

Unaudited Interim Financial Statements

Condensed consolidated statements of financial position
As at 31 March 2018

	Note	Group		Bank	
		31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Assets					
Cash and short-term funds	11	127,713	141,441	125,774	140,690
Financial assets at fair value through profit or loss	12	17,034	-	17,034	-
Securities available-for-sale	13	-	3,822,038	-	3,822,038
Debt instruments at fair value through other comprehensive income	13	1,383,078	-	1,383,078	-
Debt instruments at amortised cost	14	2,729,643	-	2,729,643	-
Loans, advances and financing	15	605,830	503,824	605,830	503,824
Derivative assets	16	44	78	44	78
Other assets	17	118,965	221,141	120,853	221,858
Statutory deposits with Bank Negara Malaysia		112,809	114,282	112,809	114,282
Investment in subsidiaries		-	-	*	*
Property, plant and equipment		752	724	752	724
Intangible assets		2,914	3,330	2,914	3,330
Deferred tax assets		4,311	10,036	4,311	10,036
Total assets		5,103,093	4,816,894	5,103,042	4,816,860
Liabilities					
Deposits from customers	18	2,337,678	1,937,469	2,337,678	1,937,469
Deposits and placements of banks and other financial institutions	19	1,854,403	1,881,642	1,854,403	1,881,642
Other liabilities	20	104,887	215,626	104,886	215,625
Provision for zakat		1,519	1,456	1,513	1,453
Total liabilities		4,298,487	4,036,193	4,298,480	4,036,189
Equity					
Share capital		369,111	369,111	369,111	369,111
Reserves		435,495	411,590	435,451	411,560
Total equity		804,606	780,701	804,562	780,671
Total liabilities and equity		5,103,093	4,816,894	5,103,042	4,816,860
Commitments and contingencies	29	457,545	548,014	457,545	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 three months ended 31 March 2018

	Note	Group Individual / Cumulative Quarter 3 Months Ended		Bank Individual / Cumulative Quarter 3 Months Ended	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Operating revenue		60,750	56,497	60,729	56,479
Interest income	21	26,572	27,926	26,572	27,926
Interest expense	22	(20,542)	(22,280)	(20,542)	(22,280)
Net interest income		6,030	5,646	6,030	5,646
Net income from Islamic Banking operation	34	11,845	10,745	11,845	10,745
Non-interest income	23	6,374	8,385	6,353	8,367
		24,249	24,776	24,228	24,758
Operating expenses	24	(14,598)	(13,364)	(14,596)	(13,362)
Operating profit before allowances		9,651	11,412	9,632	11,396
Expected credit loss allowance/ impairment loss (made)/written back on:					
- loans, advances and financing	25	(437)	4,104	(437)	4,104
- debt instruments	26	(129)	(819)	(129)	(819)
- other assets	27	(117)	(430)	(117)	(430)
Profit before taxation and zakat		8,968	14,267	8,949	14,251
Taxation		(3,080)	(3,038)	(3,075)	(3,034)
Zakat		(196)	(218)	(196)	(218)
Profit for the period attributable to equity holder of the Bank		5,692	11,011	5,678	10,999
Earnings per ordinary share (sen) - Basic and diluted	28	3.67	7.10		

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 three months ended 31 March 2018

	Group		Bank	
	Individual / Cumulative Quarter		Individual / Cumulative Quarter	
	3 Months Ended		3 Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to equity holder of the Bank	5,692	11,011	5,678	10,999
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on debt instruments at fair value through other comprehensive income/securities available-for-sale:				
- Transfer of gain to profit or loss upon disposal	(2,081)	(1,083)	(2,081)	(1,083)
- Fair value changes	1,877	11,363	1,877	11,363
Other comprehensive (loss)/income for the period, net of tax	(204)	10,280	(204)	10,280
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gain/(loss) on defined benefit plans	112	(15)	112	(15)
Other comprehensive loss for the period, net of tax	112	(15)	112	(15)
Total comprehensive income for the period attributable to equity holder of Bank	5,600	21,276	5,586	21,264

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 three months ended 31 March 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	-	-	-	-	-	-	11,011	11,011
Other comprehensive income for the period	-	-	-	-	10,280	-	(15)	10,265
Total comprehensive income for the period	-	-	-	-	10,280	-	10,996	21,276
Transactions with owner								
Transfer from regulatory reserve	-	-	-	(394)	-	-	394	-
Dividends	-	-	-	-	-	-	(50,000)	(50,000)
At 31 March 2017	155,000	214,111	164,252	3,538	(32,255)	-	252,602	757,248
At 1 January 2018	369,111	-	-	2,573	(18,576)	-	427,593	780,701
Effects of MFRS 9 Financial Instruments adoption	-	-	-	19,056	18,576	681	(20,008)	18,305
At 1 January 2018, restated	369,111	-	-	21,629	-	681	407,585	799,006
Profit for the period	-	-	-	-	-	-	5,692	5,692
Other comprehensive income for the period	-	-	-	-	-	(204)	112	(92)
Total comprehensive income for the period	-	-	-	-	-	(204)	5,804	5,600
Transactions with owner								
Transfer to regulatory reserve	-	-	-	(773)	-	-	773	-
At 31 March 2018	369,111	-	-	20,856	-	477	414,162	804,606

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 debt 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.

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 three months ended 31 March 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	-	-	-	-	-	-	10,999	10,999	
Other comprehensive income for the period	-	-	-	-	10,280	-	(15)	10,265	
Total comprehensive income for the period	-	-	-	-	10,280	-	10,984	21,264	
Transactions with owner									
Transfer to regulatory reserve	-	-	-	(394)	-	-	394	-	
Dividends (Note 7)	-	-	-	-	-	-	(50,000)	(50,000)	
At 31 March 2017	155,000	214,111	164,252	3,538	(32,255)	-	252,559	757,205	
At 1 January 2018	369,111	-	-	2,573	(18,576)	-	427,563	780,671	
Effects of MFRS 9 Financial Instruments adoption	-	-	-	19,056	18,576	681	(20,008)	18,305	
At 1 January 2018, restated	369,111	-	-	21,629	-	681	407,555	798,976	
Profit for the period	-	-	-	-	-	-	5,678	5,678	
Other comprehensive income for the period	-	-	-	-	-	(204)	112	(92)	
Total comprehensive income for the period	-	-	-	-	-	(204)	5,790	5,586	
Transactions with owner									
Transfer to regulatory reserve	-	-	-	(773)	-	-	773	-	
At 31 March 2018	369,111	-	-	20,856	-	477	414,118	804,562	

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 debt 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.

