

Unaudited Interim Financial Statements

Condensed consolidated statements of financial position
As at 30 September 2018

	Note	Group		Bank	
		30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Assets					
Cash and short-term funds	11	120,373	141,441	120,077	140,690
Financial assets at fair value through profit or loss	12	11	-	11	-
Securities available-for-sale	13	-	3,822,038	-	3,822,038
Financial investment instruments at fair value through other comprehensive income	13	1,263,663	-	1,263,663	-
Financial investment instruments at amortised cost	14	2,770,634	-	2,770,634	-
Loans, advances and financing	15	564,692	503,824	564,692	503,824
Derivative assets	16	27	78	27	78
Other assets	17	186,520	221,141	186,778	221,858
Statutory deposits with Bank Negara Malaysia		118,301	114,282	118,301	114,282
Investment in subsidiaries		-	-	*	*
Property, plant and equipment		888	724	888	724
Intangible assets		2,802	3,330	2,802	3,330
Deferred tax assets		3,124	10,036	3,124	10,036
Total assets		5,031,035	4,816,894	5,030,997	4,816,860
Liabilities					
Deposits from customers	18	2,596,978	1,937,469	2,596,978	1,937,469
Deposits and placements of bank and other financial institutions	19	1,463,476	1,881,642	1,463,476	1,881,642
Other liabilities	20	159,331	215,626	159,330	215,625
Provision for zakat		447	1,456	439	1,453
Total liabilities		4,220,232	4,036,193	4,220,223	4,036,189
Equity					
Share capital		369,111	369,111	369,111	369,111
Reserves		441,692	411,590	441,663	411,560
Total equity		810,803	780,701	810,774	780,671
Total liabilities and equity		5,031,035	4,816,894	5,030,997	4,816,860
Commitments and contingencies	29	403,361	548,014	403,361	548,014

* Denotes RM4

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

Consolidated statements of profit or loss
For the nine months ended 30 September 2018

Group	Note	Individual Quarter Ended		Cumulative 9 Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Operating revenue		63,786	59,913	187,065	175,307
Interest income	21	26,936	30,081	81,462	86,832
Interest expense	22	(20,843)	(25,592)	(62,779)	(71,517)
Net interest income		6,093	4,489	18,683	15,315
Net income from Islamic Banking operation	34	7,862	8,842	29,694	29,426
Non-interest income	23	12,380	7,705	25,954	24,566
		26,335	21,036	74,331	69,307
Operating expenses	24	(13,612)	(15,528)	(41,711)	(45,190)
Operating profit before allowances		12,723	5,508	32,620	24,117
Expected credit loss written back/(allowance) on:					
- loans, advances and financing	25	(1,313)	(2,530)	37	4,505
- financial instrument investments	26	(5,279)	(2,406)	(13,055)	(5,458)
- other assets	27	337	113	207	(457)
Profit before taxation and zakat		6,468	685	19,809	22,707
Taxation		(2,050)	(34)	(4,847)	(4,933)
Zakat		(81)	(144)	(439)	(516)
Profit for the period attributable to equity holder of the Bank		4,337	507	14,523	17,258
Earnings per ordinary share (sen)					
- Basic and diluted	28	2.80	0.33	9.37	11.13

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

Consolidated statements of comprehensive income
For the nine months ended 30 September 2018

Group	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit for the period attributable to equity holder of the Bank	4,337	507	14,523	17,258
Other comprehensive income/(loss):				
Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent period:				
Net (loss)/gain on financial investment instruments at fair value through other comprehensive income/ securities available-for-sale:				
- Transfer of gain to profit or loss upon disposal	(305)	(1,206)	(2,816)	(4,898)
- Fair value changes	6,337	1,777	(22)	25,118
Other comprehensive income/ (loss) for the period, net of tax	6,032	571	(2,838)	20,220
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement income/(loss) on defined benefit plans	-	-	112	(15)
Other comprehensive income/ (loss) for the period, net of tax	-	-	112	(15)
Total comprehensive income for the period attributable to equity holder of Bank	10,369	1,078	11,797	37,463

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

Consolidated statements of profit or loss
For the nine months ended 30 September 2018

Bank	Note	Individual Quarter Ended		Cumulative 9 Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Operating revenue		63,246	59,780	185,513	173,674
Interest income	21	26,936	30,081	81,462	86,832
Interest expense	22	(20,843)	(25,592)	(62,779)	(71,517)
Net interest income		6,093	4,489	18,683	15,315
Net income from Islamic Banking operation	34	7,862	8,842	29,694	29,426
Non-interest income	23	12,406	7,735	25,935	24,569
		26,361	21,066	74,312	69,310
Operating expenses	24	(13,610)	(15,524)	(41,705)	(45,184)
Operating profit before allowances		12,751	5,542	32,607	24,126
Expected credit loss written back/(allowance) on:					
- loans, advances and financing	25	(1,313)	(2,530)	37	4,505
- financial instrument investments	26	(5,279)	(2,406)	(13,055)	(5,458)
- other assets	27	337	113	207	(457)
Profit before taxation and zakat		6,496	719	19,796	22,716
Taxation		(2,046)	(32)	(4,833)	(4,925)
Zakat		(81)	(144)	(439)	(516)
Profit for the period attributable to equity holder of the Bank		4,369	543	14,524	17,275

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

Consolidated statements of comprehensive income
For the nine months ended 30 September 2018

Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit for the period attributable to equity holder of the Bank	4,369	543	14,524	17,275
Other comprehensive income/(loss):				
Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent period:				
Net (loss)/gain on financial investment instruments at fair value through other comprehensive income/ securities available-for-sale:				
- Transfer of gain to profit or loss upon disposal	(305)	(1,206)	(2,816)	(4,898)
- Fair value changes	6,337	1,777	(22)	25,118
Other comprehensive income/ (loss) for the period, net of tax	6,032	571	(2,838)	20,220
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement income/(loss) on defined benefit plans	-	-	112	(15)
Other comprehensive income/ (loss) for the period, net of tax	-	-	112	(15)
Total comprehensive income for the period attributable to equity holder of Bank	10,401	1,114	11,798	37,480

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

Consolidated statements of changes in equity
For the nine months ended 30 September 2018

Group	Non-distributable					Distributable			Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve# RM'000	Securities available- for-sale reserve^ RM'000	Fair value through other comprehensive income reserve^ RM'000	Retained profits RM'000		
At 1 January 2017	155,000	214,111	164,252	3,932	(42,535)	-	291,212	785,972	
Profit for the period	-	-	-	-	-	-	17,258	17,258	
Other comprehensive income for the period	-	-	-	-	20,220	-	(15)	20,205	
Total comprehensive income for the period	-	-	-	-	20,220	-	17,243	37,463	
Transactions with owner									
Transfer from regulatory reserve	-	-	-	(960)	-	-	960	-	
Transfer to retained earnings	-	-	(164,252)	-	-	-	164,252	-	
Dividends*	-	-	-	-	-	-	(50,000)	(50,000)	
At 30 September 2017	155,000	214,111	-	2,972	(22,315)	-	423,667	773,435	
At 1 January 2018	369,111	-	-	2,573	(18,576)	-	427,593	780,701	
Effects of MFRS 9 Financial Instruments adoption	-	-	-	19,055	18,576	681	(20,007)	18,305	
At 1 January 2018, restated	369,111	-	-	21,628	-	681	407,586	799,006	
Profit for the period	-	-	-	-	-	-	14,523	14,523	
Other comprehensive income for the period	-	-	-	-	-	(2,838)	112	(2,726)	
Total comprehensive income for the period	-	-	-	-	-	(2,838)	14,635	11,797	
Transactions with owner									
Transfer to regulatory reserve	-	-	-	160	-	-	(160)	-	
At 30 September 2018	369,111	-	-	21,788	-	(2,157)	422,061	810,803	

The regulatory reserve for FY 2018 is maintained in compliance with the revised Bank Negara Malaysia guidelines on Financial Reporting policy in which the Bank required to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total exposures, net of loss allowance for credit-impaired exposures.

^ The financial investment instruments at fair value through other comprehensive income/securities available-for-sale reserve arises from the change in the fair value of the underlying instruments and it is not distributable as cash dividends.

* Single tier interim dividend of RM0.32258 on 155,000,000 Ordinary Shares of RM1.00 each, paid on 28 April 2017.

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

Consolidated statements of changes in equity
For the nine months ended 30 September 2018 (cont'd.)

Bank	Non-distributable					Distributable			Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve# RM'000	Securities available- for-sale reserve^ RM'000	Fair value through other comprehensive income reserve^ RM'000	Retained profits RM'000		
At 1 January 2017	155,000	214,111	164,252	3,932	(42,535)	-	291,181	785,941	
Profit for the period	-	-	-	-	-	-	17,275	17,275	
Other comprehensive income for the period	-	-	-	-	20,220	-	(15)	20,205	
Total comprehensive income for the period	-	-	-	-	20,220	-	17,260	37,480	
Transactions with owner									
Transfer to regulatory reserve	-	-	-	(960)	-	-	960	-	
Transfer to share capital	-	-	(164,252)	-	-	-	164,252	-	
Dividends*	-	-	-	-	-	-	(50,000)	(50,000)	
At 30 September 2017	155,000	214,111	-	2,972	(22,315)	-	423,653	773,421	
At 1 January 2018	369,111	-	-	2,573	(18,576)	-	427,563	780,671	
Effects of MFRS 9 Financial Instruments adoption	-	-	-	19,055	18,576	681	(20,007)	18,305	
At 1 January 2018, restated	369,111	-	-	21,628	-	681	407,556	798,976	
Profit for the period	-	-	-	-	-	-	14,524	14,524	
Other comprehensive income for the period	-	-	-	-	-	(2,838)	112	(2,726)	
Total comprehensive income for the period	-	-	-	-	-	(2,838)	14,636	11,798	
Transactions with owner									
Transfer to regulatory reserve	-	-	-	160	-	-	(160)	-	
At 30 September 2018	369,111	-	-	21,788	-	(2,157)	422,032	810,774	

The regulatory reserve for FY 2018 is maintained in compliance with the revised Bank Negara Malaysia guidelines on Financial Reporting policy in which the Bank required to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total exposures, net of loss allowance for credit-impaired exposures.

