

Unaudited Interim Financial Statements

Condensed consolidated statements of financial position
As at 30 June 2018

	Note	Group		Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Assets					
Cash and short-term funds	11	238,019	141,441	237,929	140,690
Financial assets at fair value through profit or loss	12	16,787	-	16,787	-
Securities available-for-sale	13	-	3,822,038	-	3,822,038
Debt instruments at fair value through other comprehensive income	13	1,337,704	-	1,337,704	-
Debt instruments at amortised cost	14	2,634,822	-	2,634,822	-
Loans, advances and financing	15	647,487	503,824	647,487	503,824
Derivative assets	16	-	78	-	78
Other assets	17	184,571	221,141	184,590	221,858
Statutory deposits with Bank Negara Malaysia		124,687	114,282	124,687	114,282
Investment in subsidiaries		-	-	*	*
Property, plant and equipment		798	724	798	724
Intangible assets		2,750	3,330	2,750	3,330
Deferred tax assets		6,252	10,036	6,252	10,036
Total assets		5,193,877	4,816,894	5,193,806	4,816,860
Liabilities					
Deposits from customers	18	2,623,643	1,937,469	2,623,643	1,937,469
Deposits and placements of banks and other financial institutions	19	1,602,878	1,881,642	1,602,878	1,881,642
Other liabilities	20	166,555	215,626	166,554	215,625
Provision for zakat		367	1,456	358	1,453
Total liabilities		4,393,443	4,036,193	4,393,433	4,036,189
Equity					
Share capital		369,111	369,111	369,111	369,111
Reserves		431,323	411,590	431,262	411,560
Total equity		800,434	780,701	800,373	780,671
Total liabilities and equity		5,193,877	4,816,894	5,193,806	4,816,860
Commitments and contingencies	29	325,000	548,014	325,000	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 six months ended 30 June 2018

Group	Note	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Operating revenue		62,141	58,924	123,279	115,394
Interest income	21	27,954	28,825	54,526	56,751
Interest expense	22	(21,394)	(23,645)	(41,936)	(45,925)
Net interest income		6,560	5,180	12,590	10,826
Net income from Islamic					
Banking operation	34	9,987	9,839	21,832	20,584
Non-interest income	23	7,200	8,476	13,574	16,861
		23,747	23,495	47,996	48,271
Operating expenses	24	(13,501)	(16,298)	(28,099)	(29,662)
Operating profit before allowances		10,246	7,197	19,897	18,609
Expected credit loss written back/ (allowance) on:					
- loans, advances and financing	25	1,787	2,931	1,350	7,035
- securities	26	(7,647)	(2,233)	(7,776)	(3,052)
- other assets	27	(13)	(140)	(130)	(570)
Profit before taxation and zakat		4,373	7,755	13,341	22,022
Taxation		288	(1,861)	(2,797)	(4,899)
Zakat		(162)	(154)	(358)	(372)
Profit for the period attributable to equity holder of the Bank		4,499	5,740	10,186	16,751
Earnings per ordinary share (sen)					
- Basic and diluted	28	2.90	3.70	6.57	10.81

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 six months ended 30 June 2018

Group	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit for the period attributable to equity holder of the Bank	4,499	5,740	10,186	16,751
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on securities available-for-sale:				
- Transfer of gain to profit or loss upon disposal	(430)	(2,609)	(2,511)	(3,692)
- Fair value changes	(8,236)	11,978	(6,359)	23,341
Other comprehensive (loss)/income for the period, net of tax	(8,666)	9,369	(8,870)	19,649
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 (loss)/income for the period attributable to equity holder of Bank	(4,167)	15,109	1,428	36,385

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 six months ended 30 June 2018

Bank	Note	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Operating revenue		61,635	58,425	122,267	113,894
Interest income	21	27,954	28,825	54,526	56,751
Interest expense	22	(21,394)	(23,645)	(41,936)	(45,925)
Net interest income		6,560	5,180	12,590	10,826
Net income from Islamic Banking operation	34	9,987	9,839	21,832	20,584
Non-interest income	23	7,176	8,467	13,529	16,834
		23,723	23,486	47,951	48,244
Operating expenses	24	(13,499)	(16,298)	(28,095)	(29,660)
Operating profit before allowances		10,224	7,188	19,856	18,584
Expected credit loss written back/ (allowance) on:					
- loans, advances and financing	25	1,787	2,931	1,350	7,035
- securities	26	(7,647)	(2,233)	(7,776)	(3,052)
- other assets	27	(13)	(140)	(130)	(570)
Profit before taxation and zakat		4,351	7,746	13,300	21,997
Taxation		288	(1,859)	(2,787)	(4,893)
Zakat		(162)	(154)	(358)	(372)
Profit for the period attributable to equity holder of the Bank		4,477	5,733	10,155	16,732

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 six months ended 30 June 2018

Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to equity holder of the Bank	4,477	5,733	10,155	16,732
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Net gain/(loss) on securities available-for-sale:				
- Transfer of gain to profit or loss upon disposal	(430)	(2,609)	(2,511)	(3,692)
- Fair value changes	(8,236)	11,978	(6,359)	23,341
Other comprehensive (loss)/income for the period, net of tax	(8,666)	9,369	(8,870)	19,649
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 (loss)/income for the period attributable to equity holder of Bank	(4,189)	15,102	1,397	36,366

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 six months ended 30 June 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	-	-	-	-	-	-	16,751	16,751
Other comprehensive income for the period	-	-	-	-	19,649	-	(15)	19,634
Total comprehensive income for the period	-	-	-	-	19,649	-	16,736	36,385
Transactions with owner								
Transfer from regulatory reserve	-	-	-	(651)	-	-	651	-
Dividends*	-	-	-	-	-	-	(50,000)	(50,000)
At 30 June 2017	155,000	214,111	164,252	3,281	(22,886)	-	258,599	772,357
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	-	-	-	-	-	-	10,186	10,186
Other comprehensive income for the period	-	-	-	-	-	(8,870)	112	(8,758)
Total comprehensive income for the period	-	-	-	-	-	(8,870)	10,298	1,428
Transactions with owner								
Transfer to regulatory reserve	-	-	-	618	-	-	(618)	-
At 30 June 2018	369,111	-	-	22,246	-	(8,189)	417,266	800,434

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.