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 three months ended 31 March 2018

	Note	Group		Bank	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Profit before taxation and zakat		8,968	14,267	8,949	14,251
Adjustments for non-cash items		(5,626)	(6,689)	(5,626)	(6,689)
Operating profit before changes in working capital		3,342	7,578	3,323	7,562
Changes in working capital:					
Net changes in operating assets		(297,976)	(239,187)	(299,142)	(239,182)
Net changes in operating liabilities		280,515	365,702	280,512	365,701
Net cash generated (used in)/from operating activities		(14,119)	134,093	(15,307)	134,081
Net cash generated from investing activities		391	158	391	158
Net change in cash and cash equivalents		(13,728)	134,251	(14,916)	134,239
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	127,713	168,484	125,774	168,414
Cash and cash equivalents comprise of:					
Cash and short-term funds		127,713	168,484	125,774	168,414

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

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

Amendments to MFRS 1 and MFRS 128 (*Annual Improvements to MFRS Standards 2014 - 2016 Cycle*)

Amendments to MFRS 2 - *Classification and Measurement of Share-Based Payment Transactions*

Amendments to MFRS 4 - *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 *Clarifications to MFRS 15*

Unaudited Interim Financial Statements

2. Significant accounting policies (cont'd.)

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

MFRS 9 *Financial Instruments*

Amendments to MFRS 140 - *Transfers of Investment Property*

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

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 31 March 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(r).

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
Debt instruments	(ii)	AFS	Amortised cost	2,664,469	2,689,380
Debt instruments	(ii)	AFS	FVOCI	1,137,064	1,137,064
Debt instruments	(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 debt instruments previously recorded under MFRS 139 as AFS is accounted for as follows:
- Debt 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.
 - Debt 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.
 - Debt 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 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)			New (MFRS 9)
	Carrying RM000	Reclassification RM000	Remeasurement RM000	Carrying RM000
Investment securities - AFS	3,822,038	(3,822,038)	-	-
Investment securities - Amortise Cost		2,664,469	24,911	2,689,380
Investment securities - FVOCI		1,137,821	-	1,137,821
Investment securities - 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)	-
- debt instruments 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 investment securities 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.

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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
Amendments to MFRS 9 - <i>Prepayment Features with Negative Compensation</i>	1 January 2019
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 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
Amendments to MFRS 128 - <i>Long-Term Interests in Associates and Joint Ventures</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 119 - (<i>Plan Amendment, Curtailment, or Settlement</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

Unaudited Interim Financial Statements

2. Significant accounting policies (cont'd.)

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.

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 debt 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 31 March 2018.

5. Significant estimates and changes in estimates

There were no changes in estimates that have had any material effect on the quarter ended 31 March 2018.

6. Debt and equity instruments

There were no changes to the debt and equity instruments for the quarter ended 31 March 2018.

7. Dividend paid/payable

There were no dividends declared or paid during the quarter ended 31 March 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.

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9. Performance review

The Group and the Bank recorded a lower pre-tax profit of RM9.0 million for the first quarter ended 31 March 2018, a decrease of RM5.3 million or 37% as compared to pre-tax profit of RM14.3 million recorded in the corresponding quarter ended 31 March 2017. The higher profit for the same period last year were mainly due to recovery from impaired loan, advances and financing in the quarter (2017Q1: RM3.6 million).

10. Review for 2018

Malaysia's economy continues to show resilience amidst the challenging geopolitical landscape. The gross domestic product (GDP) for Malaysia grew at a 5.9% year-on-year in 2017, while our 2017 current account balance hit 3-years high at RM40.3 billion in 2017.

FBMKLCI's was one of the best performers amongst its regional peers, gaining 3.7% in first quarter ("Q1") of 2018. The index went up as high as 1880.56 on 2 February 2018, before declining over concerns from the external front, such as the rise of bond yields in the US, rising possibility of trade wars between US and China, the Italian hung parliament, as well as the looming Malaysia's 14th General Election. The benchmark index closed the quarter at 1,863.46.

During Q1 of 2018, activities in the equities market was more pronounce than in the previous quarter. Average daily traded volume went up 26% to 3.1 billion shares compared to Q4 of 2017. The bourse index FMBKLCI managed to top up gain in 2017 by another 3.7% in the same period. Average daily traded value was also up 15% to RM2.7 billion from RM2.4 billion in Q4 of 2017, with a net foreign inflow of RM2.2 billion into the local bourse.

In the primary market, Bursa Malaysia had 6 IPOs, including 2 listings in the newly formed LEAP Market with total fund raised of RM207.0 million. This was higher than the single IPO seen in last quarter of 2017 which raised RM28.0 million.

Liquidity condition remained flush in the banking system in the Q1 of 2018. As anticipated, BNM raised the Overnight Policy Rate ("OPR") by 25 basis points to 3.25% in its first scheduled Monetary Policy Meeting ("MPC") for the year on 25 January 2018, reasoning that the economy is firmly on a steady growth path and the need to normalize the degree of monetary accommodation and interest rate level. Subsequently, in line with market expectation, BNM maintained the OPR unchanged at 3.25% during its second MPC meeting for the year on 7 March 2018.

The benchmark KLIBORs moved up in tandem across the board following the hike in the OPR, with the benchmark 1-month, 3-month, 6-month and 1-year KLIBOR closed the Q1 2018 at 3.42%, 3.69%, 3.80% and 3.90% respectively as compared to 3.18%, 3.44%, 3.56% and 3.63% for the equivalent tenors as at year-end 2017.

