Deutsche Bank (Malaysia) Berhad
(Company No. 312552-W)
(Incorporated in Malaysia)
and its subsidiaries

Unaudited Condensed Interim Financial Statements for the Financial Period ended 30 September 2018

Domiciled in Malaysia
Registered office:
Level 18, Menara IMC No. 8 Jalan Sultan Ismail 50250 Kuala Lumpur

Consolidated Statements of Financial Position
As at 30 September 2018 - Unaudited

	Note	Group 30 September 2018 RM'000	Group 31 December 2017 RM'000	Bank 30 September 2018 RM'000	Bank 31 December 2017 RM'000
Assets					
Cash and short term funds		2,875,802	3,416,228	2,875,802	3,416,228
Deposits and placements of banks and other financial institutions		199,998	333,033	199,998	333,033
Reverse repurchase agreements		222,174	69,042	222,174	69,042
Financial securities	13	3,291,480	1,447,393	3,291,480	1,447,393
Loans, advances and financing	14	2,440,464	2,391,753	2,440,464	2,391,753
Other assets	15	1,692,493	1,752,189	1,692,493	1,752,189
Tax recoverable		4,758	10,149	4,758	10,149
Statutory deposit with Bank Negara Malaysia		20,000	100,000	20,000	100,000
Investments in subsidiary companies		-	-	20	20
Property, plant and equipment		2,100	4,090	2,100	4,090
Deferred tax assets		29,883	27,299	29,883	27,299
Total assets		10,779,152	9,551,176	10,779,172	9,551,196
Liabilities and shareholders' funds					
Deposits from customers	16	4,490,943	4,627,017	4,490,963	4,627,037
Deposits and placements of banks and other financial institutions	17	2,370,466	658,943	2,370,466	658,943
Other liabilities	18	2,103,291	2,446,461	2,103,291	2,446,461
Total liabilities		8,964,700	7,732,421	8,964,720	7,732,441
Share capital		531,362	531,362	531,362	531,362
Reserves		1,283,090	1,287,393	1,283,090	1,287,393
Shareholders' funds		1,814,452	1,818,755	1,814,452	1,818,755
Total liabilities and shareholders' funds		10,779,152	9,551,176	10,779,172	9,551,196
Commitments and contingencies	25	108,785,772	108,969,319	108,785,772	108,969,319

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2017.

Consolidated Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Period Ended 30 September 2018 - Unaudited

	Note	Group and Bank			
		Nine months ended		Three months ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Interest income	19	230,184	185,628	83,062	65,687
Interest expense	20	(65,861)	(57,896)	(24,495)	(20,750)
Net interest income		164,323	127,732	58,567	44,937
Net income from Islamic Banking Operations	26	2,706	2,075	897	786
Non-interest income	21	158,714	186,830	50,875	53,772
Operating income		325,743	316,637	110,339	99,495
Other operating expenses	22	(133,852)	(117,068)	(42,055)	(47,417)
Operating profit		191,891	199,569	68,284	52,078
Allowance (made) / written back for impairment	23	(1,717)	2,573	(419)	(362)
Profit before tax		190,174	202,142	67,865	51,716
Tax expense		(48,356)	(49,716)	(18,570)	(12,414)
Net profit for the period		141,818	152,426	49,295	39,302
Other comprehensive income:					
Movement in fair value reserve (debt securities)					
Net change in fair value		110	-	107	-
Net amount transferred to profit or loss		77	-	10	-
Tax expense on other comprehensive income		(45)	-	(29)	-
Other comprehensive income for the period		142	-	88	-
Total comprehensive income for the period		141,960	152,426	49,383	39,302
Earnings per share (sen)		81.7 sen	87.8 sen	28.4 sen	22.6 sen

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2017.