^ The financial investment instruments at fair value through other comprehensive income/securities available-for-sale reserve arises from the change in the fair value of the underlying instruments and it is not distributable as cash dividends.

* Single tier interim dividend of RM0.32258 on 155,000,000 Ordinary Shares of RM1.00 each, paid on 28 April 2017.

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

Consolidated statements of cash flows
For the nine months ended 30 September 2018

	Note	Group		Bank	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit before taxation and zakat		19,809	22,707	19,796	22,716
Adjustments for non-cash items		(5,762)	(14,221)	(5,805)	(14,264)
Operating profit before changes in working capital		14,047	8,486	13,991	8,452
Changes in working capital:					
Net changes in operating assets		(237,564)	(442,249)	(237,091)	(443,669)
Net changes in operating liabilities		202,017	765,490	202,012	765,490
Net cash (used in)/generated from operating activities		(21,500)	331,727	(21,088)	330,273
Net cash generated from investing activities		432	123	475	166
Net cash used in financing activities - Dividends paid		-	(50,000)	-	(50,000)
Net change in cash and cash equivalents		(21,068)	281,850	(20,613)	280,439
Cash and cash equivalents at beginning of the period		141,441	34,233	140,690	34,175
Cash and cash equivalents at end of the period	11	120,373	316,083	120,077	314,614
Cash and cash equivalents comprise of:					
Cash and short-term funds		120,373	316,083	120,077	314,614

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134, Interim Financial Reporting ("MFRS 134"), IAS 34, Guidelines on Financial Reporting and Guidelines on Financial Reporting for Islamic Banking Institutions issued by Bank Negara Malaysia

1. Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34, Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") and Bank Negara Malaysia ("BNM") Guidelines. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2017.

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2017.

2. Significant accounting policies

The accounting policies applied by the Group and the Bank in these condensed interim financial statements are the same as those applied by the Group and the Bank in their financial statements for the year ended 31 December 2017.

2.1 Adoption of Amendments and Annual Improvements to Standards

The Group and the Bank have adopted the following Amendments and Annual Improvements to Standards, with a date of initial application of 1 January 2018.

Description

MFRS 15 *Revenue from Contracts with Customers*

MFRS 9 *Financial Instruments*

IC Int. 22 *Foreign Currency Transactions and Advance Consideration*

Unaudited Interim Financial Statements

2. Significant accounting policies (cont'd.)

2.1 Adoption of Amendments and Annual Improvements to Standards (cont'd.)

The above adoption did not result in any material impact to the financial statements of the Group and the Bank except as described below:

(a) MFRS 9 *Financial Instruments*

Classification and measurement of financial instruments

In these interim financial statements, the Group and the Bank has applied MFRS 9 which replaced MFRS 139, effective for annual periods beginning on or after 1 January 2018, for the first time. The comparative information for 2017 for financial instruments has not been restated in the scope of MFRS 9.

Therefore, the comparative information for 2017 is reported under MFRS 139 and is not comparable to the information presented for 30 September 2018. The reclassification and measurement of financial assets and liabilities effected by MFRS 9 is summarised in Table 1 which also presented the difference in carrying amount of the Group and the Bank's financial instruments as at 1 January 2018 between MFRS 139 and MFRS 9 to show the quantitative impact.

Differences and the transition impact arising from the adoption of MFRS 9 of the Group and of the Bank have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in Table 2.

The differences and transition impact of Islamic Banking Scheme ("SPI") is disclosed in Note 34(p).

Unaudited Interim Financial Statements

2. Significant accounting policies (cont'd.)

2.1 Adoption of Amendments and Annual Improvements to Standards (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

Table 1

Summary of the classification and measurement of the Group's financial assets on 1 January 2018 are as follow:

	Note	Measurement Category		Carrying amount as at 1 January 2018	
		Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:					
Cash and short-term funds	(iii)	Loans and receivables	Amortised cost	141,441	141,441
Equity instruments	(i)	AFS	FVOCI	757	757
Equity instruments	(i)	AFS	FVTPL	19,737	19,737
Financial investment	(ii)	AFS	Amortised cost	2,664,469	2,689,380
Financial investment	(ii)	AFS	FVOCI	1,137,064	1,137,064
Financial investment	(ii)	AFS	FVTPL	11	11
Loans, advances and financing	(iii)	Loans and receivables	Amortised cost	503,824	503,172
Derivative assets		FVTPL	FVTPL	78	78
Other assets	(iii)	Loans and receivables	Amortised cost	221,141	221,269
Statutory deposits with Bank Negara Malaysia		Loans and receivables	Amortised cost	114,282	114,282
Financial liabilities:					
Deposits from customers	(iv)	Amortised cost	Amortised cost	1,937,469	1,937,469
Deposits and placements of banks and other financial institutions		Amortised cost	Amortised cost	1,881,642	1,881,642
Other liabilities		Amortised	Amortised	215,626	215,626

Unaudited Interim Financial Statements

2. Significant accounting policies (cont'd.)

2.1 Adoption of Amendments and Annual Improvements to Standards (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

Table 1 (cont'd.)

- (i) Under MFRS 9, all equity instruments are required to be accounted at fair value either based on:
- Fair value through Other Comprehensive Income (Without Recycling) (“FVOCI”);
or
 - Fair Value Through Profit & Loss (“FVTPL”)
- For equity instrument held for trading, the Group and the Bank has elected the equity instrument as FVTPL; while for those not held for trading, the equity instrument is elected as FVOCI.
- (ii) Classification of financial investment instruments previously recorded under MFRS 139 as AFS is accounted for as follows:
- Financial investment instruments that pass “Solely Payment of Principal and Interest” (SPPI Test) and is intended to hold to collect the contractual cash flows are accounted for at Amortised Cost.
 - Financial investment instruments that pass “Solely Payment of Principal and Interest” (SPPI Test) and its business model is achieved by both collecting contractual cash flows and selling of these assets are accounted for as FVOCI.
 - Financial investment instruments that fail SPPI test are accounted for at FVTPL.
- (iii) Staff loans receivable, trade receivables, other receivables which are financial assets, cash and bank balances and cash for trading margins, security deposits and eDividend distributions that have previously been classified as loan and receivables are now classified as amortised cost. The Group and the Bank intends to hold the assets to maturity to collect contractual cashflows and these cashflows consist solely of payments of principal and interest on the principal amount outstanding.
- (iv) If an entity chooses to measure a financial liability at FVTPL, MFRS 9 requires changes in fair value related to changes in own credit risk to be presented separately in OCI but not in profit or loss. As at 1 January 2018, the Group and the Bank does not elect for any financial liability at fair value through profit or loss.

Unaudited Interim Financial Statements

2. Significant accounting policies (cont'd.)

2.1 Adoption of Amendments and Annual Improvements to Standards (cont'd.)

(a) MFRS 9 *Financial Instruments* (cont'd.)

Table 2

Reconciliation of the carrying amount of the Group's statement of financial position from MFRS 139 Financial Instruments to MFRS 9 Financial Instruments as at 1 January 2018 are as follow:

	Original (MFRS 139)	Reclassification RM'000	Remeasurement RM'000	New (MFRS 9)
	Carrying RM'000			Carrying RM'000
Securities - AFS	3,822,038	(3,822,038)	-	-
Financial investment instruments				
- Amortised Cost		2,664,469	24,911	2,689,380
		1,137,821	-	1,137,821
Financial investment instruments				
- FVTPL		19,748	-	19,748
Loans, advances and financing:	503,824	-	(652)	503,172
Opening balance	503,824	-	-	-
Increase in loss allowance	-	-	(652)	-
Total loans, advances and financing	-	-	-	503,172
Deferred tax assets:	10,036	(5,867)	(215)	3,954
Opening balance	10,036	-	-	-
Reversal of deferred tax relating to AFS revaluation reserve	-	(5,867)	-	-
Recognition of deferred tax relating to FVOCI revaluation reserve	-	-	(215)	-
Total deferred tax assets	-	-	-	3,954
Other assets:	221,141	-	128	221,269
Opening balance	221,141	-	-	-
Decrease in loss allowance*	-	-	128	-
Other assets	-	-	-	221,269
Retained earnings:	427,593	-	(20,007)	407,586
Opening balance	427,593	-	-	-
Increase in loss allowance for:				
- loans, advances and financing	-	-	(652)	-
- financial investment at amortised cost	-	-	(428)	-
- other assets	-	-	128	-
Transfer to regulatory reserve	-	-	(19,055)	-
Total retained earnings	-	-	-	407,586
AFS reserve	(18,576)	18,576		
FVOCI reserve:	-	-	681	681
Opening balance	-	-	-	-
Fair value changes arising from the revaluation of financial investment instruments at FVOCI	-	-	681	-
Total FVOCI reserve	-	-	-	681
Regulatory reserve:	2,573	-	19,055	21,628
Opening balance	2,573	-	-	-
Transfer from retained earnings	-	-	19,055	-
Total regulatory reserve	-	-	-	21,628

* The Group applies the simplified approach in providing ECL.

