financial assets at FVTPL				
- Money market instruments	-	70,509	-	70,509
- Shares, warrants, unit trusts and REITs	110,856	-	-	110,856
Financial investments at FVOCI				
- Money market instruments	-	879,189	-	879,189
- Corporate bonds and/or sukuk	-	4,077,631	-	4,077,631
- Shares and REITs	59,532	-	21,821	81,353
Derivative financial assets	-	29,784	-	29,784
	<u>170,388</u>	<u>5,057,113</u>	<u>21,821</u>	<u>5,249,322</u>
Liabilities				
Derivative financial liabilities	-	28,107	-	28,107
	<u>-</u>	<u>28,107</u>	<u>-</u>	<u>28,107</u>

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33. 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	
	30-09-2019	31-12-2018
	RM'000	RM'000
Opening	21,821	20,611
FVOCI revaluation reserve	1,181	1,210
Closing	23,002	21,821

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 2018, 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.