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10. Review for 2018 (cont'd.)

For the fixed income market, the Ringgit sovereign bond prices which proxy with 10-year Malaysian Government Securities (“MGS”), remained stable despite the OPR hike as the market had already factored in the rate hike in the bond pricing in the second half of last year. The expectation of low inflation for 2018 as well as the positive market optimism from the Ringgit strengthening since the late last year managed to attract foreign appetite for local bond market. The 10-year MGS remained the biggest winner, closed the Q1 2018 at the yield range of 3.93% - 3.95%.

A flatter yield curve is expected in the medium term with continued buying interest from the foreign parties. Nevertheless, the local bond yields are expected to respond to the upward pressure of the US Federal Reserve decision on its benchmark rates which are expected to increase at least 3 times in 2018.

The Bank expects to face a challenging operating landscape, with tighter regulatory compliance, technology innovation to potentially transform financial services, and uncertainty in policy development 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 improving its fee-based revenue streams while maintaining a strict discipline over its operational costs.

11. Cash and short-term funds

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	42,713	115,441	40,774	114,690
Money at call and deposits placements maturing within one month	85,000	26,000	85,000	26,000
	<u>127,713</u>	<u>141,441</u>	<u>125,774</u>	<u>140,690</u>

As at reporting date, the dealer's representatives' and clients' monies held in trust by the Group and the Bank amounted to approximately RM3,134,000 and RM1,734,000 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.

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12. Financial assets at fair value through profit or loss

	Group and Bank	
	2018	2017
	RM'000	RM'000
Quoted instruments in Malaysia:		
Shares	17,023	-
Unquoted securities in Malaysia:		
Corporate Bonds/Sukuk	11	-
	<u>17,034</u>	<u>-</u>

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

	Group and Bank	
	31 March 2018	31 December 2017
	RM'000	RM'000
Money market instruments:		
Malaysian Government Securities	291,592	481,359
Government Investment Issues	201,087	384,266
Malaysian Treasury Bills	24,674	-
Negotiable Instruments of Deposit	645,758	497,021
	<u>1,163,111</u>	<u>1,362,646</u>
Quoted instruments in Malaysia:		
Shares	-	29,606
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	298,805	2,511,466
Loan Stocks	64,014	71,604
	<u>362,819</u>	<u>2,583,070</u>
Unquoted instruments in Malaysia:		
Shares	757	906
Less: Expected credit loss allowance/impairment allowance	(a) (143,609)	(154,190)
	<u>1,383,078</u>	<u>3,822,038</u>

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13. Debt 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	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
31 March 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	(41)	(83)	(124)
Discount unwind	-	58	58
	<u>(41)</u>	<u>(143,568)</u>	<u>(143,609)</u>

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

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14. Debt instruments at amortised cost

	Note	Group and Bank	
		31 March 2018 RM'000	31 December 2017 RM'000
Money market instruments:			
Malaysian Government Securities		194,627	-
Government Investment Issues		190,803	-
		<u>385,430</u>	<u>-</u>
Unquoted instruments in Malaysia:			
Corporate Bonds/Sukuk		2,337,028	-
Loan stocks		8,247	-
		<u>2,345,275</u>	<u>-</u>
Less: Expected credit loss allowance	(a)	(1,062)	-
		<u>2,729,643</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	Total RM'000
31 March 2018			
As at 1 January	-	-	-
Effects of MFRS 9 Financial Instruments adoption	-	(1,057)	(1,057)
As at 1 January, restated	-	(1,057)	(1,057)
Impairment made during the financial period	(5)	-	(5)
	<u>(5)</u>	<u>(1,057)</u>	<u>(1,062)</u>

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

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15. Loans, advances and financing

	Group and Bank	
	31 March 2018	31 December 2017
	RM'000	RM'000
Term loans/financing		
Syndicated term loans	68,693	68,728
Other term loans	124,752	11,848
Islamic financing	166,461	170,104
	<u>359,906</u>	<u>250,680</u>
Margin accounts	310,817	317,038
Staff loans	367	380
Gross loans, advances and financing	<u>671,090</u>	<u>568,098</u>
Less: Impairment allowance		
- Collective impairment allowance	-	(3,515)
- Individual impairment allowance	-	(60,759)
- Expected credit loss allowance	(65,260)	-
Net loans, advances and financing	<u>605,830</u>	<u>503,824</u>

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	
	31 March 2018	31 December 2017
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprises	483,611	372,486
Individuals	187,479	195,612
Gross loans, advances and financing	<u>671,090</u>	<u>568,098</u>

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

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

(ii) By interest rate sensitivity

	Group and Bank	
	31 March 2018	31 December 2017
	RM'000	RM'000
Fixed rate		
Staff loans	367	380
Margin accounts	310,817	317,038
Variable rate		
Cost-plus	193,445	80,576
Cost-plus (Islamic financing)	166,461	170,104
Gross loans, advances and financing	671,090	568,098

(iii) By economic sector

	Group and Bank	
	31 March 2018	31 December 2017
	RM'000	RM'000
Household	187,478	195,612
Finance, insurance and business services	141,684	143,356
Transport, storage and communications	112,904	-
Mining and quarrying	98,048	98,048
Manufacturing	62,024	61,939
Education, health and others	33,184	32,556
Wholesale & retail trade and restaurants & hotels	26,344	27,390
Others	9,424	9,197
Gross loans, advances and financing	671,090	568,098

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

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

(iv) By maturity profile

	Group and Bank	
	31 March 2018	31 December 2017
	RM'000	RM'000
Within one year	493,378	397,963
One year to five years	177,651	170,068
After five years	61	67
Gross loans, advances and financing	<u>671,090</u>	<u>568,098</u>

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

(i) Movements in ILs are as follows:

	Group and Bank	
	31 March 2018	31 December 2017
	RM'000	RM'000
At 1 January	166,799	260,003
Classified as impaired during the period/year	-	11,848
Amount recovered	(36)	(105,052)
At 31 March 2018/31 December 2017	<u>166,763</u>	<u>166,799</u>
Less: Allowance		
- Individual impairment allowance	-	(60,759)
- Expected credit loss allowance (Stage 3)	(60,772)	-
Net ILs	<u>105,991</u>	<u>106,040</u>
Ratio of net ILs to gross loans, advances and financing less expected credit loss allowance/individual impairment allowance	<u>17.37%</u>	<u>20.90%</u>

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	
	31 March 2018	31 December 2017
	RM'000	RM'000
Mining and quarrying	98,047	98,048
Manufacturing	57,900	57,900
Wholesale & retail trade and restaurants & hotels	10,792	10,827
Household	24	24
	<u>166,763</u>	<u>166,799</u>

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

(i) Collective impairment allowance

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

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>
31 March 2018			
At 1 January	60,735	24	60,759
Effects of MFRS 9 Financial Instruments adoption	(60,735)	(24)	(60,759)
At 31 March	<u>-</u>	<u>-</u>	<u>-</u>

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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
31 March 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	78	-	(78)	-
Impairment made during the financial period	321	146	-	467
Amount written back	-	(30)	-	(30)
Discount unwind	-	(103)	-	(103)
	<u>2,117</u>	<u>60,772</u>	<u>2,371</u>	<u>65,260</u>

There were no Stage 2 exposure as at 31 March 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
31 March 2018			
Interest rate related derivatives:			
- Interest rate swaps	100,000	44	-
31 December 2017			
Interest rate related derivatives:			
- Interest rate swaps	100,000	78	-

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17. Other assets

	Note	Group		Bank	
		31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Interest/profit receivables		32,878	26,719	32,878	26,719
Amounts due from brokers and clients	(a)	58,130	165,308	58,130	165,308
Deposits, prepayments and other receivables		20,981	12,546	20,981	12,546
Less: Expected credit loss allowance/impairment allowance	(b)	<u>(10,449)</u>	<u>(4,226)</u>	<u>(10,449)</u>	<u>(4,226)</u>
		<u>10,532</u>	<u>8,320</u>	<u>10,532</u>	<u>8,320</u>
Amount recoverable from Danaharta		96,973	96,973	96,973	96,973
Less:					
- Individual impairment allowance		-	(96,973)	-	(96,973)
- Expected credit loss allowance (Stage 3)		<u>(96,973)</u>	<u>-</u>	<u>(96,973)</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount due from related companies	(c)	33	35	33	35
Amount due from subsidiaries	(c)	-	-	1,888	717
Tax recoverable		17,392	20,759	17,392	20,759
		<u>118,965</u>	<u>221,141</u>	<u>120,853</u>	<u>221,858</u>

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17. Other assets (cont'd.)

- (a) Amounts due from brokers and clients

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
Brokers	31,007	52,399
Clients	27,123	112,909
	58,130	165,308

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	Group and Bank	
	31 March 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 31 March/31 December	-	(4,226)

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17. Other assets (cont'd.)

(b) Deposits, prepayments and other receivables (cont'd.)

(ii) Expected credit loss allowance

Group and Bank	Total RM'000
31 March 2018	
As at 1 January	-
Effects of MFRS 9 Financial Instruments adoption	4,141
As at 1 January, restated	4,141
Impairment made during the financial period	399
Written back	(282)
Adjustment	6,191
	<u>10,449</u>

(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	
	31 March 2018 RM'000	31 December 2017 RM'000
(a) By types of deposit		
Call deposits	17,820	10,192
Fixed deposits	2,319,858	1,927,277
	<u>2,337,678</u>	<u>1,937,469</u>
(b) By types of customer		
Business enterprises	1,696,163	1,465,036
Government and statutory bodies	638,939	469,857
Individual	2,576	2,576
	<u>2,337,678</u>	<u>1,937,469</u>
(c) The maturity structure of term deposits is as follows:		
Due within six months	2,051,949	1,805,695
Six months to one year	264,556	116,101
One year to two years	21,173	15,673
	<u>2,337,678</u>	<u>1,937,469</u>

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19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
(a) Call deposits		
- Other financial institutions	5,443	3,860
(b) Fixed deposits		
- Licensed banks	221,000	68,700
- Other financial institutions	1,627,960	1,809,082
	<u>1,848,960</u>	<u>1,877,782</u>
	<u>1,854,403</u>	<u>1,881,642</u>

20. Other liabilities

		Group		Bank	
	Note	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Amounts due to brokers and clients	(a)	64,534	171,633	64,534	171,633
Interest/profit payables		21,372	23,643	21,372	23,643
Accrued liabilities and other payables		13,575	15,963	13,575	15,963
Employee benefits		3,311	3,391	3,311	3,391
Amount due to immediate holding company	(b)	2,094	988	2,094	988
Amount due to related company	(b)	1	8	-	7
		<u>104,887</u>	<u>215,626</u>	<u>104,886</u>	<u>215,625</u>

Unaudited Interim Financial Statements

20. Other liabilities (cont'd.)

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
(a) Amount due to brokers and clients		
Brokers	9,098	-
Clients	55,436	171,633
	<u>64,534</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.