Unaudited Interim Financial Statements

2. Significant accounting policies (cont'd.)

2.2 Standards issued but not yet effective

At the date of authorisation of the condensed interim financial statements, the following Standards were issued but not yet effective and have not been adopted by the Group and the Bank.

	Effective for financial periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
IC Int.23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 - <i>Business Combinations (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 11 - <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112 - <i>Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 123 - <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint</i>	Deferred

2.3 BNM's Policy on Classification and Impairment Provisions for Loans/Financing

BNM, had on 2 February 2018, issued the Policy on Financial Reporting. The requirements to the Policy are effective for financial years beginning on or after 1 January 2018.

The Bank required to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

Unaudited Interim Financial Statements

3. Comments about seasonal or cyclical factors

The Group's and the Banks's performance is not materially affected by any seasonal or cyclical factors but is affected by the level of activities in the financial investment instruments and derivatives markets.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 September 2018.

5. Significant estimates and changes in estimates

There were no changes in estimates that have had any material effect on the quarter ended 30 September 2018.

6. Debt and equity instruments

There were no changes to the debt and equity instruments for the quarter ended 30 September 2018.

7. Dividend paid/payable

There were no dividends declared or paid during the quarter ended 30 September 2018.

8. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 was not qualified.

9. Performance review

The Group and the Bank recorded a higher pre-tax profit of RM6.5 million for the third quarter ended 30 September 2018, an increase of RM5.8 million or 844% as compared to pre-tax profit of RM0.7 million recorded in the previous corresponding quarter ended 30 September 2017. The higher profit for the period were mainly due to higher investment income and higher income from financial investment instruments and loans advances and financing.

The pre-tax profit for the nine month ended 30 September 2018 amounted to RM19.8 million, a decrease of RM2.9 million or 13% as compared to pre-tax profit of RM22.7 million recorded in the previous corresponding quarter ended 30 September 2017. The lower profit for the period were mainly due to impairment made on financial investment instruments and loans, advances and financing.

Unaudited Interim Financial Statements

10. Review for 2018

Malaysia's GDP growth expanded by 4.5% year-on-year in 2nd Quarter of 2018 ("2nd Quarter"). Domestic demand contributes about 4.3% of the total growth during the quarter, while from supply side, services and manufacturing sectors contribute 3.5% and 1.2% respectively.

FBM KLCI during the 3rd Quarter of 2018 ("3rd Quarter") gained 6.0%, in line with peers in ASEAN and outperformed North Asia markets. The index went up as high as 1,826.90 on 28 August 2018 before retreating, amidst pressures from the external front such as global trade wars, threat of "no deal Brexit", and depreciating Ringgit. The benchmark index closed the quarter at 1,793.15, compared to 1,796.81 at the start of the year.

Activities in the equities market was less pronounced during the 3rd Quarter as compared to the previous quarter. Average daily traded volume declined 9.3% to 2.37 billion shares compared to previous quarter at 2.61 billion shares. Meanwhile, despite the rise in FBMKLCI, the average daily traded value worsen off, down 18.5% to RM2.22 billion (2nd Quarter: RM2.73 billion) with a net foreign outflow of RM1.71 billion (2nd Quarter: RM9.02 billion).

In the primary market, Bursa Malaysia had 5 IPOs in this Quarter, including 2 listings in the LEAP market with total funds raised of RM130.5 million. The total value raised was much lower than the 4 IPOs seen in the 2nd Quarter, which raised RM248.0 million.

Liquidity condition remained flush in the banking system throughout the 3rd Quarter. The excess liquidity was very much in line with the accommodative monetary policy stance adopted by Bank Negara Malaysia ("BNM") to ensure adequate liquidity to support the orderly functioning of money and foreign exchange market as well as intermediation activities.

BNM continued to maintain the Overnight Policy Rate ("OPR") unchanged at 3.25% despite greater concern over the rising interest rate expectation in the US. With a stable OPR, the benchmark KLIBORs closed the 3rd Quarter unchanged across the board, with 1-month, 3-month, 6-month and 1-year KLIBOR stayed put at 3.43%, 3.69%, 3.80% and 3.90% respectively. Meanwhile, activities in the interbank money market by the participating banks were mainly centered in the short-term money, especially on the overnight money deals for the purpose of squaring the daily liquidity position. The overnight interbank rates were mostly seen hovering within the range of 3.18% to 3.25% level.

Unaudited Interim Financial Statements

10. Review for 2018 (cont'd.)

In the fixed income market, the local sovereign bond yields, i.e. the Malaysian Government Securities (“MGS”) and Government Investment Issues-i (GII-i), remained relatively volatile in the 3rd Quarter amid the expectation of rising interest rate in the US, the escalating US-China trade tension as well as the weakening of emerging market currencies. The benchmark 3-year, 5-year, 7-year and 10-year MGS closed the 3rd Quarter at 3.60%, 3.75%, 3.96% and 4.06% respectively. Meanwhile, the benchmark 3-year, 5-year, 7-year and 10-year GII-i closed the 3rd Quarter at 3.68%, 3.86%, 4.02% and 4.14% respectively.

Moving into the 4th Quarter, the local bond market is expected to remain volatile given the current market uncertainty globally. As such, trading and investment activities in the local bond market are expected to remain on a cautious mode in the near term.

The Bank expects to face a challenging operating landscape, with tighter regulatory compliance, technology innovation to potentially transform the financial services industry, and uncertainty in the advanced economies weighing on the domestic sentiment. The Bank will continue focusing its effort on managing the Bank’s balance sheet as well as enhancing efforts for business activity. Cognisant of the prevailing market conditions, the Bank will remain focused on its efforts to improve its revenue streams.

11. Cash and short-term funds

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	60,373	115,441	60,077	114,690
Money at call and deposits placements maturing within one month	60,000	26,000	60,000	26,000
	120,373	141,441	120,077	140,690

As at reporting date, the dealer's representatives' and clients' monies held in trust by the Group and the Bank amounted to approximately RM1,038,000 and RM958,000 respectively (2017: RM2,304,000 and RM1,343,000 respectively). These amounts are excluded from the cash and short-term funds of the Group and of the Bank.

Unaudited Interim Financial Statements

12. Financial assets at fair value through profit or loss

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	11	-
	11	-

13. Financial investment instruments at fair value through other comprehensive income/
securities available-for-sale

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Money market instruments:		
Malaysian Government Securities	288,052	481,359
Government Investment Issues	362,131	384,266
Negotiable Instruments of Deposit	447,991	497,021
	1,098,174	1,362,646
Quoted instruments in Malaysia:		
Shares	-	29,606
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	243,154	2,511,466
Loan Stocks	64,014	71,604
	307,168	2,583,070
Unquoted instruments in Malaysia:		
Shares	757	906
Less: Expected credit loss allowance/ impairment allowance	(a) (142,436)	(154,190)
	1,263,663	3,822,038

Unaudited Interim Financial Statements

13. Financial investment instruments at fair value through other comprehensive income/
securities available-for-sale (cont'd.)

(a) Movements in expected credit loss allowance/impairment allowance

Individual impairment allowance

Group and Bank	Total RM'000
31 December 2017	
At 1 January	244,450
Amount made	28,431
Discount unwind	(5,031)
Amount written off	(113,660)
At 31 December	<u>154,190</u>

Expected credit loss allowance

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
30 September 2018			
As at 1 January	-	-	-
Effects of MFRS 9 Financial Instruments adoption	-	143,543	143,543
As at 1 January, restated	-	143,543	143,543
Impairment made during the financial period	31	14,449	14,480
Discount unwind	-	(119)	(119)
Amount written off	-	(15,468)	(15,468)
	<u>31</u>	<u>142,405</u>	<u>142,436</u>

There were no Stage 2 exposure as at 30 September 2018 and 31 December 2017.

Unaudited Interim Financial Statements

14. Financial investment instruments at amortised cost

	Note	Group and Bank	
		30 September 2018	31 December 2017
		RM'000	RM'000
Money market instruments:			
Malaysian Government Securities		194,396	-
Government Investment Issues		380,711	-
		<u>575,107</u>	<u>-</u>
Unquoted instruments in Malaysia:			
Corporate Bonds/Sukuk		2,187,070	-
Loan stocks		9,462	-
		<u>2,196,532</u>	<u>-</u>
Less: Expected credit loss allowance	(a)	(1,005)	-
		<u>2,770,634</u>	<u>-</u>

(a) Movements in expected credit loss allowance - Corporate Bonds/Sukuk

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Off Balance Sheet RM'000	Total RM'000
30 September 2018				
As at 1 January	-	-	-	-
Effects of MFRS 9 Financial Instruments adoption	428	629	-	1,057
As at 1 January, restated	<u>428</u>	<u>629</u>	<u>-</u>	<u>1,057</u>
Impairment made/(written back) during the financial period	(61)	-	9	(52)
	<u>367</u>	<u>629</u>	<u>9</u>	<u>1,005</u>

There were no Stage 2 exposure as at 30 September 2018 and 31 December 2017.

Unaudited Interim Financial Statements

15. Loans, advances and financing

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Term loans/financing		
Syndicated term loans	68,692	68,728
Other term loans	11,848	11,848
Islamic financing	178,847	170,104
	259,387	250,680
Margin accounts	369,912	317,038
Staff loans	386	380
Gross loans, advances and financing	629,685	568,098
Less: Impairment allowance		
- Collective impairment allowance	-	(3,515)
- Individual impairment allowance	-	(60,759)
- Expected credit loss allowance	(64,993)	-
Net loans, advances and financing	564,692	503,824

The Group and the Bank operate principally in Malaysia and hence, disclosure of information by geographical area is not presented.