Consolidated Statements Of Changes In Equity
For The Financial Period Ended 30 September 2018

Group and Bank	Note	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total reserves RM'000	Proposed dividend RM'000	Total RM'000
		<----Attributable to owner of the Bank						---->
		<----Non-distributable		---->	Distributable			
At 1 January 2018		531,362	-	13,558	1,273,835	1,287,393	-	1,818,755
Adjustment on initial application of MFRS 9, net of tax	12	-	-	46	8,691	8,737	-	8,737
Adjusted balance at 1 January 2018		531,362	-	13,604	1,282,526	1,296,130	-	1,827,492
Net profit for the period		-	-	-	141,818	141,818	-	141,818
Other comprehensive income for the period		-	-	142	-	142	-	142
Total comprehensive income for the period		-	-	142	141,818	141,960	-	141,960
Transfer pursuant to BNM revised policy*		-	-	25,942	(25,942)	-	-	-
Dividend paid		-	-	-	(155,000)	(155,000)	-	(155,000)
At 30 September 2018		531,362	-	39,688	1,243,402	1,283,090	-	1,814,452
At 1 January 2017		173,599	357,763	188,280	1,035,787	1,581,830	-	1,755,429
Transfer of share premium to share capital		357,763	(357,763)	-	-	(357,763)	-	-
Transfer of reserve fund to retained profits		-	-	(174,722)	174,722	-	-	-
Net profit/ Total comprehensive income for the period		-	-	-	152,426	152,426	-	152,426
Dividend paid		-	-	-	(147,039)	(147,039)	-	(147,039)
At 30 September 2017		531,362	-	13,558	1,215,896	1,229,454	-	1,760,816

* Bank Negara Malaysia ("BNM") had on 2 February 2018 issued a revised policy document on Financial Reporting which requires all banking institutions to maintain in aggregate, Stage 1 and 2 provisions and regulatory reserve of no less than 1% of all credit exposures, net of Stage 3 provision. During the financial period ended 30 September 2018, the Group and the Bank has transferred RM25,942,000 from its retained profits to other reserves pursuant to the Revised Policy Document.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2017.

Condensed Consolidated Statements Of Cash Flows
For The Financial Period Ended 30 September 2018

	Group and Bank	
	30 September 2018 RM'000	30 September 2017 RM'000
Profit before taxation	190,174	202,142
Adjustments for non-operating and non-cash items	2,688	631
Operating profit before working capital changes	192,862	202,773
Changes in working capital:		
Net changes in operating assets	(1,894,551)	1,220,034
Net changes in operating liabilities	1,232,279	(738,106)
Income tax paid	(48,353)	(37,017)
Net cash (used in) / generated from operations	(517,763)	647,684
Cash flows from investing activities:		
Purchase of plant and equipment	(698)	(640)
Proceeds from disposal of plant and equipment	-	100
Net cash used in investing activities	(698)	(540)
Cash flows from financing activities:		
Dividend paid	(155,000)	(147,039)
Net cash used in financing activities	(155,000)	(147,039)
Net (decrease) / increase in cash and cash equivalents	(673,461)	500,105
Cash and cash equivalents at beginning of the period	3,749,261	4,609,578
Cash and cash equivalents at end of the period	3,075,800	5,109,683
Analysis of cash and cash equivalents:		
Cash and short-term funds	2,875,802	4,909,683
Deposits and placements of banks and other financial institutions	199,998	200,000
Cash and cash equivalents at end of the period	3,075,800	5,109,683

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2017.

Explanatory Notes To The Interim Financial Statements
For The Financial Period Ended 30 September 2018

1. Basis of preparation

The unaudited interim financial statements for the financial period ended 30 September 2018 have been prepared under the historical cost convention except for reverse repurchase agreements, financial securities and derivative financial instruments which are stated at fair values.

The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 December 2017. The explanatory notes attached to the 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 year ended 31 December 2017.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business. Islamic banking business refers generally to the acceptance of deposits under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2017, except for the adoption of the following Malaysian Financial Reporting Standard ("MFRS"), Amendments to MFRSs and IC Interpretation that have been issued by the Malaysian Accounting Standard Board ("MASB"):

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS15, *Revenue from Contract Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

1. Basis of preparation (continued)

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by MASB but have not been adopted by the Group and the Bank:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019; and

- from the annual period beginning on 1 January 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

1. Basis of preparation (continued)

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Bank except as mentioned in the subsequent paragraphs:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases,* IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 16.

2. Audit report

The audit report on the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2017 was not subject to any qualification.

3. Seasonality or Cyclicality of Operations

The business operations of the Group and the Bank are not subject to material seasonal or cyclical fluctuations.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank for the financial period ended 30 September 2018.

5. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 September 2018.

6. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the financial period ended 30 September 2018.