21. Interest income

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Loans and advances		
- Interest income on non-impaired loans	7,534	5,046
- Interest income on impaired loans ("ILs")	102	1,106
Money at call and deposit placements with financial institutions	1,055	886
Financial assets at fair value through profit or loss	-	1
Debt instruments at fair value through other comprehensive income		
- Interest income on non-impaired debt instruments	3,937	20,484
- Interest income on impaired debt instruments	715	631
Debt instruments at amortised cost		
- Interest income on non-impaired debt instruments	13,174	-
Derivative instruments	62	57
	<u>26,579</u>	<u>28,211</u>
Accretion of discount less amortisation of premium	(7)	(285)
	<u>26,572</u>	<u>27,926</u>

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22. Interest expense

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Deposits from customers	12,720	13,149
Deposits and placements of bank and other financial institutions	7,822	9,131
	<u>20,542</u>	<u>22,280</u>

23. Non-interest income

	Group Individual / Cumulative Quarter		Bank Individual / Cumulative Quarter	
	3 Months Ended		3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Fee income:				
Fees on loans and advances	21	11	21	11
Corporate advisory fees	2,313	142	2,313	142
Underwriting fees	-	158	-	158
Management fees	-	346	-	346
Brokerage commission	4,834	6,207	4,834	6,207
Other fee income	536	497	524	483
	<u>7,704</u>	<u>7,361</u>	<u>7,692</u>	<u>7,347</u>

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

	Group		Bank	
	Individual / Cumulative Cumulative Quarter 3 Months Ended		Individual / Cumulative Cumulative Quarter 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Investment loss:				
Net gain on sale of debt instruments at fair value through other comprehensive income	701	20	701	20
Net realised gain on sale of financial assets at fair value through profit or loss	-	2	-	2
Net unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss	(2,714)	-	(2,714)	-
Net unrealised loss on revaluation of derivatives instruments	(34)	(104)	(34)	(104)
	<u>(2,047)</u>	<u>(82)</u>	<u>(2,047)</u>	<u>(82)</u>
Gross dividends from:				
Financial assets at fair value through profit or loss	494	-	494	-
Debt instruments at fair value through other comprehensive income/securities available-for-sale	-	987	-	987
	<u>494</u>	<u>987</u>	<u>494</u>	<u>987</u>
Other income:				
Intercompany management fee	117	92	117	92
Others	106	27	97	23
	<u>223</u>	<u>119</u>	<u>214</u>	<u>115</u>
	<u>6,374</u>	<u>8,385</u>	<u>6,353</u>	<u>8,367</u>

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24. Operating expenses

	Group		Bank	
	Individual / Cumulative Quarter		Individual / Cumulative Quarter	
	3 Months Ended		3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
(i) Staff costs:				
Wages, salaries and bonuses	6,611	6,541	6,611	6,541
Executive Director/Chief Executive Officer				
- Fees	30	30	30	30
Employees' benefits	32	53	32	53
Defined contribution plans	1,050	1,025	1,050	1,025
Social security costs	37	33	37	33
Other staff related expenses	579	199	579	199
	<u>8,339</u>	<u>7,881</u>	<u>8,339</u>	<u>7,881</u>
(ii) Establishment costs:				
Depreciation and amortisation	491	209	491	209
Rental				
- office equipment	6	7	6	7
- premises	568	582	568	582
IT expenses	1,257	1,112	1,257	1,112
Other establishment costs	55	56	55	56
	<u>2,377</u>	<u>1,966</u>	<u>2,377</u>	<u>1,966</u>
(iii) Promotion and marketing -related expenses:				
Business promotion and advertisement	189	235	189	235
Entertainment	111	105	111	105
	<u>300</u>	<u>340</u>	<u>300</u>	<u>340</u>

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24. Operating expenses (cont'd.)

	Group		Bank	
	Individual / Cumulative		Individual / Cumulative	
	Quarter		Quarter	
	3 Months Ended		3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(iv) Administrative and general expenses:				
Auditors' remuneration				
- Audit	53	61	53	55
Non-Executive Directors' remuneration	206	96	206	96
Communication expenses	37	26	37	26
Management fees	1,848	1,707	1,846	1,705
Professional fees	244	217	244	217
Securities Commission's Levy	396	468	396	468
Brokerage fees	312	267	312	267
Bursa fee	55	24	55	24
License fee and stamp duty	165	166	165	166
Corporate dealers' and remisiers' commissions	26	26	26	26
Others	240	119	240	125
	<u>3,582</u>	<u>3,177</u>	<u>3,580</u>	<u>3,175</u>
	<u>14,598</u>	<u>13,364</u>	<u>14,596</u>	<u>13,362</u>

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

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Collective impairment allowance		
- Made during the period [Note 15(c)(i)]	-	(176)
Individual impairment allowance		
- Written back during the period [Note 15(c)(ii)]	-	679
Expected credit loss allowance		
- Made during the period [Note 15(c)(iii)]	(437)	-
Interest on impaired loans recovered	-	3,601
	<u>(437)</u>	<u>4,104</u>

26. Expected credit loss allowance/impairment loss made on debt instruments

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Debt instruments at fair value through other comprehensive income/securities available-for-sale [Note 13(a)]	(124)	(819)
Debt instruments at amortised cost [Note 14(a)]	(5)	-
	<u>(129)</u>	<u>(819)</u>

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

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Expected credit loss allowance/impairment loss made on:		
- Other debtors [Note 17(b)(ii)]	(117)	(430)

28. Basic earnings per ordinary shares

Group	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Profit for the period	5,692	11,011
Weighted average number of ordinary shares	155,000	155,000
Basic earnings per ordinary share (sen)	3.67	7.10

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29. Commitments and contingencies

	<----- 31 March 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	191	38	100,000	194	39
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- not exceeding one year	192,545	38,509	38,509	283,014	56,603	56,603
- exceeding one year	165,000	82,500	82,500	165,000	82,500	82,500
Total	457,545	121,200	121,047	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	
	31 March 2018	31 December 2017
	RM'000	RM'000
(i) Outstanding credit exposures with connected parties	<u>153,857</u>	<u>152,500</u>
(ii) Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>4.04%</u>	<u>4.15%</u>
(iii) Percentage of outstanding credit exposures to connected parties which is impaired or in default	<u>Nil</u>	<u>Nil</u>