* Single tier interim 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 six months ended 30 June 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	-	-	-	-	-	-	16,732	16,732	
Other comprehensive income for the period	-	-	-	-	19,649	-	(15)	19,634	
Total comprehensive income for the period	-	-	-	-	19,649	-	16,717	36,366	
Transactions with owner									
Transfer to regulatory reserve	-	-	-	(651)	-	-	651	-	
Dividends*	-	-	-	-	-	-	(50,000)	(50,000)	
At 30 June 2017	155,000	214,111	164,252	3,281	(22,886)	-	258,549	772,307	
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	-	-	-	-	-	-	10,155	10,155	
Other comprehensive income for the period	-	-	-	-	-	(8,870)	112	(8,758)	
Total comprehensive income for the period	-	-	-	-	-	(8,870)	10,267	1,397	
Transactions with owner									
Transfer to regulatory reserve	-	-	-	618	-	-	(618)	-	
At 30 June 2018	369,111	-	-	22,246	-	(8,189)	417,205	800,373	

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.

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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 six months ended 30 June 2018

	Note	Group		Bank	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit before taxation and zakat		13,341	22,022	13,300	21,997
Adjustments for non-cash items		(4,420)	(13,201)	(4,420)	(13,201)
Operating profit before changes in working capital		8,921	8,821	8,880	8,796
Changes in working capital:					
Net changes in operating assets		(288,188)	(35,441)	(287,480)	(35,551)
Net changes in operating liabilities		375,309	531,591	375,303	531,590
Net cash generated from operating activities		96,042	504,971	96,703	504,835
Net cash generated from investing activities		536	393	536	393
Net cash used in financing activities activities - Dividends paid		-	(50,000)	-	(50,000)
Net change in cash and cash equivalents		96,578	455,364	97,239	455,228
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	238,019	489,597	237,929	489,403
Cash and cash equivalents comprise of:					
Cash and short-term funds		238,019	489,597	237,929	489,403

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(q).

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 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	Reclassification	Remeasurement	New
	(MFRS 139)			(MFRS 9)
	Carrying	RM000	RM000	Carrying
	RM000			RM000
Investment securities - AFS	3,822,038	(3,822,038)	-	-
Investment securities - Amortised 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.

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
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 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 119 - (<i>Plan Amendment, Curtailment, or Settlement</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 2 - <i>Share-based Payment</i>	1 January 2020
Amendments to MFRS 3 - <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 14 - <i>Regulatory Defferal Accounts</i>	1 January 2020
Amendments to MFRS 101 - <i>Presentation of Financial Statements</i>	1 January 2020

Unaudited Interim Financial Statements

2. Significant accounting policies (cont'd.)

2.2 Standards issued but not yet effective (cont'd.)

	Effective for financial periods beginning on or after
Amendments to MFRS 108 - <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 134 - <i>Interim Financial Reporting</i>	1 January 2020
Amendments to MFRS 137 - <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendments to MFRS 138 - <i>Intangible Assets</i>	1 January 2020
Amendment to IC Int. 12 <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Int. 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendments to IC Int. 22 <i>Foreign Currency Transaction and Advance Consideration</i>	1 January 2020
Amendments to IC Int. 132 <i>Intangible Assets - Web site Costs</i>	1 January 2020
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.

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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 30 June 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 June 2018.

6. Debt and equity instruments

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

7. Dividend paid/payable

There were no dividends declared or paid during the quarter ended 30 June 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 lower pre-tax profit of RM4.4 million for the second quarter ended 30 June 2018, a decrease of RM3.4 million or 44% as compared to pre-tax profit of RM7.8 million recorded in the previous corresponding quarter ended 30 June 2017. The lower profit for the period were mainly due to recovery from impaired loans, advances and financing, mitigated by impairment made on securities instruments.

The pre-tax profit for the six month ended 30 June 2018 amounted to RM13.3 million, a decrease of RM8.7 million or 39% as compared to pre-tax profit of RM22.0 million recorded in the previous corresponding quarter ended 30 June 2017. The lower profit for the period were mainly due to recovery from impaired loans, advances and financing, mitigated by impairment made on securities instruments.

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10. Review for 2018

Malaysia's GDP growth expanded by 5.4% year-on-year in 1st Quarter of 2018 ("1st Quarter"), marginally below market expectations of 5.5% year-on-year as all components increased at softer paces. Domestic demand contributes about 3.8% of the total growth during the quarter, while from the supply side, services and manufacturing sectors contributed significantly by 3.5% and 1.2% respectively.

FBM KLCI declined -3.0% in the 2nd Quarter of 2018 ("2nd Quarter"), in line with peers in the emerging markets and Asia. The index went up as high as 1,896.03 on 20 April 2018 before retreating amidst pressures from the external front such as looming global trade wars, the surge in U.S bond yields coupled with geopolitical turbulence in European countries which include Spain, Germany and Italy. The benchmark index closed the quarter at 1,691.50.

Activities in the equities market was less pronounced during the 2nd Quarter as compared to the previous quarter. Average daily traded volume declined 16% to 2.61 billion shares compared to previous quarter. Meanwhile, average daily traded value was little changed, only 0.36% higher at RM2.73 billion from RM2.72 billion in 1st Quarter with a net foreign outflow of RM9.02 billion.

In the primary market, Bursa Malaysia had 4 IPOs in this Quarter, including 2 listings in the LEAP market with total funds raised of RM248.0 million. This was higher than the 6 IPOs seen in the 1st Quarter, which raised RM207.0 million.

Ample liquidity remained in the banking system throughout the 2nd Quarter. As expected, BNM kept the Overnight Policy Rate ("OPR") unchanged at 3.25% during its scheduled Monetary Policy Committee ("MPC") meeting on 10 May 2018, despite concern over rising interest rate environment in the US.

Given a stable OPR, the benchmark KLIBORs closed the Quarter generally 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. In the interbank money market, the activities were mainly centered in the overnight interbank money deals for the purpose of squaring the daily liquidity position by the participating banks, with overnight interbank rates were mostly seen hovering within the range of 3.20% to 3.25% level.

In the fixed income market, after having started the year on a strong footing on the back of renewed strength in the Ringgit, the local sovereign bonds were under selling pressure by the foreign players in the 2nd Quarter. The sell-off was mainly due to the spill-over effect following the spike in the 10-year US Treasury yields surpassing the 3.00% level in April 2018, which saw the 10-year MGS yield had moved up in tandem to 4.20% from the closing level of 3.95% as at end of previous quarter.

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10. Review for 2018 (cont'd.)