7. Dividend Paid

Since the end of the previous financial year, the Bank paid the final dividend of 89.3 sen per ordinary share totalling RM155,000,000 in respect of the financial year ended 31 December 2017. The dividend was paid on 11 July 2018.

8. Material Events

There were no material events subsequent to the reporting date that require disclosure or adjustments to the unaudited condensed interim financial statements.

9. Changes in the composition of the Group

There were no changes in the composition of the Group for the financial period ended 30 September 2018.

10. Review of Performance

The Bank recorded profit before taxation for the financial period ended 30 September 2018 of RM190.2 million compared to RM202.1 million for the previous corresponding period. Operating income increased by RM9.1 million (+2.9%) from RM316.6 million to RM325.7 million, mainly attributed to net interest income increased by RM36.6 million (+28.7%) from RM127.7 million to RM164.3 million, offset by lower non-interest income of RM158.7 million against RM186.8 million in the previous corresponding period. Operating expenses increased by RM16.8 million (+14.3 %) from RM117.1 million to RM133.9 million mainly attributed to higher intercompany charges.

Total assets registered an increase of RM1.2 billion or 12.5% from RM9.6 billion as at 31 December 2017 to RM10.8 billion as at 30 September 2018. The Bank's total common equity tier 1 ratio and total capital ratio remained strong at 18.6% and 19.1%, respectively.

11. Prospects

Global growth remains robust supported with strong macro fundamentals, but may decelerate marginally with risks of slowing emerging markets and rising trade protectionism. In the US, growth is expected to accelerate in 2018; boosted by tax cuts, fiscal spending and rebound in consumer spending. However the outlook may subject to downside risks from potential trade war and possibility of tighter financial conditions. The Eurozone economy is expected to grow modestly this year underpinned by solid income growth and easy financial conditions, with potential upside risks should fiscal policy becomes more expansionary in the near term. Locally, the Malaysia economy is expected to remain on steady growth path this year supported by strong private sector consumption, whilst the outlook is expected to moderate yet positive amidst challenging external environment.

The Bank remains competitive with the solid frameworks around capital and liquidity management, risk controls and enhanced internal processes. We continue to be relentless in our commitment towards client centricity and in driving product innovation to deliver sustainable performance.

The Bank looks forward to contribute to the economic growth and wellbeing of the communities which we operate and to create positive impact for our clients, investors, employees and society at large.

12. Changes in significant accounting policies

MFRS 9 Financial Instruments

MFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening balance of reserves and retained earnings:

RM'000	Note	Impact of adopting MFRS 9 on opening balance
Fair value reserve (Other reserves)		
Reclassification of financial securities (debt) from FVTPL to FVOCI	(i)	58
Recognition of expected credit losses ("ECL") under MFRS 9 for debt financial assets at FVOCI	(ii)	2
Related tax		(14)
Impact at 1 January 2018		46
Retained profits		
Reclassification of financial securities (debt) from FVTPL to FVOCI	(i)	(58)
Recognition of expected credit losses under MFRS 9	(ii)	(5,693)
Reversal of MFRS 139 impairment		17,186
Related tax		(2,744)
Impact at 1 January 2018		8,691

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification and measurement of financial liabilities. However, it eliminates the previous MFRS 139 categories for financial assets of held to maturity ("HTM"), loans and receivables ("L&R") and available for sale ("AFS").

The adoption of MFRS 9 has not had a significant effect on the Bank accounting policies related to financial liabilities and derivative financial instruments. The impact of MFRS 9 on the classification and measurement of financial assets is set out below.

Under MFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

The effect of adopting MFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Bank financial assets as at 1 January 2018.

RM'000	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139	New carrying amount under MFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	3,749,261	3,749,254
Reverse repurchase agreements	FVTPL-HFT	FVTPL	69,042	69,042
Financial securities				
- Debt securities	FVTPL-HFT	FVTPL– debt securities	1,265,566	1,265,566
- Debt securities	FVTPL-HFT	FVOCI – debt securities	180,236	180,236
- Equity securities	Available-for-sale	FVOCI – equity securities	1,591	1,591
Loans, advances and financing	Loans and receivables	Amortised cost	2,391,753	2,403,255
Derivatives assets	FVTPL-HFT	FVTPL	1,302,496	1,302,496
Statutory deposit with Bank Negara Malaysia	Loans and receivables	Amortised cost	100,000	100,000
Total financial assets			**9,059,945**	**9,071,440**

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

The following table reconciles the carrying amounts under MFRS 139 to the carrying amounts under MFRS 9 on transition to MFRS 9 on 1 January 2018.