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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	
	31 March 2018 RM'000	31 March 2017 RM'000
Penultimate holding company		
Income:		
Interest income on securities	489	-
Brokerage fees earned	1,513	2,486
Fee income	38	-
	<hr/>	<hr/>
Immediate holding company		
Expenditure:		
Rental of premises	560	572
Management fees	1,846	1,705
	<hr/>	<hr/>
Other related companies		
Income:		
Interest income on securities	348	2,129
Brokerage fees earned	1,009	744
Fee income	20	20
	<hr/>	<hr/>
Expenditure:		
Interest expense on deposits	2,678	1,489
	<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	
	31 March 2018	31 December 2017
	RM'000	RM'000
Penultimate holding company		
Amount due from:		
Fee receivable	100	138
Securities	65,100	35,000
	<u>65,100</u>	<u>35,000</u>
Other related companies		
Amount due to:		
Deposits from placements of banks and other financial institutions	136,422	126,099
Other payables	114	185
Amount due from:		
Fee receivable	47	71
Sundry deposits	553	553
Securities	65,100	179,244
	<u>65,100</u>	<u>179,244</u>

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
31 March 2018				
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Quoted instruments	17,023	-	-	17,023
Debt instruments at fair value through other comprehensive income				
Money market instruments	-	1,163,111	-	1,163,111
Unquoted instruments	-	160,140	59,070	219,210
Derivative assets	-	44	-	44
Assets for which fair values are disclosed:				
Loans, advances and financing - staff loans	-	296	-	296

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				
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 securities 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	
	31 March 2018	31 December 2017
	RM'000	RM'000
Debt 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	715	3,955
Included within net income from Islamic Banking operation	-	2,717
Included within impairment loss made on debt instruments	(124)	(18,563)
	<u>591</u>	<u>(11,891)</u>
Settlements	(78,213)	(187,342)
At 31 March 2018/31 December 2017	<u>59,070</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	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 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
Regulatory reserve	20,856	2,573	20,856	2,573
Securities available-for-sale reserve	-	(18,576)	-	(18,576)
Debt instruments at fair value through other comprehensive income	477	-	477	-
Retained profits	408,470	427,593	408,440	427,563
	<u>798,914</u>	<u>780,701</u>	<u>798,884</u>	<u>780,671</u>
Less: Regulatory adjustments	(28,343)	(15,939)	(28,343)	(15,939)
Total CET1 Capital	<u>770,571</u>	<u>764,762</u>	<u>770,541</u>	<u>764,732</u>
Total Tier 1 Capital	<u>770,571</u>	<u>764,762</u>	<u>770,541</u>	<u>764,732</u>
<u>Tier 2 Capital</u>				
General provisions * and regulatory reserve	19,795	3,265	19,795	3,265
Total Tier 2 capital	<u>19,795</u>	<u>3,265</u>	<u>19,795</u>	<u>3,265</u>
Total Capital	<u>790,366</u>	<u>768,027</u>	<u>790,336</u>	<u>767,997</u>
CET1 Capital Ratio	42.399%	44.616%	42.363%	44.599%
Tier 1 Capital Ratio	42.399%	44.616%	42.363%	44.599%
Total Capital Ratio	43.489%	44.806%	43.451%	44.789%

* The general provisions are not ascribed to loans/financing classified as impaired as per Paragraph 13.1 (iv)(b) of the Bank Negara Malaysia's Capital Adequacy Framework.

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	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets for credit risk	1,582,062	1,506,887	1,583,562	1,507,454
Total risk-weighted assets equivalent for market risk	34,313	4,750	34,313	4,750
Total risk-weighted assets equivalent for operational risk	201,033	202,479	201,033	202,479
	<u>1,817,408</u>	<u>1,714,116</u>	<u>1,818,908</u>	<u>1,714,683</u>

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI)

Condensed consolidated statements of financial position
As at 31 March 2018

	Note	Group and Bank	
		31 March 2018 RM'000	31 December 2017 RM'000
Assets			
Cash and short-term funds	(a)	85,372	38,852
Securities available-for-sale	(b)	-	1,995,191
Debt instruments at fair value through other comprehensive income	(b)	918,131	-
Debt instruments at amortised cost	(c)	1,356,058	-
Financing and advances	(d)	162,356	167,515
Other assets	(e)	20,051	13,147
Intangible assets		767	860
Deferred tax assets		246	2,253
Total assets		2,542,981	2,217,818
Liabilities			
Deposits from customers	(f)	966,142	727,464
Deposits and placements of banks and other financial institutions	(g)	922,814	852,676
Other liabilities	(h)	59,406	48,746
Provision for taxation and zakat		4,602	10,959
Total liabilities		1,952,964	1,639,845
Islamic banking capital funds			
Islamic banking funds		396,600	396,600
Reserves		193,417	181,373
Total Islamic banking capital funds		590,017	577,973
Total liabilities and Islamic banking capital funds		2,542,981	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 three months ended 31 March 2018

Group and Bank	Note	Individual / Cumulative Quarter	
		31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of depositors' and others	(j)	28,415	20,278
Income attributable to depositors	(k)	<u>(16,570)</u>	<u>(9,533)</u>
Net income attributable to reporting institution		11,845	10,745
Operating expenses	(l)	<u>(1,125)</u>	<u>(843)</u>
Operating profit before allowances		10,720	9,902
Expected credit loss (allowance)/written back on:			
- financing and advances	(m)	(16)	2,048
- debt instruments	(n)	(42)	(568)
- other assets	(o)	<u>(7)</u>	<u>(414)</u>
Profit before taxation and zakat		10,655	10,968
Taxation		(3,062)	(2,537)
Zakat		<u>(196)</u>	<u>(218)</u>
Profit for the period		<u>7,397</u>	<u>8,213</u>

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 three months ended 31 March 2018

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Profit for the period attributable to equity holder of the Bank	7,397	8,213
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net gain/(loss) on debt instruments at fair value through comprehensive income/securities available-for-sale:		
- Transfer of gain to profit or loss upon disposal	(1,380)	(1,063)
- Fair value changes	1,374	6,873
Other comprehensive income for the period, net of tax	(6)	5,810
Total comprehensive income for the period attributable to equity holder of the Bank	7,391	14,023

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 three months ended 31 March 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	-	-	-	-	8,213	8,213
Other comprehensive income for the period	-	-	5,810	-	-	5,810
Total comprehensive income for the period	-	-	5,810	-	8,213	14,023
At 31 March 2017	396,600	-	(2,445)		216,099	610,254
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	-	-	-	-	7,397	7,397
Other comprehensive income for the period	-	-	-	(6)	-	(6)
Total comprehensive income for the period	-	-	-	(6)	7,397	7,391
Transactions with owner						
Transfer to regulatory reserve	-	1,112	-	-	(1,112)	-
At 31 March 2018	396,600	9,439	-	932	183,046	590,017

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 debt 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.