(a) Gross loans, advances and financing

(i) By type of customer

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Domestic business enterprises		
- Small medium enterprises	415,193	372,486
Individuals	214,492	195,612
Gross loans, advances and financing	629,685	568,098

Unaudited Interim Financial Statements

15. Loans, advances and financing (cont'd.)

(a) Gross loans, advances and financing (cont'd.)

(ii) By interest rate sensitivity

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Fixed rate		
Staff loans	386	380
Margin accounts	369,912	317,038
Variable rate		
Cost-plus	80,540	80,576
Cost-plus (Islamic financing)	178,847	170,104
Gross loans, advances and financing	629,685	568,098

(iii) By economic sector

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Household	214,492	195,612
Finance, insurance and business services	149,489	143,356
Mining and quarrying	98,048	98,048
Manufacturing	62,201	61,939
Others	25,558	9,197
Wholesale & retail trade and restaurants & hotels	25,760	27,390
Education, health and others	24,175	32,556
Construction	29,962	-
Gross loans, advances and financing	629,685	568,098

Unaudited Interim Financial Statements

15. Loans, advances and financing (cont'd.)

(a) Gross loans, advances and financing (cont'd.)

(iv) By maturity profile

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Within one year	450,874	397,963
One year to five years	178,762	170,068
After five years	49	67
Gross loans, advances and financing	629,685	568,098

(b) Impaired loans, advances and financing ("ILs")

(i) Movements in ILs are as follows:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
At 1 January	166,799	260,003
Classified as impaired during the period/year	-	11,848
Amount recovered	(36)	(105,052)
At 30 September 2018/31 December 2017	166,763	166,799
Less: Allowance		
- Individual impairment allowance	-	(60,759)
- Expected credit loss allowance (Stage 3)	(63,226)	-
Net ILs	103,537	106,040
Ratio of net ILs to gross loans, advances and financing less expected credit loss allowance/ individual impairment allowance (Stage 3)	18.28%	20.90%

Unaudited Interim Financial Statements

15. Loans, advances and financing (cont'd.)

(b) Impaired loans, advances and financing ("ILs") (cont'd.)

(ii) ILs by economic sector:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Mining and quarrying	98,048	98,048
Manufacturing	57,900	57,900
Wholesale & retail trade and restaurants & hotels	10,791	10,827
Household	24	24
	166,763	166,799

(c) Movements in impairment allowances by class of financial assets

(i) Collective impairment allowance

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Terms loans/financing		
At 1 January	3,515	2,784
Effects of MFRS 9 Financial Instruments adoption	(3,515)	-
Impairment made during the period/year	-	731
At 30 September 2018/31 December 2017	-	3,515
Ratio of collective impairment allowance to gross loans, advances and financing less individual impairment allowance (including regulatory reserve)	0.00%	1.20%

Unaudited Interim Financial Statements

15. Loans, advances and financing (cont'd.)

(c) Movements in impairment allowances by class of financial assets (cont'd.)

(ii) Individual impairment allowance

Group and Bank	Term loans/ financing RM'000	Staff loans RM'000	Total RM'000
31 December 2017			
At 1 January	72,176	24	72,200
Impairment made during the period/year	1,121	-	1,121
Amount written back	(1,324)	-	(1,324)
Discount unwind	(1,510)	-	(1,510)
Amount written off	(757)	-	(757)
Reclassification to securities available-for-sale	(8,971)	-	(8,971)
At 31 December	<u>60,735</u>	<u>24</u>	<u>60,759</u>
30 September 2018			
At 1 January	60,735	24	60,759
Effects of MFRS 9 Financial Instruments adoption	(60,735)	(24)	(60,759)
At 30 September	<u>-</u>	<u>-</u>	<u>-</u>

Unaudited Interim Financial Statements

15. Loans, advances and financing (cont'd.)

(c) Movements in impairment allowances by class of financial assets (cont'd.)

(iii) Expected credit loss allowance

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Off balance sheet RM'000	Total RM'000
30 September 2018				
As at 1 January	-	-	-	-
Effects of MFRS 9 Financial Instruments adoption	1,718	60,759	2,449	64,926
As at 1 January, restated	1,718	60,759	2,449	64,926
Transfers	1,847	-	(1,847)	-
Impairment made during the financial period	-	2,715	-	2,715
Amount written back	(2,400)	(40)	-	(2,440)
Discount unwind	-	(208)	-	(208)
	1,165	63,226	602	64,993

There were no Stage 2 exposure as at 30 September 2018 and 31 December 2017.

16. Derivative assets

Group and Bank	Contract or underlying principal amount RM'000	Derivative assets RM'000	Derivative liabilities RM'000
30 September 2018			
Interest rate related derivatives:			
- Interest rate swaps	100,000	27	-
31 December 2017			
Interest rate related derivatives:			
- Interest rate swaps	100,000	78	-

Unaudited Interim Financial Statements

17. Other assets

	Note	Group		Bank	
		30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Interest/profit receivables		39,575	26,719	39,575	26,719
Amounts due from brokers and clients	(a)	120,985	165,308	120,985	165,308
Deposits, prepayments and other receivables		17,861	12,546	17,861	12,546
Less: Expected credit loss allowance/impairment allowance	(b)	(9,645)	(4,226)	(9,645)	(4,226)
		<u>8,216</u>	<u>8,320</u>	<u>8,216</u>	<u>8,320</u>
Amount recoverable from Danaharta		96,973	96,973	96,973	96,973
Profit on impaired financial investment recovered allowance		-	(96,973)	-	(96,973)
- Expected credit loss allowance (Stage 3)		(96,973)	-	(96,973)	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount due from related companies	(c)	91	35	91	35
Amount due from subsidiaries	(c)	-	-	258	717
Tax recoverable		17,653	20,759	17,653	20,759
		<u>186,520</u>	<u>221,141</u>	<u>186,778</u>	<u>221,858</u>

Unaudited Interim Financial Statements

17. Other assets (cont'd.)

(a) Amounts due from brokers and clients

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Brokers	-	52,399
Clients	120,985	112,909
	<u>120,985</u>	<u>165,308</u>

Clients' and brokers' debit balances arose from trading of securities through the Bank which are not yet due for settlement as at reporting date under the Rules of Bursa Malaysia Securities Berhad.

(b) Deposits, prepayments and other receivables

Movements in impairment allowance:

(i) Individual impairment allowance

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
At 1 January	4,226	3,187
Effects of MFRS 9 Financial Instruments adoption	(4,226)	-
Impairment made during the period/year	-	968
Amount written back	-	(74)
Adjustment	-	145
At 30 September/31 December	<u>-</u>	<u>4,226</u>

(ii) Expected credit loss allowance

	Group and Bank
	30 September 2018 RM'000
As at 1 January	-
Effects of MFRS 9 Financial Instruments adoption	4,141
As at 1 January, restated	<u>4,141</u>
Impairment made during the financial period	435
Written back during the financial period	(642)
Amount written off	(481)
Adjustment	6,192
	<u>9,645</u>

Unaudited Interim Financial Statements

17. Other assets (cont'd.)

- (c) The amounts due from related companies and subsidiaries arose mainly from expenses paid on behalf of the companies. These amounts are non-trade in nature, unsecured, interest-free and are repayable on demand.

18. Deposits from customers

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
(a) By types of deposit		
Call deposits	25,782	10,192
Fixed deposits	2,571,196	1,927,277
	2,596,978	1,937,469
(b) By types of customer		
Business enterprises	1,854,171	1,465,036
Government and statutory bodies	740,174	469,857
Individual	2,633	2,576
	2,596,978	1,937,469
(c) The maturity structure of term deposits is as follows:		
Due within six months	2,527,135	1,805,695
Six months to one year	69,843	116,101
One year to two years	-	15,673
	2,596,978	1,937,469

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
(a) Call deposits		
- Other financial institutions	5,330	3,860
(b) Fixed deposits		
- Licensed banks	29,300	68,700
- Other financial institutions	1,428,846	1,809,082
	1,458,146	1,877,782
	1,463,476	1,881,642

Unaudited Interim Financial Statements

20. Other liabilities

	Note	Group		Bank	
		30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Amounts due to brokers and clients	(a)	125,792	171,633	125,792	171,633
Interest/profit payables		20,830	23,643	20,830	23,643
Accrued liabilities and other payables		10,005	15,963	10,005	15,963
Employee benefits		1,881	3,391	1,881	3,391
Amount due to immediate holding company	(b)	823	988	822	988
Amount due to penultimate holding company					
Amount due to related company	(b)	-	8	-	7
		<u>159,331</u>	<u>215,626</u>	<u>159,330</u>	<u>215,625</u>

Group and Bank	
30 September 2018 RM'000	31 December 2017 RM'000

(a) Amount due to brokers and clients

Brokers	65,859	-
Clients	59,933	171,633
	<u>125,792</u>	<u>171,633</u>

Clients' credit balances arose from trading of securities through the Bank which are not yet due for settlement as at reporting date under the Rules of Bursa Malaysia Securities Berhad.

(b) The amounts due to immediate holding company and related company are non-trade in nature, unsecured, interest-free and are repayable on demand.