Towards the end of 2nd Quarter, trading activities in the local bond market remained on cautious mode amid uncertainty over the potential impacts to the local financial market arising from the change of Government following the 14th General Election results in May 2018. The local bond market sentiment was weighed down by the headline news that Malaysia's total debts had exceeded the RM1.0 trillion benchmark, leading to continued selling mode by the foreign investors exiting the local market. Nevertheless, the sell-off was not as bad as feared and was fully supported and absorbed by local players looking for higher yields in the local sovereign bonds.

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	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	49,019	115,441	48,929	114,690
Money at call and deposits placements maturing within one month	189,000	26,000	189,000	26,000
	<u>238,019</u>	<u>141,441</u>	<u>237,929</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 RM2,101,000 and RM574,000 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	
	30 June 2018	31 December 2017
	RM'000	RM'000
Quoted instruments in Malaysia:		
Shares	16,776	-
Unquoted securities in Malaysia:		
Corporate Bonds/Sukuk	11	-
	<u>16,787</u>	<u>-</u>

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

	Group and Bank	
	30 June 2018	31 December 2017
	RM'000	RM'000
Money market instruments:		
Malaysian Government Securities	283,207	481,359
Government Investment Issues	309,455	384,266
Negotiable Instruments of Deposit	548,235	497,021
	<u>1,140,897</u>	<u>1,362,646</u>
Quoted instruments in Malaysia:		
Shares	-	29,606
Unquoted instruments in Malaysia:		
Corporate Bonds/Sukuk	283,294	2,511,466
Loan Stocks	64,014	71,604
	<u>347,308</u>	<u>2,583,070</u>
Unquoted instruments in Malaysia:		
Shares	757	906
Less: Expected credit loss allowance/ impairment allowance (a)	<u>(151,258)</u>	<u>(154,190)</u>
	<u>1,337,704</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	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 June 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	28	7,806	7,834
Discount unwind	-	(119)	(119)
	<u>28</u>	<u>151,230</u>	<u>151,258</u>

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

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14. Debt instruments at amortised cost

	Note	Group and Bank	
		30 June 2018	31 December 2017
		RM'000	RM'000
Money market instruments:			
Malaysian Government Securities		194,515	-
Government Investment Issues		190,659	-
		<u>385,174</u>	<u>-</u>
Unquoted instruments in Malaysia:			
Corporate Bonds/Sukuk		2,241,856	-
Loan stocks		8,791	-
		<u>2,250,647</u>	<u>-</u>
Less: Expected credit loss allowance	(a)	(999)	-
		<u>2,634,822</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
30 June 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>1,057</u>
Impairment (written back) during the financial period	(58)	-	(58)
	<u>370</u>	<u>629</u>	<u>999</u>

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

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15. Loans, advances and financing

	Group and Bank	
	30 June 2018	31 December 2017
	RM'000	RM'000
Term loans/financing		
Syndicated term loans	68,692	68,728
Other term loans	124,777	11,848
Islamic financing	155,290	170,104
	<u>348,759</u>	<u>250,680</u>
Margin accounts	361,742	317,038
Staff loans	354	380
Gross loans, advances and financing	<u>710,855</u>	<u>568,098</u>
Less: Impairment allowance		
- Collective impairment allowance	-	(3,515)
- Individual impairment allowance	-	(60,759)
- Expected credit loss allowance	(63,368)	-
Net loans, advances and financing	<u>647,487</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	
	30 June 2018	31 December 2017
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprises	511,930	372,486
Individuals	198,925	195,612
Gross loans, advances and financing	<u>710,855</u>	<u>568,098</u>

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 June	31 December
	2018	2017
	RM'000	RM'000
Fixed rate		
Staff loans	354	380
Margin accounts	361,742	317,038
Variable rate		
Cost-plus	193,469	80,576
Cost-plus (Islamic financing)	155,290	170,104
Gross loans, advances and financing	710,855	568,098

(iii) By economic sector

	Group and Bank	
	30 June	31 December
	2018	2017
	RM'000	RM'000
Household	198,925	195,612
Finance, insurance and business services	157,454	143,356
Transport, storage and communications	112,929	-
Mining and quarrying	98,048	98,048
Manufacturing	62,109	61,939
Others	28,749	9,197
Wholesale & retail trade and restaurants & hotels	26,341	27,390
Education, health and others	24,170	32,556
Construction	2,130	-
Gross loans, advances and financing	710,855	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 June 2018	31 December 2017
	RM'000	RM'000
Within one year	555,516	397,963
One year to five years	155,284	170,068
After five years	55	67
Gross loans, advances and financing	<u>710,855</u>	<u>568,098</u>

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

(i) Movements in ILs are as follows:

	Group and Bank	
	30 June 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 30 June 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)	(60,940)	-
Net ILs	<u>105,823</u>	<u>106,040</u>
Ratio of net ILs to gross loans, advances and financing less expected credit loss allowance/individual impairment allowance	<u>16.28%</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	
	30 June 2018	31 December 2017
	RM'000	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
	<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	
	30 June 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
At 30 June 2018/31 December 2017	<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>

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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 June 2018			
At 1 January	60,735	24	60,759
Effects of MFRS 9 Financial Instruments adoption	(60,735)	(24)	(60,759)
At 30 June	<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
30 June 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	-	426	-	426
Amount written back	(323)	(37)	(1,416)	(1,776)
Discount unwind	-	(208)	-	(208)
	<u>1,473</u>	<u>60,940</u>	<u>955</u>	<u>63,368</u>

There were no Stage 2 exposure as at 30 June 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 June 2018			
Interest rate related derivatives:			
- Interest rate swaps	-	-	-
31 December 2017			
Interest rate related derivatives:			
- Interest rate swaps	100,000	78	-

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17. Other assets

	Note	Group		Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Interest/profit receivables		29,225	26,719	29,225	26,719
Amounts due from brokers and clients	(a)	128,241	165,308	128,241	165,308
Deposits, prepayments and other receivables		19,026	12,546	19,026	12,546
Less: Expected credit loss allowance/impairment allowance	(b)	(10,463)	(4,226)	(10,463)	(4,226)
		<u>8,563</u>	<u>8,320</u>	<u>8,563</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)		(96,973)	-	(96,973)	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount due from related companies	(c)	65	35	65	35
Amount due from subsidiaries	(c)	-	-	19	717
Tax recoverable		18,477	20,759	18,477	20,759
		<u>184,571</u>	<u>221,141</u>	<u>184,590</u>	<u>221,858</u>

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17. Other assets (cont'd.)