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 three months ended 31 March 2018

	Note	Group and Bank	
		31 March 2018 RM'000	31 March 2017 RM'000
Profit before taxation and zakat		10,655	10,968
Adjustments for non-cash items		(8,202)	(4,489)
Operating profit before changes in working capital		2,453	6,479
Changes in working capital:			
Net changes in operating assets		(273,509)	(139,198)
Net changes in operating liabilities		317,576	166,635
Net cash generated from operating activities		46,520	33,916
Net change in cash and cash equivalents		46,520	33,916
Cash and cash equivalents at beginning of the period		38,852	576
Cash and cash equivalents at end of the period	34(a)	85,372	34,492
Cash and cash equivalents			
Cash and short-term funds		85,372	34,492

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	
	31 March 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	372	12,852
Money at call and deposit placements maturing within one month	85,000	26,000
	85,372	38,852

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

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
Money market instruments:		
Government Investment Issues	201,087	378,327
Islamic Negotiable Instruments	595,748	447,008
	796,835	825,335
Corporate Bonds/Sukuk	130,172	1,178,695
Less: Expected credit loss allowance/individual impairment allowance	(8,876)	(8,839)
	918,131	1,995,191

Unaudited Interim Financial Statements

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

(b) Debt 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

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**

31 March 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	(37)	-	(37)
	<u>(37)</u>	<u>(8,839)</u>	<u>(8,876)</u>

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

Unaudited Interim Financial Statements

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

(c) Debt instruments at amortised cost

	Note	Group and Bank	
		31 March 2018 RM'000	31 December 2017 RM'000
Money market instruments:			
Government Investment Issues		184,874	-
Unquoted securities in Malaysia:			
Corporate Bonds/Sukuk		1,171,479	
Less: Expected credit loss allowance	(i)	(295)	-
		<u>1,356,058</u>	<u>-</u>

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

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
31 March 2018			
As at 1 January	-	-	-
Effects of MFRS 9 Financial Instruments adoption	-	(290)	(290)
As at 1 January, restated	-	(290)	(290)
Impairment made during the financial period	(5)	-	(5)
	<u>(5)</u>	<u>(290)</u>	<u>(295)</u>

There were no Stage 2 exposure as at 31 March 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	
	31 March 2018 RM'000	31 December 2017 RM'000
Term financing		
- Syndicated term financing	166,461	170,104
Gross financing and advances	<u>166,461</u>	<u>170,104</u>
Less: Impairment allowance		
- Collective impairment allowance	-	(2,589)
- Expected credit loss allowance	(4,105)	-
Total net financing and advances	<u>162,356</u>	<u>167,515</u>

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	
	31 March 2018 RM'000	31 December 2017 RM'000
Domestic business enterprises	166,461	170,104
Gross financing and advances	<u>166,461</u>	<u>170,104</u>

(ii) By profit rate sensitivity

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
Variable rate		
Cost-plus	166,461	170,104
Gross financing and advances	<u>166,461</u>	<u>170,104</u>

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	
	31 March 2018 RM'000	31 December 2017 RM'000
Mining and quarrying	86,200	86,200
Finance, insurance and business services	47,077	51,348
Education, health and others	33,184	32,556
Gross financing and advances	<u>166,461</u>	<u>170,104</u>

(iv) By maturity profile

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
Within one year	882	266
One year to five years	165,579	169,838
Gross financing and advances	<u>166,461</u>	<u>170,104</u>

(v) By classification of Shariah contracts

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
Syndicated term financing		
Commodity Murabahah	166,461	170,104
Gross financing and advances	<u>166,461</u>	<u>170,104</u>

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	
	31 March 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)
	<u>-</u>	<u>2,589</u>
Ratio of collective impairment allowance to gross financing and advances less individual impairment allowance	0.00%	1.52%

(ii) Expected credit loss allowance

Group and Bank	Stage 1 Collective RM'000	Off balance sheet RM'000	Total RM'000
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>
Impairment made during the financial period	16	-	16
	<u>1,734</u>	<u>2,371</u>	<u>4,105</u>

There were no Stage 2 and Stage 3 exposure as at 31 March 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	
		31 March 2018 RM'000	31 December 2017 RM'000
Other debtors, deposits and prepayments		4,222	1,340
Less: Expected credit loss allowance/impairment allowance	(a)	(1,336)	(1,327)
		<u>2,886</u>	<u>13</u>
Profit receivables		<u>17,165</u>	<u>13,134</u>
		<u>20,051</u>	<u>13,147</u>

(a) Other debtors, deposits and prepayments

Movements in impairment allowance:

(i) Individual impairment allowance

	Group and Bank	
	31 March 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 31 March 2018/31 December 2017	<u>-</u>	<u>(1,327)</u>

(ii) Expected credit loss allowance

Group and Bank	Total RM'000
As at 1 January	-
Effects of MFRS 9 Financial instruments adoption	<u>1,329</u>
As at 1 January, restated	1,329
Impairment made during the financial period	<u>7</u>
	<u>1,336</u>

Unaudited Interim Financial Statements

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

(f) Deposits from customers

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
(i) By type of deposit		
Commodity Murabahah fund		
Term deposits	966,142	727,464
(ii) By type of customer		
Commodity Murabahah fund		
Business enterprises	566,918	421,717
Government and statutory bodies	399,224	305,747
	966,142	727,464
(iii) The maturity structure of term deposits is as follows:		
Due within six months	861,641	627,417
Six months to one year	104,500	100,047
	966,141	727,464