Unaudited Interim Financial Statements

21. Interest income

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Loans and advances				
- Interest income on non- impaired loans	7,755	4,872	24,177	14,708
- Interest income on impaired loans ("ILs")	-	130	208	1,412
Money at call and deposit placements with financial institutions	1,584	3,572	3,115	6,083
Financial assets at fair value through profit or loss	26	-	26	3
Financial investment instruments at fair value through other comprehensive income				
- Interest income on non- impaired instruments	4,092	19,487	12,091	61,210
- Interest income on impaired instruments	646	1,225	790	2,891
Financial investment instruments at amortised cost				
- Interest income on non- impaired instruments	12,959	-	40,062	-
- Interest income on impaired instruments	-	-	1,116	-
Derivative instruments	-	46	109	152
	<u>27,062</u>	<u>29,332</u>	<u>81,694</u>	<u>86,459</u>
Accretion of discount less amortisation of premium	(126)	749	(232)	373
	<u>26,936</u>	<u>30,081</u>	<u>81,462</u>	<u>86,832</u>

Unaudited Interim Financial Statements

22. Interest expense

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	14,507	14,398	41,341	38,291
Deposits and placements of bank and other financial institutions	6,332	11,194	21,434	33,226
Derivative instruments	4	-	4	-
	20,843	25,592	62,779	71,517

23. Non-interest income

Group	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Fees on loans and advances	53	12	118	36
Corporate advisory fees	345	588	3,107	1,572
Underwriting fees	350	504	350	662
Management fees	-	1,780	-	3,654
Brokerage commission	3,917	3,781	13,618	15,093
Rollover charges	705	321	1,870	1,091
Facility fee	25	320	353	348
Redemption fee	94	125	289	209
Placement fees	-	50	86	50
Other fee income	14	12	43	36
	5,503	7,493	19,834	22,751

Unaudited Interim Financial Statements

23. Non-interest income (contd.)

Group	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Investment (loss)/income:				
Net gain on sale of financial assets at fair value through profit or loss/ securities held-for-trading	1,912	-	1,912	13
Net gain on sale of financial investment instruments at fair value through other comprehensive income/ securities available-for-sale	8	13	744	2
Net unrealised gain on revaluation of financial assets at fair value through profit or loss	2,961	-	-	-
Net unrealised gain/(loss) on revaluation of derivatives instruments	27	(105)	(51)	(358)
	<u>4,908</u>	<u>(92)</u>	<u>2,605</u>	<u>(343)</u>
Gross dividends from:				
Financial assets at fair value through profit or loss	407	-	1,394	-
Financial investment instruments at fair value through other comprehensive income/ securities available-for-sale	122	123	122	1,603
	<u>529</u>	<u>123</u>	<u>1,516</u>	<u>1,603</u>
Other income:				
Intercompany management fee	129	163	479	489
Others *	1,311	18	1,520	66
	<u>1,440</u>	<u>181</u>	<u>1,999</u>	<u>555</u>
	<u>12,380</u>	<u>7,705</u>	<u>25,954</u>	<u>24,566</u>

* Includes RM1.2 million of ta'widh charged/recovered from defaulted client in current quarter.

Unaudited Interim Financial Statements

23. Non-interest income (contd.)

Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Fee income:				
Fees on loans and advances	53	12	118	36
Corporate advisory fees	345	588	3,107	1,572
Underwriting fees	350	504	350	662
Management fees	-	1,780	-	3,654
Brokerage commission	3,917	3,781	13,618	15,093
Rollover charges	705	321	1,870	1,091
Facility fee	25	320	353	348
Redemption fee	94	125	289	209
Placement fees	-	50	86	50
Other fee income	3	2	7	6
	<u>5,492</u>	<u>7,483</u>	<u>19,798</u>	<u>22,721</u>
Investment loss:				
Net gain on sale of financial assets at fair value through profit or loss/ securities held-for-trading	1,912	-	1,912	13
Net gain on sale of financial investment instruments at fair value through other comprehensive income/ securities available-for-sale	8	13	744	2
Net unrealised gain on revaluation of financial assets at fair value through profit or loss	2,961	-	-	-
Net unrealised gain/(loss) on revaluation of derivatives instruments	27	(105)	(51)	(358)
	<u>4,908</u>	<u>(92)</u>	<u>2,605</u>	<u>(343)</u>

Unaudited Interim Financial Statements

23. Non-interest income (cont'd.)

Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Gross dividends from:				
Financial assets at fair value through profit or loss	407	-	1,394	-
Financial investment instruments at fair value through other comprehensive income/ securities available-for-sale	122	123	122	1,603
Subsidiary	43	43	43	43
	<u>572</u>	<u>166</u>	<u>1,559</u>	<u>1,646</u>
Other income:				
Intercompany management fee	129	163	479	489
Others *	1,305	15	1,494	56
	<u>1,434</u>	<u>178</u>	<u>1,973</u>	<u>545</u>
	<u>12,406</u>	<u>7,735</u>	<u>25,935</u>	<u>24,569</u>

* Includes RM1.2 million of ta'widh charged/recovered from defaulted client in current quarter.

24. Operating expenses

Group	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
(i) Staff costs:				
Wages, salaries and bonuses	6,381	7,230	19,055	22,192
Executive Director/Chief Executive Officer				
- Fees	59	30	119	90
Employees' benefits	66	71	163	196
Defined contribution plans	1,049	1,101	2,912	3,457
Social security costs	34	34	107	100
Other staff related expenses	845	1,065	2,069	2,045
	<u>8,434</u>	<u>9,531</u>	<u>24,425</u>	<u>28,080</u>

Unaudited Interim Financial Statements

24. Operating expenses (cont'd.)

Group	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
(ii) Establishment costs:				
Depreciation and amortisation	491	664	1,448	1,084
Rental				
- office equipment	9	10	25	32
- premises	567	595	1,697	1,753
IT expenses	1,138	1,366	3,471	3,622
Other establishment costs	95	90	198	233
	<u>2,300</u>	<u>2,725</u>	<u>6,839</u>	<u>6,724</u>
(iii) Promotion and marketing -related expenses:				
Business promotion and advertisement	176	411	1,201	1,417
Entertainment	88	91	292	303
	<u>264</u>	<u>502</u>	<u>1,493</u>	<u>1,720</u>
(iv) Administrative and general expenses:				
Auditors' remuneration				
- Audit	89	45	197	155
Non-Executive Directors' remuneration	204	207	625	426
Communication expenses	29	49	108	115
Management fees	1,596	1,602	5,099	4,975
Professional fees	51	171	125	511
Securities commission's levy	260	246	1,062	1,024
Brokerage fee	224	224	833	708
Bursa fee	27	53	147	101
License fee and stamp duty	8	6	173	175
Corporate dealers' and remisier' commissions	11	18	52	71
Others	115	149	533	405
	<u>2,614</u>	<u>2,770</u>	<u>8,954</u>	<u>8,666</u>
	<u>13,612</u>	<u>15,528</u>	<u>41,711</u>	<u>45,190</u>

Unaudited Interim Financial Statements

24. Operating expenses (cont'd.)

Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
(i) Staff costs:				
Wages, salaries and bonuses	6,381	7,230	19,055	22,192
Executive Director/Chief Executive Officer				
- Fees	59	30	119	90
Employees' benefits	66	71	163	196
Defined contribution plans	1,049	1,101	2,912	3,457
Social security costs	34	34	107	100
Other staff related expenses	845	1,065	2,069	2,045
	<u>8,434</u>	<u>9,531</u>	<u>24,425</u>	<u>28,080</u>
(ii) Establishment costs:				
Depreciation and amortisation	491	664	1,448	1,084
Rental				
- office equipment	9	10	25	32
- premises	567	595	1,697	1,753
IT expenses	1,138	1,366	3,471	3,622
Other establishment costs	95	90	198	233
	<u>2,300</u>	<u>2,725</u>	<u>6,839</u>	<u>6,724</u>
(iii) Promotion and marketing -related expenses:				
Business promotion and advertisement	176	411	1,201	1,417
Entertainment	88	91	292	303
	<u>264</u>	<u>502</u>	<u>1,493</u>	<u>1,720</u>

Unaudited Interim Financial Statements

24. Operating expenses (cont'd.)

Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
(iv) Administrative and general expenses:				
Auditors' remuneration				
- Audit	89	45	197	155
Non-Executive Directors' remuneration	204	207	625	426
Communication expenses	29	49	108	115
Management fees	1,595	1,598	5,094	4,969
Professional fees	51	171	125	511
Securities commission's levy	260	246	1,062	1,024
Brokerage fee	224	224	833	708
Bursa fee	27	53	147	101
License fee and stamp duty	8	6	173	175
Corporate dealers' and remisier' commissions	11	18	52	71
Others	114	149	532	405
	<u>2,612</u>	<u>2,766</u>	<u>8,948</u>	<u>8,660</u>
	<u>13,610</u>	<u>15,524</u>	<u>41,705</u>	<u>45,184</u>

Unaudited Interim Financial Statements

25. Expected credit loss allowance/impairment loss (made)/written-back on loans, advances and financing

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Collective impairment allowance				
- Made during the period	-	(703)	-	(910)
Individual impairment allowance				
- Made during the period	-	(2,331)	-	(886)
Expected credit loss allowance				
- Made during the period	(1,625)	-	(275)	-
Interest on impaired loans recovered	-	504	-	6,301
Bad debts recovered	312	-	312	-
	<u>(1,313)</u>	<u>(2,530)</u>	<u>37</u>	<u>4,505</u>

26. Expected credit loss allowance/impairment loss made on financial investment

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Financial investment instruments at fair value through other comprehensive income/ securities available-for-sale [Note 13(a)]	(6,646)	(2,406)	(14,480)	(5,458)
Financial investment instruments at amortised cost [Note 14(a)]	(6)	-	52	-
Interest on impaired financial investment instruments recovered	1,373	-	1,373	-
	<u>(5,279)</u>	<u>(2,406)</u>	<u>(13,055)</u>	<u>(5,458)</u>

Unaudited Interim Financial Statements

27. Expected credit loss allowance/Impairment loss made on other assets

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Expected credit loss allowance/ impairment loss (made) on:				
- Other debtors	337	113	207	(457)
	<u>337</u>	<u>113</u>	<u>207</u>	<u>(457)</u>

28. Basic earnings per ordinary shares

Group	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit for the period	<u>4,337</u>	<u>507</u>	<u>14,523</u>	<u>17,258</u>
Weighted average number of ordinary shares	<u>155,000</u>	<u>155,000</u>	<u>155,000</u>	<u>155,000</u>
Basic earnings per ordinary share (sen)	<u>2.80</u>	<u>0.33</u>	<u>9.37</u>	<u>11.13</u>

Unaudited Interim Financial Statements

29. Commitments and contingencies

	<----- 30 September 2018 ----->			<----- 31 December 2017 ----->		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
Group and Bank						
Interest rate related contract with an original maturity of:						
- not exceeding one year	100,000	2,023	405	100,000	194	39
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- not exceeding one year	108,191	21,638	21,638	283,014	56,603	56,603
- exceeding one year	195,170	97,585	97,585	165,000	82,500	82,500
Total	403,361	121,246	119,628	548,014	139,297	139,142

* The credit equivalent and risk weighted amount are arrived at using the credit conversion factors and risk weights respectively as per Bank Negara Malaysia Guidelines.

30. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
(i) Outstanding credit exposures with connected parties	169,566	152,500
(ii) Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	4.89%	4.15%
(iii) Percentage of outstanding credit exposures to connected parties which is impaired or in default	Nil	Nil

Unaudited Interim Financial Statements

31. Related party disclosures

(a) Significant related party transactions and balances

The following significant transactions between the Group and the Bank and related parties took place at terms agreed between parties during the financial period/year.

	Group and Bank	
	30 September	30 September
	2018	2017
	RM'000	RM'000
Penultimate holding company		
Income:		
Interest income on securities	989	-
Brokerage fees earned	4,739	5,286
	<hr/>	<hr/>
Immediate holding company		
Expenditure:		
Rental of premises	1,683	1,729
Management fees	5,094	4,969
	<hr/>	<hr/>
Other related companies		
Income:		
Interest income on securities	699	3,993
Brokerage fees earned	2,917	2,226
	<hr/>	<hr/>
Expenditure:		
Interest expense on deposits	4,397	2,003
	<hr/>	<hr/>

Unaudited Interim Financial Statements

31. Related party disclosures (cont'd.)

(a) Significant related party transactions and balances (cont'd.)

In addition to the related party information disclosed elsewhere in the financial statements, the significant outstanding balances of the Group and of the Bank with their related parties are as follows:

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Penultimate holding company		
Amount due from:		
Financial investment instruments	65,072	35,000
	<hr/>	<hr/>
Other related companies		
Amount due to:		
Deposits from placements of banks and other financial institutions	143,360	126,099
Other payables	241	185
Amount due from:		
Sundry deposits	553	553
Securities	65,072	179,244
	<hr/>	<hr/>

Other related companies include companies within the Yayasan Perlaburan Bumiputra Group and companies related to the Directors of the Bank.

Unaudited Interim Financial Statements

32. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities. The different levels have been defined as follows:

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

Group and Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
-----------------------	---------------------------	---------------------------	---------------------------	-------------------------

30 September 2018

Assets measured at fair value

Financial assets at fair value
through profit or loss

Unquoted instruments	-	-	11	11
----------------------	---	---	----	----

Financial investment instruments
at fair value through other
comprehensive income

Money market instruments	-	1,098,174	-	1,098,174
Unquoted instruments *	-	160,302	4,430	164,732

Derivative assets	-	27	-	27
-------------------	---	----	---	----

**Assets for which fair values
are disclosed:**

Loans, advances and financing
- staff loans

	-	308	-	308
--	---	-----	---	-----

Unaudited Interim Financial Statements

32. Fair value hierarchy (cont'd.)

Group and Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2017				
Assets measured at fair value				
Financial investment instruments at fair value through other comprehensive income/ securities available-for-sale				
Money market instruments	-	1,362,646	-	1,362,646
Quoted securities	29,606	-	-	29,606
Unquoted securities *	-	2,292,188	136,692	2,428,880
Derivative assets	-	78	-	78
Assets for which fair values are disclosed:				
Loans, advances and financing - staff loans	-	309	-	309

There was no transfer between Level 1 and Level 2 of the fair value hierarchy during the financial period/year.

* Excluded unrated financial investment instruments for the purpose of fair value hierarchy.

Unaudited Interim Financial Statements

32. Fair value hierarchy (cont'd.)

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Financial investment instruments at other comprehensive income/ securities available-for-sale		
Unquoted instruments		
At 1 January	136,692	328,335
Addition of unquoted instruments	-	7,590
Total gains/(loss) recognised in profit or loss		
Included within interest income	790	3,955
Included within net income from Islamic Banking operations	-	2,717
Included within impairment loss made on financial investment instruments	(14,480)	(18,563)
	(13,690)	(11,891)
Settlements	(118,572)	(187,342)
At 30 September 2018/31 December 2017	<u>4,430</u>	<u>136,692</u>

Changing one or more of the unobservable inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

Unaudited Interim Financial Statements

33. Capital management

(i) The capital adequacy ratio of the Group and of the Bank are as follows:

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<u>Tier 1 Capital</u>				
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	369,111	369,111	369,111	369,111
Share premium - ordinary share	-	-	-	-
Statutory reserve	-	-	-	-
Regulatory reserve	21,788	2,573	21,788	2,573
Securities available-for-sale reserve	-	(18,576)	-	(18,576)
Fair value through other comprehensive income reserve	(2,157)	-	(2,157)	-
Retained profits	407,538	427,593	407,508	427,563
	<u>796,280</u>	<u>780,701</u>	<u>796,250</u>	<u>780,671</u>
Less: Regulatory adjustments	(27,714)	(15,939)	(27,714)	(15,939)
<i>Total CET1 Capital</i>	<u>768,566</u>	<u>764,762</u>	<u>768,536</u>	<u>764,732</u>
Total Tier 1 Capital	<u>768,566</u>	<u>764,762</u>	<u>768,536</u>	<u>764,732</u>
<u>Tier 2 Capital</u>				
General provisions * and regulatory reserve	18,567	3,265	18,570	3,265
Total Tier 2 capital	<u>18,567</u>	<u>3,265</u>	<u>18,570</u>	<u>3,265</u>
Total Capital	<u>787,133</u>	<u>768,027</u>	<u>787,106</u>	<u>767,997</u>
CET1 Capital Ratio	45.410%	44.616%	45.403%	44.599%
Tier 1 Capital Ratio	45.410%	44.616%	45.403%	44.599%
Total Capital Ratio	46.507%	44.806%	46.500%	44.789%

* The general provisions computed are guided by para 13.1 (d)(ii) of Capital Adequacy Framework (Capital Components).

Unaudited Interim Financial Statements

33. Capital management (cont'd.)

- (ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights are as follows:

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets for credit risk	1,485,395	1,506,887	1,485,594	1,507,454
Total risk-weighted assets equivalent for market risk	22,326	4,750	22,326	4,750
Total risk-weighted assets equivalent for operational risk	184,767	202,479	184,767	202,479
	1,692,488	1,714,116	1,692,687	1,714,683

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI)

Condensed consolidated statements of financial position
As at 30 September 2018

	Note	Group and Bank	
		30 September 2018 RM'000	31 December 2017 RM'000
Assets			
Cash and short-term funds	(a)	60,637	38,852
Securities available-for-sale	(b)	-	1,995,191
Financial investment instruments at fair value through other comprehensive income	(b)	850,308	-
Financial investment instruments at amortised cost	(c)	1,541,023	-
Financing and advances	(d)	177,080	167,515
Other assets	(e)	24,668	13,147
Intangible assets		583	860
Deferred tax assets		81	2,253
Total assets		2,654,380	2,217,818
Liabilities			
Deposits from customers	(f)	1,169,991	727,464
Deposits and placements of banks and other financial institutions	(g)	821,123	852,676
Other liabilities	(h)	58,819	48,746
Provision for taxation and zakat		5,276	10,959
Total liabilities		2,055,209	1,639,845
Islamic banking capital funds			
Islamic banking funds		396,600	396,600
Reserves		202,571	181,373
Total Islamic banking capital funds		599,171	577,973
Total liabilities and Islamic banking capital funds		2,654,380	2,217,818

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

Condensed consolidated statements of profit or loss
For the nine months ended 30 September 2018

Group and Bank	Note	Individual Quarter Ended		Cumulative 9 Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of depositors' funds and others	(i)	25,910	22,308	81,648	64,464
Income attributable to depositors	(j)	(18,048)	(13,466)	(51,954)	(35,038)
Net income attributable to reporting institution		7,862	8,842	29,694	29,426
Operating expenses	(k)	(913)	(1,057)	(3,121)	(2,924)
Operating profit before allowances		6,949	7,785	26,573	26,502
Expected credit loss (allowance)/written back on:					
- financing and advances	(l)	(34)	(32)	2,322	2,298
- financial investment instruments	(m)	(2,935)	(614)	(7,236)	(2,400)
- other assets	(n)	377	-	356	(410)
Profit before taxation and zakat		4,357	7,139	22,015	25,990
Taxation		(1,186)	(1,551)	(4,987)	(5,983)
Zakat		(81)	(144)	(439)	(516)
Profit for the period		3,090	5,444	16,589	19,491

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

Condensed consolidated statements of comprehensive income
For the nine months ended 30 September 2018

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit for the period attributable to equity holder of the Bank	3,090	5,444	16,589	19,491
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Net (loss)/gain on financial investment instruments at fair value through comprehensive income/securities available-for-sale:				
- Transfer of gain to profit or loss upon disposal	(297)	(1,193)	(2,072)	(4,896)
- Fair value changes	2,437	39	2,028	10,195
Other comprehensive (loss)/income for the period, net of tax	2,140	(1,154)	(44)	5,299
Total comprehensive income for the period attributable to equity holder of the Bank	5,230	4,290	16,545	24,790