(a) Amounts due from brokers and clients

	Group and Bank	
	30 June 2018	31 December 2017
	RM'000	RM'000
Brokers	82,062	52,399
Clients	46,179	112,909
	<u>128,241</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 June 2018	31 December 2017
	RM'000	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 June/31 December	<u>-</u>	<u>4,226</u>

(ii) Expected credit loss allowance

	Group and Bank
	30 June 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	433
Written back during the financial period	(303)
Adjustment	6,192
	<u>10,463</u>

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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 June 2018 RM'000	31 December 2017 RM'000
(a) By types of deposit		
Call deposits	16,263	10,192
Fixed deposits	2,607,380	1,927,277
	2,623,643	1,937,469
(b) By types of customer		
Business enterprises	1,919,479	1,465,036
Government and statutory bodies	701,531	469,857
Individual	2,633	2,576
	2,623,643	1,937,469
(c) The maturity structure of term deposits is as follows:		
Due within six months	2,386,210	1,805,695
Six months to one year	237,433	116,101
One year to two years	-	15,673
	2,623,643	1,937,469

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
(a) Call deposits		
- Other financial institutions	5,538	3,860
(b) Fixed deposits		
- Licensed banks	-	68,700
- Other financial institutions	1,597,340	1,809,082
	1,597,340	1,877,782
	1,602,878	1,881,642

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20. Other liabilities

	Note	Group		Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Amounts due to brokers and clients	(a)	135,169	171,633	135,169	171,633
Interest/profit payables		19,556	23,643	19,556	23,643
Accrued liabilities and other payables		9,222	15,963	9,222	15,963
Employee benefits		1,815	3,391	1,815	3,391
Amount due to immediate holding company	(b)	781	988	780	988
Amount due to related company	(b)	12	8	12	7
		<u>166,555</u>	<u>215,626</u>	<u>166,554</u>	<u>215,625</u>

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

(a) Amount due to brokers and clients

Brokers	12,936	-
Clients	122,233	171,633
	<u>135,169</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.

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21. Interest income

Group and Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Loans and advances				
- Interest income on non-impaired loans	8,888	4,790	16,422	9,836
- Interest income on impaired loans ("ILs")	106	176	208	1,282
Money at call and deposit placements with financial institutions	476	1,625	1,531	2,511
Financial assets at fair value through profit or loss	-	2	-	3
Debt instruments at fair value through other comprehensive income				
- Interest income on non-impaired securities	4,062	21,239	7,999	41,723
- Interest income on impaired securities	85	1,035	144	1,666
Debt instruments at amortised cost				
- Interest income on non-impaired securities	13,929	-	27,103	-
- Interest income on impaired securities	460	-	1,116	-
Derivative instruments	47	49	109	106
	<u>28,053</u>	<u>28,916</u>	<u>54,632</u>	<u>57,127</u>
Accretion of discount less amortisation of premium	(99)	(91)	(106)	(376)
	<u>27,954</u>	<u>28,825</u>	<u>54,526</u>	<u>56,751</u>

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22. Interest expense

Group and Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	14,114	10,744	26,834	23,893
Deposits and placements of bank and other financial institutions	7,280	12,901	15,102	22,032
	<u>21,394</u>	<u>23,645</u>	<u>41,936</u>	<u>45,925</u>

23. Non-interest income

Group	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Fees on loans and advances	44	13	65	24
Corporate advisory fees	449	842	2,762	984
Underwriting fees	-	-	-	158
Management fees	-	1,528	-	1,874
Brokerage commission	4,867	5,105	9,701	11,312
Rollover charges	684	402	1,165	770
Facility fee	290	-	328	28
Redemption fee	190	-	195	84
Placement fees	86	-	86	-
Other fee income	17	7	29	24
	<u>6,627</u>	<u>7,897</u>	<u>14,331</u>	<u>15,258</u>

Unaudited Interim Financial Statements

23. Non-interest income (contd.)

Group	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Investment (loss)/income:				
Net (loss)/gain on sale of financial assets at fair value through profit or loss/securities held-for-trading	-	13	-	13
Net (loss)/gain on sale of debt instruments at fair value through other comprehensive income/securities available- for-sale	35	(31)	736	(11)
Net realised gain on sale of financial assets at fair value through profit or loss	-	(2)	-	-
Net unrealised loss on revaluation of financial assets at fair value through profit or loss	(247)	-	(2,961)	-
Net unrealised loss on revaluation of derivatives instruments	(44)	(149)	(78)	(253)
	<u>(256)</u>	<u>(169)</u>	<u>(2,303)</u>	<u>(251)</u>
Gross dividends from:				
Financial assets at fair value through profit or loss	493	-	987	-
Debt instruments at fair value through other comprehensive income/securities available- for-sale	-	493	-	1,480
	<u>493</u>	<u>493</u>	<u>987</u>	<u>1,480</u>
Other income:				
Intercompany management fee	233	234	350	326
Others	103	21	209	48
	<u>336</u>	<u>255</u>	<u>559</u>	<u>374</u>
	<u>7,200</u>	<u>8,476</u>	<u>13,574</u>	<u>16,861</u>

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23. Non-interest income (contd.)

Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Fee income:				
Fees on loans and advances	44	13	65	24
Corporate advisory fees	449	842	2,762	984
Underwriting fees	-	-	-	158
Management fees	-	1,528	-	1,874
Brokerage commission	4,867	5,105	9,701	11,312
Rollover charges	684	402	1,165	770
Facility fee	290	-	328	28
Redemption fee	190	-	195	84
Placement fees	86	-	86	-
Other fee income	4	1	4	4
	<u>6,614</u>	<u>7,891</u>	<u>14,306</u>	<u>15,238</u>
Investment loss:				
Net (loss)/gain on sale of financial assets at fair value through profit or loss/securities held-for-trading	-	13	-	13
Net (loss)/gain on sale of debt instruments at fair value through other comprehensive income/securities available- for-sale	35	(31)	736	(11)
Net realised gain on sale of financial assets at fair value through profit or loss	-	(2)	-	-
Net unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss	(247)	-	(2,961)	-
Net unrealised loss on revaluation of derivatives instruments	(44)	(149)	(78)	(253)
	<u>(256)</u>	<u>(169)</u>	<u>(2,303)</u>	<u>(251)</u>