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

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	922,814	852,676
(ii) By type of customer		
Commodity Murabahah fund		
Other financial institutions	922,814	852,676

Unaudited Interim Financial Statements

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

(h) Other liabilities

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
Profit payables to depositors	12,989	9,708
Sundry creditors and accruals	3,369	5,629
Due to immediate holding company	40	36
Due to Head Office	43,008	33,373
	<u>59,406</u>	<u>48,746</u>

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

Group and Bank	Individual / Cumulative Quarter 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of:		
(i) General investment deposits	26,581	17,018
(ii) Other deposits	1,834	3,260
	<u>28,415</u>	<u>20,278</u>

Unaudited Interim Financial Statements

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

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

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

Group and Bank	Individual / Cumulative Quarter 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
	Finance income and hibah	
Money at call and deposit placements with financial institutions	1,442	436
Debt instruments at fair value through other comprehensive income/securities available-for-sale		
- Profit on non-impaired debt instruments	1,777	12,469
- Profit on impaired debt instruments	-	690
Debt instruments at amortised cost	15,002	-
	<u>18,221</u>	<u>13,595</u>
Accretion of discount less amortisation of premium	4,748	2,360
Total finance income and hibah	<u>22,969</u>	<u>15,955</u>
Other operating income		
Net gain on sale of debt instruments at fair value through other comprehensive income/securities available-for-sale	1,380	1,063
Net realised gain on sale of financial assets at fair value through profit or loss	2,232	-
	<u>3,612</u>	<u>1,063</u>
	<u>26,581</u>	<u>17,018</u>

Unaudited Interim Financial Statements

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

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

(ii) Income derived from investment of other deposits:

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Finance income and hibah		
Financing and advances	1,537	1,992
Other operating income		
Fee income		
- Fees on financing and advances	95	118
- Corporate advisory fees	50	575
- Participation fees	33	33
- Placement fee	-	540
	178	1,266
Other income	119	2
	297	1,268
	1,834	3,260
Total income derived from investment	28,415	20,278

(k) Income attributable to depositors

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Commodity Murabahah fund		
Deposits from customers	(7,882)	(5,813)
Deposits and placements of banks and other financial institutions	(8,688)	(3,720)
	(16,570)	(9,533)

Unaudited Interim Financial Statements

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

(I) Operating expenses

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
(i) Staff costs:		
Wages, salaries and bonuses	450	408
Defined contribution plan	92	83
Social security costs	3	2
Other staff related expenses	38	11
	<u>583</u>	<u>504</u>
(ii) Establishment costs:		
Depreciation and amortisation	93	3
Rental	36	36
IT expenses	57	58
Others	7	2
	<u>193</u>	<u>99</u>
(iii) Promotion and marketing -related expenses:		
Business promotion and advertisement	-	2
Entertainment	4	4
	<u>4</u>	<u>6</u>
(iv) Administrative and general expenses:		
Audit fees	4	4
Non-Executive Directors' remuneration	15	7
Communication expenses	1	1
Management fees	134	127
Professional fees	19	11
Brokerage fees	109	71
Others	63	13
	<u>345</u>	<u>234</u>
	<u>1,125</u>	<u>843</u>

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

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

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Collective impairment allowance		
- Written back during the period	-	75
Expected credit loss allowance		
- Made during the period [Note 34(d)(b)(ii)]	(16)	-
Profit on impaired financing recovered	-	1,973
	<u>(16)</u>	<u>2,048</u>

(n) Expected credit loss allowance/impairment loss made on debt instruments

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Debt instruments at fair value through other comprehensive income/securities available-for-sale (net) [Note 34(b)(i)]	(37)	(568)
Debt instruments at amortised cost [Note 34(c)(i)]	(5)	-
	<u>(42)</u>	<u>(568)</u>

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

Group and Bank	Individual / Cumulative Quarter	
	3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
Expected credit loss allowance/impairment loss made on:		
- Other assets	(7)	(414)
	<u>(7)</u>	<u>(414)</u>

Unaudited Interim Financial Statements

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

(p) Capital adequacy

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

	Group and Bank	
	31 March 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	9,439	-
Securities available-for-sale reserve	-	(5,506)
Debt instruments at fair value through other comprehensive income	932	-
Retained profits	175,649	186,879
	<u>582,620</u>	<u>577,973</u>
Less: Regulatory adjustments	(10,964)	(3,113)
Total CET 1 Capital, representing Total Tier 1 Capital	<u>571,656</u>	<u>574,860</u>
<u>Tier 2 Capital</u>		
General provision *	10,230	692
Total Tier 2 capital	<u>10,230</u>	<u>692</u>
Total Capital	<u>581,886</u>	<u>575,552</u>
CET1 Capital Ratio	63.432%	69.403%
Tier 1 Capital Ratio	63.432%	69.403%
Total Capital Ratio	64.567%	69.487%

* The general provisions are not ascribed to loans/financing classified as impaired as per Paragraph 13.1 (iv)(b) of the Bank Negara Malaysia's Capital Adequacy Framework.

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

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets for credit risk	818,393	746,716
Total risk-weighted assets equivalent for market risk	-	-
Total risk-weighted assets equivalent for operational risk	82,823	81,575
	<u>901,216</u>	<u>828,291</u>

Unaudited Interim Financial Statements

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

(r) 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
Debt instruments	AFS	Amortised cost	1,308,100	1,316,289
Debt 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.)

(r) 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 RM000			Carrying RM000
Investment securities - AFS	1,995,191	(1,995,191)	-	-
Investment securities - Amortise Cost	-	1,308,100	8,189	1,316,289
Investment securities - 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)	-
- debt 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 investment securities 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

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



Unaudited Interim Financial Statements

I, Datuk Mohd Najib Hj. Abdullah, being the Group Managing Director/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 three months ended 31 March 2018, as set out on pages 1 to 64 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 31 March 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.

DATUK MOHD NAJIB HJ. ABDULLAH

GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

Date: 23 April 2018