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

Condensed consolidated statements of changes in equity
For the nine months ended 30 September 2018

Group and Bank	Non-distributable			Distributable		Total RM'000
	Islamic banking funds RM'000	Regulatory reserve# RM'000	Securities available- for-sale reserve ^ RM'000	Fair value through other comprehensive income reserve^ RM'000	Retained earnings RM'000	
At 1 January 2017	396,600		(8,255)		207,886	596,231
Profit for the period	-	-	-	-	19,491	19,491
Other comprehensive income for the period	-	-	5,299	-	-	5,299
Total comprehensive income for the period	-	-	5,299	-	19,491	24,790
Transactions with owner						
Dividends*	-	-	-	-	(50,000)	(50,000)
At 30 September 2017	396,600	-	(2,956)	-	177,377	571,021
At 1 January 2018	396,600	-	(5,506)	-	186,879	577,973
Effects of MFRS 9 Financial Instruments adoption	-	8,327	5,506	938	(10,118)	4,653
At 1 January 2018, restated	396,600	8,327	-	938	176,761	582,626
Profit for the period	-	-	-	-	16,589	16,589
Other comprehensive income for the period	-	-	-	(44)	-	(44)
Total comprehensive income for the period	-	-	-	(44)	16,589	16,545
Transactions with owner						
Transfer to regulatory reserve	-	3,002	-	-	(3,002)	-
At 30 September 2018	396,600	11,329	-	894	190,348	599,171

The regulatory reserve for FY 2018 is maintained in compliance with the revised Bank Negara Malaysia guidelines on Financial Reporting policy in which the Bank required to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total exposures, net of loss allowance for credit-impaired exposures.

^ The financial investment instruments at fair value through other comprehensive income/securities available-for-sale reserve arises from the change in the fair value of the underlying instruments and it is not distributable as cash dividends.

* Single tier interim dividend of RM0.32258 on 155,000,000 Ordinary Shares of RM1.00 each, paid on 28 April 2017.

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

Condensed consolidated statements of cash flows
For the nine months ended 30 September 2018

	Note	Group and Bank	
		30 September 2018 RM'000	30 September 2017 RM'000
Profit before taxation and zakat		22,015	25,990
Adjustments for non-cash items		(13,209)	(14,416)
Operating profit before changes in working capital		8,806	11,574
Changes in working capital:			
Net changes in operating assets		(406,599)	(420,760)
Net changes in operating liabilities		419,578	482,344
Net cash generated from operating activities		21,785	73,158
Net used in investing activities		-	(1,106)
Net cash used in financing activities - Dividends paid		-	(50,000)
Net change in cash and cash equivalents		21,785	22,052
Cash and cash equivalents at beginning of the period		38,852	576
Cash and cash equivalents at end of the period	34(a)	60,637	22,628

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2017.

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(a) Cash and short-term funds

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	637	12,852
Money at call and deposit placements maturing within one month	60,000	26,000
	60,637	38,852

(b) Financial investment instruments at fair value through other comprehensive income/
securities available-for-sale

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Money market instruments:		
Government Investment Issues	362,131	378,327
Islamic Negotiable Instruments	397,989	447,008
	760,120	825,335
Corporate Bonds/Sukuk	98,327	1,178,695
Less: Expected credit loss allowance/ impairment allowance	(i) (8,139)	(8,839)
	850,308	1,995,191

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(b) Financial investment instruments at fair value through other comprehensive income/
securities available-for-sale (cont'd.)

(i) Movements in impairment allowance

Individual impairment allowance

Group and Bank	Total RM'000
31 December 2017	
At 1 January	1,314
Amount made	7,525
At 31 December	<u>8,839</u>

Expected credit loss allowance

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
30 September 2018			
As at 1 January	-	-	-
Effects of MFRS 9 Financial Instruments adoption	-	8,839	8,839
As at 1 January, restated	-	8,839	8,839
Impairment made during the financial period	27	8,112	8,139
Amount written off	-	(8,839)	(8,839)
	<u>27</u>	<u>8,112</u>	<u>8,139</u>

There were no Stage 2 exposure as at 30 September 2018 and 31 December 2017.

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(c) Financial investment instruments at amortised cost

	Note	Group and Bank	
		30 September 2018 RM'000	31 December 2017 RM'000
Money market instruments:			
Government Investment Issues		374,782	-
Unquoted securities in Malaysia:			
Corporate Bonds/Sukuk		1,166,516	
Less: Expected credit loss allowance	(i)	(275)	-
		<u>1,541,023</u>	<u>-</u>

(i) Movements in expected credit loss allowance - Corporate Bonds/Sukuk

Group and Bank	Stage 1 Individual RM'000	Total RM'000
30 September 2018		
As at 1 January	-	-
Effects of MFRS 9 Financial Instruments adoption	290	290
As at 1 January, restated	290	290
Impairment written back during the financial period	(15)	(15)
	<u>275</u>	<u>275</u>

There were no Stage 2 and Stage 3 exposure as at 30 September 2018 and 31 December 2017.

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Term financing		
- Syndicated term financing	178,847	170,104
Gross financing and advances	178,847	170,104
Less: Impairment allowance		
- Collective impairment allowance	-	(2,589)
- Expected credit loss allowance	(1,767)	-
Total net financing and advances	177,080	167,515

The Group and the Bank operate principally in Malaysia and hence, disclosure of information by geographical area is not presented.

(a) Gross financing and advances

(i) By type of customer

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Domestic business enterprises	178,847	170,104
Gross financing and advances	178,847	170,104

(ii) By profit rate sensitivity

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Variable rate		
Cost-plus	178,847	170,104
Gross financing and advances	178,847	170,104

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances (cont'd.)

(a) Gross financing and advances (cont'd.)

(iii) By economic sector

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Mining and quarrying	86,200	86,200
Construction	29,962	-
Finance, insurance and business services	38,510	51,348
Education, health and others	24,175	32,556
Gross financing and advances	178,847	170,104

(iv) By maturity profile

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Within one year	330	266
One year to five years	178,517	169,838
Gross financing and advances	178,847	170,104

(v) By classification of Shariah contracts

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Syndicated term financing		
Commodity Murabahah	178,847	170,104
Gross financing and advances	178,847	170,104

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(d) Financing and advances (cont'd.)

(b) Movement in impairment allowances by class of financial assets

(i) Collective impairment allowance

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Term financing		
At 1 January	2,589	2,784
Effects of MFRS 9 Financial Instruments adoption	(2,589)	
Written back during the period/year	-	(195)
At 30 September 2018/31 December 2017	<u>-</u>	<u>2,589</u>
Ratio of collective impairment allowance to gross financing and advances less individual impairment allowance	<u>0.00%</u>	<u>1.52%</u>

(ii) Expected credit loss allowance

Group and Bank	Stage 1 Collective RM'000	Off balance sheet RM'000	Total RM'000
30 September 2018			
As at 1 January	-	-	-
Effects of MFRS 9 Financial instruments adoption	1,718	2,371	4,089
As at 1 January, restated	<u>1,718</u>	<u>2,371</u>	<u>4,089</u>
Transfers	1,769	(1,769)	-
Impairment written back during the financial period	(2,322)	-	(2,322)
	<u>1,165</u>	<u>602</u>	<u>1,767</u>

There were no Stage 2 and Stage 3 exposure as at 30 September 2018 and 31 December 2017.

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(e) Other assets

	Note	Group and Bank	
		30 September 2018 RM'000	31 December 2017 RM'000
Other debtors, deposits and prepayments		644	1,340
Less: Expected credit loss allowance/impairment allowance	(a)	(491)	(1,327)
		153	13
Profit receivables		24,515	13,134
		24,668	13,147

(a) Other debtors, deposits and prepayments

Movements in impairment allowance:

(i) Individual impairment allowance

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
At 1 January	1,327	770
Effects of MFRS 9 Financial Instruments adoption	(1,327)	-
Impairment made during the financial period/year	-	414
Amount written back	-	(4)
Adjustments	-	147
At 30 September 2018/31 December 2017	-	1,327

(ii) Expected credit loss allowance

	Group and Bank Total RM'000
30 September 2018	
As at 1 January	-
Effects of MFRS 9 Financial instruments adoption	1,329
As at 1 January, restated	1,329
Impairment made during the financial period	(356)
Amount written off	(482)
	491

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(f) Deposits from customers

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
(i) By type of deposit		
Commodity Murabahah fund		
Term deposits	1,169,991	727,464
(ii) By type of customer		
Commodity Murabahah fund		
Business enterprises	725,010	421,717
Government and statutory bodies	444,981	305,747
	<u>1,169,991</u>	<u>727,464</u>
(iii) The maturity structure of term deposits is as follows:		
Due within six months	1,169,991	627,417
Six months to one year	-	100,047
	<u>1,169,991</u>	<u>727,464</u>

(g) Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	821,123	852,676
(ii) By type of customer		
Commodity Murabahah fund		
Other financial institutions	821,123	852,676

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(h) Other liabilities

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Profit payables to depositors	11,547	9,708
Sundry creditors and accruals	4,078	5,629
Due to immediate holding company	18	36
Due to Head Office	43,176	33,373
	<u>58,819</u>	<u>48,746</u>

(i) Income derived from investment of depositors' funds and others

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of:				
(i) General investment deposits	25,068	20,331	76,106	57,133
(ii) Other deposits	842	1,977	5,542	7,331
	<u>25,910</u>	<u>22,308</u>	<u>81,648</u>	<u>64,464</u>

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(i) Income derived from investment of depositors' funds and others (cont'd.)