Unaudited Interim Financial Statements

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

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Bank				
Gross dividends from:				
Financial assets at fair value through profit or loss	493	-	987	-
Debt instruments at fair value through other comprehensive income/securities available- for-sale	-	493	-	1,480
	<u>493</u>	<u>493</u>	<u>987</u>	<u>1,480</u>
Other income:				
Intercompany management fee	233	234	350	326
Others	92	18	189	41
	<u>325</u>	<u>252</u>	<u>539</u>	<u>367</u>
	<u>7,176</u>	<u>8,467</u>	<u>13,529</u>	<u>16,834</u>

24. Operating expenses

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Group				
(i) Staff costs:				
Wages, salaries and bonuses Executive Director/Chief Executive Officer	6,063	8,421	12,674	14,962
- Fees	30	30	60	60
Employees' benefits	65	72	97	125
Defined contribution plans	813	1,331	1,863	2,356
Social security costs	36	33	73	66
Other staff related expenses	645	781	1,224	980
	<u>7,652</u>	<u>10,668</u>	<u>15,991</u>	<u>18,549</u>

Unaudited Interim Financial Statements

24. Operating expenses (cont'd.)

Group	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
(ii) Establishment costs:				
Depreciation and amortisation	466	211	957	420
Rental				
- office equipment	10	15	16	22
- premises	562	576	1,130	1,158
IT expenses	1,076	1,144	2,333	2,256
Other establishment costs	48	87	103	143
	<u>2,162</u>	<u>2,033</u>	<u>4,539</u>	<u>3,999</u>
(iii) Promotion and marketing -related expenses:				
Business promotion and advertisement	836	771	1,025	1,006
Entertainment	93	107	204	212
	<u>929</u>	<u>878</u>	<u>1,229</u>	<u>1,218</u>
(iv) Administrative and general expenses:				
Auditors' remuneration				
- Audit	55	49	108	110
Non-Executive Directors' remuneration	215	123	421	219
Communication expenses	42	40	79	66
Management fees	1,655	1,666	3,503	3,373
Professional fees	(170)	123	74	340
Securities commission's levy	406	310	802	778
Brokerage fee	297	217	609	484
Bursa fee	65	24	120	48
License fee and stamp duty	-	3	165	169
Corporate dealers' and remisier' commissions	15	27	41	53
Others	178	137	418	256
	<u>2,758</u>	<u>2,719</u>	<u>6,340</u>	<u>5,896</u>
	<u>13,501</u>	<u>16,298</u>	<u>28,099</u>	<u>29,662</u>

Unaudited Interim Financial Statements

24. Operating expenses (cont'd.)

Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(i) Staff costs:				
Wages, salaries and bonuses	6,063	8,421	12,674	14,962
Executive Director/Chief Executive Officer				
- Fees	30	30	60	60
Employees' benefits	65	72	97	125
Defined contribution plans	813	1,331	1,863	2,356
Social security costs	36	33	73	66
Other staff related expenses	645	781	1,224	980
	<u>7,652</u>	<u>10,668</u>	<u>15,991</u>	<u>18,549</u>
(ii) Establishment costs:				
Depreciation and amortisation	466	211	957	420
Rental				
- office equipment	10	15	16	22
- premises	562	576	1,130	1,158
IT expenses	1,076	1,144	2,333	2,256
Other establishment costs	48	87	103	143
	<u>2,162</u>	<u>2,033</u>	<u>4,539</u>	<u>3,999</u>
(iii) Promotion and marketing -related expenses:				
Business promotion and advertisement	836	771	1,025	1,006
Entertainment	93	107	204	212
	<u>929</u>	<u>878</u>	<u>1,229</u>	<u>1,218</u>

Unaudited Interim Financial Statements

24. Operating expenses (cont'd.)

Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		3 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
(iv) Administrative and general expenses:				
Auditors' remuneration				
- Audit	55	55	108	110
Non-Executive Directors' remuneration	215	123	421	219
Communication expenses	42	40	79	66
Management fees	1,653	1,666	3,499	3,371
Professional fees	(170)	123	74	340
Securities Commission's Levy	406	310	802	778
Brokerage fees	297	217	609	484
Bursa fee	65	24	120	48
License fee and stamp duty	-	3	165	169
Corporate dealers' and remisiers' commissions	15	27	41	53
Others	178	131	418	256
	<u>2,756</u>	<u>2,719</u>	<u>6,336</u>	<u>5,894</u>
	<u>13,499</u>	<u>16,298</u>	<u>28,095</u>	<u>29,660</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 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Collective impairment allowance				
- Made during the period [Note 15(c)(i)]	-	(31)	-	(207)
Individual impairment allowance				
- Written back during the period [Note 15(c)(ii)]	-	766	-	1,445
Expected credit loss allowance				
- Written back during the period [Note 15(c)(iii)]	1,787	-	1,350	-
Interest on impaired loans recovered	-	2,196	-	5,797
	<u>1,787</u>	<u>2,931</u>	<u>1,350</u>	<u>7,035</u>

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

Group and Bank	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Debt instruments at fair value through other comprehensive income/securities available-for- sale [Note 13(a)]	(7,710)	(2,233)	(7,834)	(3,052)
Debt instruments at amortised cost [Note 14(a)]	63	-	58	-
	<u>(7,647)</u>	<u>(2,233)</u>	<u>(7,776)</u>	<u>(3,052)</u>

Unaudited Interim Financial Statements

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

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
Group and Bank	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Expected credit loss allowance/ impairment loss made on:				
- Other debtors [Note 17(b)]	(13)	(140)	(130)	(570)
	<u>(13)</u>	<u>(140)</u>	<u>(130)</u>	<u>(570)</u>

28. Basic earnings per ordinary shares

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
Group	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>4,499</u>	<u>5,740</u>	<u>10,186</u>	<u>16,751</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>2.90</u>	<u>3.70</u>	<u>6.57</u>	<u>10.81</u>

Unaudited Interim Financial Statements

29. Commitments and contingencies

	<----- 30 June 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						
Obligations under an on-going underwriting agreement	10,000	5,000	5,000	-	-	-
Interest rate related contract with an original maturity of:						
- not exceeding one year	-	-	-	100,000	194	39
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- not exceeding one year	102,110	20,422	20,422	283,014	56,603	56,603
- exceeding one year	212,890	106,445	106,445	165,000	82,500	82,500
Total	325,000	131,867	131,867	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 June 2018	31 December 2017
	RM'000	RM'000
(i) Outstanding credit exposures with connected parties	<u>155,079</u>	<u>152,500</u>
(ii) Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>4.20%</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>

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 June	30 June
	2018	2017
	RM'000	RM'000
Penultimate holding company		
Income:		
Interest income on securities	989	-
Brokerage fees earned	3,331	4,204
Fee income	75	-
	<u>75</u>	<u>-</u>
Immediate holding company		
Expenditure:		
Rental of premises	1,119	1,147
Management fees	3,499	3,371
	<u>3,499</u>	<u>3,371</u>
Other related companies		
Income:		
Interest income on securities	699	3,993
Brokerage fees earned	2,034	1,662
Fee income	1,232	80
	<u>1,232</u>	<u>80</u>
Expenditure:		
Interest expense on deposits	3,526	2,025
	<u>3,526</u>	<u>2,025</u>

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 June 2018	31 December 2017
	RM'000	RM'000
Penultimate holding company		
Amount due from:		
Fee receivable	100	138
Securities	65,072	35,000
	<u>65,072</u>	<u>35,000</u>
Other related companies		
Amount due to:		
Deposits from placements of banks and other financial institutions	148,083	126,099
Other payables	197	185
Amount due from:		
Fee receivable	47	71
Sundry deposits	553	553
Securities	64,072	179,244
	<u>64,072</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
30 June 2018				
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Quoted instruments	16,776	-	-	16,776
Debt instruments at fair value through other comprehensive income				
Money market instruments	-	1,140,897	-	1,140,897
Unquoted instruments	-	144,641	51,409	196,050
Derivative assets	-	-	-	-
Assets for which fair values are disclosed:				
Loans, advances and financing - staff loans	-	284	-	284

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	
	30 June 2018 RM'000	31 December 2017 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	144	3,955
Included within net income from Islamic Banking operation	-	2,717
Included within impairment loss made on debt instruments	(7,834)	(18,563)
	<u>(7,690)</u>	<u>(11,891)</u>
Settlements	(77,593)	(187,342)
At 30 June 2018/31 December 2017	<u>51,409</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 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Tier 1 Capital				
Common Equity Tier 1 ("CET1") Capital				
Ordinary shares	369,111	369,111	369,111	369,111
Regulatory reserve	22,246	2,573	22,246	2,573
Securities available-for-sale reserve	-	(18,576)	-	(18,576)
Fair value through other comprehensive income reserve	(8,189)	-	(8,189)	-
Retained profits	407,080	427,593	407,050	427,563
	<u>790,248</u>	<u>780,701</u>	<u>790,218</u>	<u>780,671</u>
Less: Regulatory adjustments	(31,248)	(15,939)	(31,248)	(15,939)
Total CET1 Capital	<u>759,000</u>	<u>764,762</u>	<u>758,970</u>	<u>764,732</u>
Total Tier 1 Capital	<u>759,000</u>	<u>764,762</u>	<u>758,970</u>	<u>764,732</u>
Tier 2 Capital				
General provisions * and regulatory reserve	20,184	3,265	20,184	3,265
Total Tier 2 capital	<u>20,184</u>	<u>3,265</u>	<u>20,184</u>	<u>3,265</u>
Total Capital	<u>779,184</u>	<u>768,027</u>	<u>779,154</u>	<u>767,997</u>
CET1 Capital Ratio	41.346%	44.616%	41.344%	44.599%
Tier 1 Capital Ratio	41.346%	44.616%	41.344%	44.599%
Total Capital Ratio	42.445%	44.806%	42.444%	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	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Total risk-weighted assets for credit risk	1,614,761	1,506,887	1,614,762	1,507,454
Total risk-weighted assets equivalent for market risk	33,571	4,750	33,571	4,750
Total risk-weighted assets equivalent for operational risk	187,404	202,479	187,404	202,479
	1,835,736	1,714,116	1,835,737	1,714,683

Unaudited Interim Financial Statements

34. The operations of Islamic Banking Scheme (SPI)

Condensed consolidated statements of financial position
As at 30 June 2018

	Note	Group and Bank	
		30 June 2018 RM'000	31 December 2017 RM'000
Assets			
Cash and short-term funds	(a)	402	38,852
Securities available-for-sale	(b)	-	1,995,191
Debt instruments at fair value through other comprehensive income	(b)	909,316	-
Debt instruments at amortised cost	(c)	1,305,795	-
Financing and advances	(d)	153,557	167,515
Other assets	(e)	16,849	13,147
Intangible assets		675	860
Deferred tax assets		982	2,253
Total assets		2,387,576	2,217,818
Liabilities			
Deposits from customers	(f)	890,094	727,464
Deposits and placements of banks and other financial institutions	(g)	843,213	852,676
Other liabilities	(h)	56,095	48,746
Provision for taxation and zakat		4,233	10,959
Total liabilities		1,793,635	1,639,845
Islamic banking capital funds			
Islamic banking funds		396,600	396,600
Reserves		197,341	181,373
Total Islamic banking capital funds		593,941	577,973
Total liabilities and Islamic banking capital funds		2,387,576	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 six months ended 30 June 2018

Group and Bank	Note	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of depositors' funds and others	(j)	27,323	21,878	55,738	42,156
Income attributable to depositors	(k)	(17,336)	(12,039)	(33,906)	(21,572)
Net income attributable to reporting institution		9,987	9,839	21,832	20,584
Operating expenses	(l)	(1,083)	(1,024)	(2,208)	(1,867)
Operating profit before allowances		8,904	8,815	19,624	18,717
Expected credit loss (allowance)/written back on:					
- financing and advances	(m)	2,372	282	2,356	2,330
- debt instruments	(n)	(4,259)	(1,218)	(4,301)	(1,786)
- other assets	(o)	(14)	4	(21)	(410)
Profit before taxation and zakat		7,003	7,883	17,658	18,851
Taxation		(739)	(1,895)	(3,801)	(4,432)
Zakat		(162)	(154)	(358)	(372)
Profit for the period		6,102	5,834	13,499	14,047

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 six months ended 30 June 2018

Group and Bank	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit for the period attributable to equity holder of the Bank	6,102	5,834	13,499	14,047
Other comprehensive (loss)/ income:				
Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods:				
Net (loss)/gain on debt instruments at fair value through comprehensive income/securities available-for-sale:				
- Transfer of gain to profit or loss upon disposal	(395)	(2,640)	(1,775)	(3,703)
- Fair value changes	(1,783)	3,283	(409)	10,156
Other comprehensive (loss)/ income for the period, net of tax	(2,178)	643	(2,184)	6,453
Total comprehensive income for the period attributable to equity holder of the Bank	3,924	6,477	11,315	20,500