(i) Income derived from investment of general investment deposits:

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Finance income and hibah				
Money at call and deposit placements with financial institutions	1,201	1,475	3,484	2,880
Financial investment instruments at fair value through other comprehensive income/ securities available-for-sale				
- Profit on non-impaired financial investment instruments	4,505	12,466	9,421	37,119
- Profit on impaired financial investment instruments	-	663	-	2,052
Financial investment instruments at amortised cost	14,673	-	45,157	-
	<u>20,379</u>	<u>14,604</u>	<u>58,062</u>	<u>42,051</u>
Accretion of discount less amortisation of premium	4,392	4,534	13,740	10,186
Total finance income and hibah	<u>24,771</u>	<u>19,138</u>	<u>71,802</u>	<u>52,237</u>
Other operating income				
Net gain on sale of financial investment instruments at fair value through other comprehensive income/ securities available-for-sale	297	1,193	2,072	4,896
Net realised gain on sale of financial assets at fair value through profit or loss	-	-	2,232	-
	<u>297</u>	<u>1,193</u>	<u>4,304</u>	<u>4,896</u>
	<u>25,068</u>	<u>20,331</u>	<u>76,106</u>	<u>57,133</u>

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(i) Income derived from investment of depositors' funds and others (cont'd.)

(ii) Income derived from investment of other deposits:

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Finance income and hibah				
Financing and advances	1,728	1,884	4,791	5,818
Other operating income				
Fee income				
- Fees on financing and advances	162	57	352	292
- Corporate advisory fees	(1,110)	-	150	575
- Participation fees	61	34	128	101
- Placement fee	-	-	-	540
	(887)	91	630	1,508
Other income	1	2	121	5
	(886)	93	751	1,513
	842	1,977	5,542	7,331
Total income derived from investment	25,910	22,308	81,648	64,464

(j) Income attributable to depositors

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Commodity Murabahah fund				
Deposits from customers	8,443	6,732	25,176	17,318
Deposits and placements of banks and other financial institutions	9,605	6,734	26,778	17,720
	18,048	13,466	51,954	35,038

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(k) Operating expenses

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
(i) Staff costs:				
Wages, salaries and bonuses	357	430	1,235	1,394
Defined contribution plan	72	87	241	282
Social security costs	3	3	8	7
Other staff related expenses	11	10	108	37
	<u>443</u>	<u>530</u>	<u>1,592</u>	<u>1,720</u>
(ii) Establishment costs:				
Depreciation and amortisation	92	162	277	162
Rental	35	36	106	108
IT expenses	54	66	172	181
Others	9	-	24	12
	<u>190</u>	<u>264</u>	<u>579</u>	<u>463</u>
(iii) Promotion and marketing -related expenses:				
Business promotion and advertisement	2	2	2	5
Entertainment	3	1	10	8
	<u>5</u>	<u>3</u>	<u>12</u>	<u>13</u>
(iv) Administrative and general expenses:				
Audit fees	7	4	15	12
Non-Executive Directors' remuneration	15	16	45	32
Management fees	112	119	383	370
Professional fees	15	11	47	39
Brokerage fees	100	94	331	236
Others	26	16	117	39
	<u>275</u>	<u>260</u>	<u>938</u>	<u>728</u>
	<u>913</u>	<u>1,057</u>	<u>3,121</u>	<u>2,924</u>

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(l) Expected credit loss allowance/impairment loss written-back on financing and advances

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Collective impairment allowance				
- (Made)/written back during period [Note 34(d)(b)(i)]	-	(32)	-	16
Expected credit loss allowance				
- (Made)/written back during period [Note 34(d)(b)(ii)]	(34)	-	2,322	-
Profit on impaired financing recovered	-	-	-	2,282
	<u>(34)</u>	<u>(32)</u>	<u>2,322</u>	<u>2,298</u>

(m) Expected credit loss allowance/impairment loss made/(written back) on financial investment instruments

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Financial investment instruments at fair value through other comprehensive income/ securities available-for-sale (net) [Note 34(b)(i)]	(3,794)	(614)	(8,139)	(2,400)
Financial investment instruments at amortised cost [Note 34(c)(i)]	(29)	-	15	-
Profit on impaired financial investment recovered	888	-	888	-
	<u>(2,935)</u>	<u>(614)</u>	<u>(7,236)</u>	<u>(2,400)</u>

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(n) Expected credit loss allowance/impairment loss made on other assets

Group and Bank	Individual Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Expected credit loss allowance/ impairment loss made on:				
- Other assets	377	-	356	(410)

(o) Capital adequacy

(i) The capital adequacy ratio of the Group and of the Bank are as follows:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
<u>Tier 1 Capital</u>		
Common Equity Tier 1 ("CET1") Capital		
Islamic banking fund	396,600	396,600
Regulatory reserve	11,329	-
Securities available-for-sale reserve	-	(5,506)
Fair value through other comprehensive income reserve	894	-
Retained profits	173,759	186,879
	582,582	577,973
Less: Regulatory adjustments	(12,485)	(3,113)
Total CET 1 Capital, representing Total Tier 1 Capital	570,097	574,860
<u>Tier 2 Capital</u>		
General provision*	9,052	692
Total Tier 2 capital	9,052	692
Total Capital	579,149	575,552
CET1 Capital Ratio	70.819%	69.403%
Tier 1 Capital Ratio	70.819%	69.403%
Total Capital Ratio	71.943%	69.487%

* The general provisions computed are guided by para 13.1 (d)(ii) of Capital Adequacy Framework for Islamic Banks (Capital Components).

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(o) Capital adequacy (cont'd.)

- (ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights are as follows:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets for credit risk	724,186	746,716
Total risk-weighted assets equivalent for market risk	-	-
Total risk-weighted assets equivalent for operational risk	80,824	81,575
	<u>805,010</u>	<u>828,291</u>

(p) Adoption of MFRS 9 Financial Instruments

Table 1

Summary of the classification and measurement of the Group's financial assets on 1 January 2018 are as follow:

	Measurement Category		Carrying amount as at 1 January 2018	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:				
Cash and short-term funds	Loans and receivables	Amortised cost	38,852	38,852
Financial investment instruments	AFS	Amortised cost	1,308,100	1,316,289
Financial investment instruments	AFS	FVOCI	687,091	687,091
Financing and advances	Loans and receivables	Amortised cost	167,515	167,515
Other assets	Loans and receivables	Amortised cost	13,147	13,146
Financial liabilities:				
Deposits from customers	Amortised cost	Amortised cost	727,464	727,464
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	852,676	852,676
Other liabilities	Amortised cost	Amortised cost	48,746	48,746

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI) (cont'd.)

(p) Adoption of MFRS 9 Financial Instruments (cont'd.)

Table 2

Reconciliation of the carrying amount of the Group's statement of financial position from MFRS 139 Financial Instruments to MFRS 9 Financial Instruments as at 1 January 2018 are as follow:

	Original (MFRS 139)	Reclassification RM000	Remeasurement RM000	New (MFRS 9)
	Carrying RM'000			Carrying RM'000
Securities - AFS	1,995,191	(1,995,191)	-	-
Financial investment instruments				
- Amortised Cost	-	1,308,100	8,189	1,316,289
Financial investment instruments				
- FVOCI		687,091	-	687,091
Advances and financing:	167,515	-	(1,500)	166,015
Opening balance	167,515	-	-	-
Increase in loss allowance	-	-	(1,500)	-
Total advances and financing	-	-	-	166,015
Deferred tax assets:	2,253	(1,739)	(296)	218
Opening balance	2,253	-	-	-
Reversal of deferred tax relating to AFS revaluation reserve	-	(1,739)	-	-
Recognition of deferred tax relating to FVOCI revaluation reserve	-	-	(296)	-
Total deferred tax assets	-	-	-	218
Other assets:	13,147	-	(1)	13,146
Opening balance	13,147	-	-	-
Increase in loss allowance	-	-	(1)	-
Total other assets	-	-	-	13,146
Retained earnings:	186,879	-	(10,118)	176,761
Opening balance	186,879	-	-	-
Increase in loss allowance for:				
- financing and advances	-	-	(1,500)	-
- financial investment instruments at amortised cost	-	-	(290)	-
- other assets	-	-	(1)	-
Transfer to regulatory reserve	-	-	(8,327)	-
Total retained earnings	-	-	-	176,761
AFS reserve	(5,506)	5,506	-	-
FVOCI reserve:	-	-	938	938
Opening balance	-	-	-	-
Fair value changes arising from the revaluation of financial investment instruments - FVOCI	-	-	938	-
Total FVOCI reserve	-	-	-	938
Regulatory reserve:	-	-	8,327	8,327
Opening balance	-	-	-	-
Transfer from retained earnings	-	-	8,327	-
Total regulatory reserve	-	-	-	8,327

23878-X

MIDF Amanah Investment Bank Berhad
(A Participating Organisation of Bursa Malaysia Berhad)



Unaudited Interim Financial Statements

I, Dato' Charon Wardini Bin Mokhzani, being the Chief Executive Officer primarily responsible for the financial management of MIDF Amanah Investment Bank Berhad, do hereby state that, the unaudited interim financial statements for the nine months ended 30 September 2018, as set out on pages 1 to 69 have been prepared from the Group and the Bank's accounting and other records and that to the best of my knowledge and belief, are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 30 September 2018. The financial performance and cash flows of the Group and the Bank for the period ended on that date are prepared in accordance with the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the requirement of the Companies Act, 2016 in Malaysia.

DATO' CHARON WARDINI BIN MOKHZANI

CHIEF EXECUTIVE OFFICER

Date: 31 October 2018