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 six months ended 30 June 2018

Group and Bank	Non-distributable				Distributable	
	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	Total RM'000
At 1 January 2017	396,600		(8,255)		207,886	596,231
Profit for the period	-	-	-	-	14,047	14,047
Other comprehensive income for the period	-	-	6,453	-	-	6,453
Total comprehensive income for the period	-	-	6,453	-	14,047	20,500
Transactions with owner						
Dividends*	-	-	-	-	(50,000)	(50,000)
At 30 June 2017	396,600	-	(1,802)	-	171,933	566,731
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	-	-	-	-	13,499	13,499
Other comprehensive income for the period	-	-	-	(2,184)	-	(2,184)
Total comprehensive income for the period	-	-	-	(2,184)	13,499	11,315
Transactions with owner						
Transfer to regulatory reserve	-	2,703	-	-	(2,703)	-
At 30 June 2018	396,600	11,030	-	(1,246)	187,557	593,941

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.

* Single tier interim 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 six months ended 30 June 2018

	Note	Group and Bank	
		30 June 2018 RM'000	30 June 2017 RM'000
Profit before taxation and zakat		17,658	18,851
Adjustments for non-cash items		(11,204)	(9,489)
Operating profit before changes in working capital		6,454	9,362
Changes in working capital:			
Net changes in operating assets		(202,989)	(47,813)
Net changes in operating liabilities		158,085	192,381
Net cash (used in)/generated from operating activities		(38,450)	153,930
Net cash used in financing activities - Dividends paid		-	(50,000)
Net change in cash and cash equivalents		(38,450)	103,930
Cash and cash equivalents at beginning of the period		38,852	576
Cash and cash equivalents at end of the period	34(a)	402	104,506
Cash and cash equivalents comprise of:			
Cash and short-term funds		402	104,506

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 June 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	402	12,852
Money at call and deposit placements maturing within one month	-	26,000
	402	38,852

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

	Group and Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
Money market instruments:		
Government Investment Issues	309,455	378,327
Islamic Negotiable Instruments	498,223	447,008
	807,678	825,335
Corporate Bonds/Sukuk	114,822	1,178,695
Less: Expected credit loss allowance/individual impairment allowance (i)	(13,184)	(8,839)
	909,316	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	Total RM'000
-----------------------	-------------------------

31 December 2017

At 1 January	1,314
Amount made	7,525
At 31 December	8,839

Expected credit loss allowance

Group and Bank	Stage 1 Collective RM'000	Stage 3 Individual RM'000	Total RM'000
-----------------------	--	--	-------------------------

30 June 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	24	4,321	4,345
	24	13,160	13,184

There were no Stage 2 exposure as at 30 June 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	
		30 June 2018 RM'000	31 December 2017 RM'000
Money market instruments:			
Government Investment Issues		184,730	-
Unquoted securities in Malaysia:			
Corporate Bonds/Sukuk		1,121,311	
Less: Expected credit loss allowance	(i)	(246)	-
		<u>1,305,795</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
30 June 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	(44)	-	(44)
	<u>(44)</u>	<u>290</u>	<u>246</u>

There were no Stage 2 exposure as at 30 June 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 June 2018 RM'000	31 December 2017 RM'000
Term financing		
- Syndicated term financing	155,290	170,104
Gross financing and advances	<u>155,290</u>	<u>170,104</u>
Less: Impairment allowance		
- Collective impairment allowance	-	(2,589)
- Expected credit loss allowance	(1,733)	-
Total net financing and advances	<u>153,557</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	
	30 June 2018 RM'000	31 December 2017 RM'000
Domestic business enterprises	155,290	170,104
Gross financing and advances	<u>155,290</u>	<u>170,104</u>

(ii) By profit rate sensitivity

	Group and Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
Variable rate		
Cost-plus	155,290	170,104
Gross financing and advances	<u>155,290</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	
	30 June	31 December
	2018	2017
	RM'000	RM'000
Mining and quarrying	86,200	86,200
Construction	2,130	-
Finance, insurance and business services	42,790	51,348
Education, health and others	24,170	32,556
Gross financing and advances	<u>155,290</u>	<u>170,104</u>

(iv) By maturity profile

	Group and Bank	
	30 June	31 December
	2018	2017
	RM'000	RM'000
Within one year	224	266
One year to five years	155,066	169,838
Gross financing and advances	<u>155,290</u>	<u>170,104</u>

(v) By classification of Shariah contracts

	Group and Bank	
	30 June	31 December
	2018	2017
	RM'000	RM'000
Syndicated term financing		
Commodity Murabahah	155,290	170,104
Gross financing and advances	<u>155,290</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	
	30 June 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 June 2018/31 December 2017	-	2,589
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
30 June 2018			
As at 1 January	-	-	-
Effects of MFRS 9 Financial instruments adoption	1,718	2,371	4,089
As at 1 January, restated	1,718	2,371	4,089
Impairment written back during the financial period	(940)	(1,416)	(2,356)
	778	955	1,733

There were no Stage 2 and Stage 3 exposure as at 30 June 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 June 2018 RM'000	31 December 2017 RM'000
Other debtors, deposits and prepayments		1,490	1,340
Less: Expected credit loss allowance/impairment allowance	(a)	(1,350)	(1,327)
		140	13
Profit receivables		16,709	13,134
		16,849	13,147

(a) Other debtors, deposits and prepayments

Movements in impairment allowance:

(i) Individual impairment allowance

	Group and Bank	
	30 June 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 June 2018/31 December 2017	-	1,327

(ii) Expected credit loss allowance

30 June 2018	Group and Bank
	Total RM'000
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	21
	1,350

Unaudited Interim Financial Statements

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

(f) Deposits from customers

	Group and Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
(i) By type of deposit		
Commodity Murabahah fund		
Term deposits	890,094	727,464
(ii) By type of customer		
Commodity Murabahah fund		
Business enterprises	541,734	421,717
Government and statutory bodies	348,360	305,747
	<u>890,094</u>	<u>727,464</u>
(iii) The maturity structure of term deposits is as follows:		
Due within six months	840,594	627,417
Six months to one year	49,500	100,047
	<u>890,094</u>	<u>727,464</u>

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

	Group and Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
(i) By types of deposit		
Commodity Murabahah fund		
Term deposits	843,213	852,676
(ii) By type of customer		
Commodity Murabahah fund		
Other financial institutions	843,213	852,676

Unaudited Interim Financial Statements

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

(h) Other liabilities

	Group and Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
Profit payables to depositors	9,825	9,708
Sundry creditors and accruals	3,055	5,629
Due to immediate holding company	20	36
Due to Head Office	43,195	33,373
	<u>56,095</u>	<u>48,746</u>

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

Group and Bank	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of:				
(i) General investment deposits	24,457	19,784	51,038	36,802
(ii) Other deposits	2,866	2,094	4,700	5,354
	<u>27,323</u>	<u>21,878</u>	<u>55,738</u>	<u>42,156</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 Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Finance income and hibah				
Money at call and deposit placements with financial institutions	841	969	2,283	1,405
Debt instruments at fair value through other comprehensive income/securities available-for-sale				
- Profit on non-impaired debt instruments	3,139	12,184	4,916	24,653
- Profit on impaired debt instruments	-	699	-	1,389
Debt instruments at amortised cost	15,482	-	30,484	-
	<u>19,462</u>	<u>13,852</u>	<u>37,683</u>	<u>27,447</u>
Accretion of discount less amortisation of premium	<u>4,600</u>	<u>3,292</u>	<u>9,348</u>	<u>5,652</u>
Total finance income and hibah	<u>24,062</u>	<u>17,144</u>	<u>47,031</u>	<u>33,099</u>
Other operating income				
Net gain on sale of debt instruments at fair value through other comprehensive income/securities available-for-sale	395	2,640	1,775	3,703
Net realised gain on sale of financial assets at fair value through profit or loss	-	-	2,232	-
	<u>395</u>	<u>2,640</u>	<u>4,007</u>	<u>3,703</u>
	<u>24,457</u>	<u>19,784</u>	<u>51,038</u>	<u>36,802</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 Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Finance income and hibah				
Financing and advances	1,526	1,942	3,063	3,934
Other operating income				
Fee income				
- Fees on financing and advances	95	117	190	235
- Corporate advisory fees	1,210	-	1,260	575
- Participation fees	34	34	67	67
- Placement fee	-	-	-	540
	1,339	151	1,517	1,417
Other income	1	1	120	3
	1,340	152	1,637	1,420
	2,866	2,094	4,700	5,354
Total income derived from investment	27,323	21,878	55,738	42,156

(k) Income attributable to depositors

Group and Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Commodity Murabahah fund				
Deposits from customers	(8,851)	(4,773)	(16,733)	(10,586)
Deposits and placements of banks and other financial institutions	(8,485)	(7,266)	(17,173)	(10,986)
	(17,336)	(12,039)	(33,906)	(21,572)

Unaudited Interim Financial Statements

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

(I) Operating expenses

Group and Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
(i) Staff costs:				
Wages, salaries and bonuses	428	556	878	964
Defined contribution plan	77	112	169	195
Social security costs	2	2	5	4
Other staff related expenses	59	16	97	27
	<u>566</u>	<u>686</u>	<u>1,149</u>	<u>1,190</u>
(ii) Establishment costs:				
Depreciation and amortisation	92	-	185	-
Rental	35	36	71	72
IT expenses	61	57	118	115
Others	8	7	15	12
	<u>196</u>	<u>100</u>	<u>389</u>	<u>199</u>
(iii) Promotion and marketing -related expenses:				
Business promotion and advertisement	-	1	-	3
Entertainment	3	3	7	7
	<u>3</u>	<u>4</u>	<u>7</u>	<u>10</u>
(iv) Administrative and general expenses:				
Audit fees	4	4	8	8
Non-Executive Directors' remuneration	15	9	30	16
Management fees	137	124	271	251
Professional fees	13	17	32	28
Brokerage fees	122	71	231	142
Others	27	9	91	23
	<u>318</u>	<u>234</u>	<u>663</u>	<u>468</u>
	<u>1,083</u>	<u>1,024</u>	<u>2,208</u>	<u>1,867</u>

Unaudited Interim Financial Statements

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 Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Collective impairment allowance				
- (Made)/written back during period [Note 34(d)(b)(i)]	-	(27)	-	48
Expected credit loss allowance				
- Written back during period [Note 34(d)(b)(ii)]	2,372	-	2,356	-
Profit on impaired financing recovered	-	309	-	2,282
	<u>2,372</u>	<u>282</u>	<u>2,356</u>	<u>2,330</u>

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

Group and Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Debt instruments at fair value through other comprehensive income/securities available-for-sale (net) [Note 34(b)(i)]	(4,308)	(1,218)	(4,345)	(1,786)
Debt instruments at amortised cost [Note 34(c)(i)]	49	-	44	-
	<u>(4,259)</u>	<u>(1,218)</u>	<u>(4,301)</u>	<u>(1,786)</u>

Unaudited Interim Financial Statements

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

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

Group and Bank	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Expected credit loss allowance/ impairment loss made on:				
- Other assets	(14)	4	(21)	(410)

(p) Capital adequacy

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

	Group and Bank	
	30 June 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	11,030	-
Securities available-for-sale reserve	-	(5,506)
Debt instruments at fair value through other comprehensive income	(1,246)	-
Retained profits	174,058	186,879
	<u>580,442</u>	<u>577,973</u>
Less: Regulatory adjustments	(12,687)	(3,113)
Total CET 1 Capital, representing Total Tier 1 Capital	<u>567,755</u>	<u>574,860</u>
<u>Tier 2 Capital</u>		
General provision*	9,362	692
Total Tier 2 capital	<u>9,362</u>	<u>692</u>
Total Capital	<u>577,117</u>	<u>575,552</u>
CET1 Capital Ratio	68.336%	69.403%
Tier 1 Capital Ratio	68.336%	69.403%
Total Capital Ratio	69.463%	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.

Unaudited Interim Financial Statements

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

(p) 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 June 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets for credit risk	748,983	746,716
Total risk-weighted assets equivalent for market risk	-	-
Total risk-weighted assets equivalent for operational risk	81,849	81,575
	<u>830,832</u>	<u>828,291</u>

(q) 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.)

(q) 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)			New (MFRS 9)
	Carrying RM'000	Reclassification RM'000	Remeasurement RM'000	Carrying RM'000
Investment securities - AFS	1,995,191	(1,995,191)	-	-
Investment securities - Amortised 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, 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 three months ended 30 June 2018, as set out on pages 1 to 70 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 June 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: 24 July 2018