RM'000	MFRS 139 carrying amount 31 December 2017	Reclassification	Remeasurement	MFRS 9 carrying amount 1 January 2018
Financial assets:				
Amortised Cost				
Cash and cash equivalents	3,749,261	-	(7)	3,749,254
Loans and advances to customers	2,391,753	-	11,502	2,403,255
Statutory deposit with Bank Negara Malaysia	100,000	-	-	100,000
Total amortised cost	**6,241,014**	**-**	**11,495**	**6,252,509**
Available for sale				
Financial securities – equity	1,591	(1,591)	-	-
Total available for sale	**1,591**	**(1,591)**	**-**	**-**
FVTPL				
Reverse repurchase agreements	69,042	-	-	69,042
Derivatives assets	1,302,496	-	-	1,302,496
Financial securities – debt	1,445,802	(180,236)	-	1,265,566
Total FVTPL	**2,817,340**	**(180,236)**	**-**	**2,637,104**
FVOCI - debt				
Financial securities – debt	-	180,236	-	180,236
Total FVOCI - debt	**-**	**180,236**	**-**	**180,236**
FVOCI - equity				
Financial securities – equity	-	1,591	-	1,591
Total FVOCI - equity	**-**	**1,591**	**-**	**1,591**

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

The following table reconciles the closing impairment allowance for financial assets in accordance with MFRS 139 and the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

RM'000	MFRS 139 carrying amount 31 December 2017	Reclassification	Remeasurement	MFRS 9 carrying amount 1 January 2018
Cash and cash equivalents	-	-	7	7
Loans and advances to customers	17,186	-	(11,502)	5,684
Total	**17,186**	**-**	**(11,495)**	**5,691**

ii. Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to all debt instruments that are measured at amortized cost or FVOCI, and to off balance sheet lending commitments such as loan commitments and financial guarantees (hereafter collectively referred to as "Financial Assets").

Staged Approach to the Determination of Expected Credit Losses

MFRS 9 introduces a three stage approach to impairment for Financial Assets that are performing at the date of origination or purchase. This approach is summarised as follows:

– Stage 1: The Bank recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

– Stage 2: The Bank recognizes a credit loss allowance at an amount equal to lifetime expected credit losses (LTECL) for those Financial Assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default (LTPD) that represents the probability of default occurring over the remaining lifetime of the Financial Asset. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

– Stage 3: The Bank recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default (PD) of 100 %, via the recoverable cash flows for the asset, for those Financial Assets that are credit-impaired. The Group's definition of default is aligned with the regulatory definition. The treatment of loans in Stage 3 remains substantially the same as the treatment of impaired loans under MFRS 139.

Financial Assets that are credit-impaired upon initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses.

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

Significant Increase in Credit Risk

Under MFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information based on historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e. Stage 1 to Stage 2).

Credit-impaired financial assets

The determination of whether a Financial Asset is credit impaired focusses exclusively on default risk, without taking into consideration the effects of credit risk mitigants such as collateral or guarantees. Specifically, a Financial Asset is credit impaired and in Stage 3 when:

- The Bank considers the obligor is unlikely to pay its credit obligations to the Bank. Determination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that are qualitative indicators of credit impairment; or
- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For Financial Assets considered to be credit impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. Forecasts of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability-weighted present value of the difference between 1) the contractual cash flows that are due to the Bank under the contract; and 2) the cash flows that the Bank expects to receive.

Impact of the new impairment model

The Bank has determined the impact of the application of MFRS 9's impairment requirements at 1 January 2018 and results as follows:

RM'000	
Loss allowance at 31 December 2017 under MFRS 139	17,186
Reversal of loss allowance under MFRS 139	(17,186)
Impairment recognised at 1 January 2018 on:	
Cash and cash equivalent	7
Loan, advances and financing	5,684
Debt financial securities at FVOCI	2
Loss allowance at 1 January 2018 under MFRS 9	5,693

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

The following table show reconciliations from the opening to the closing balance of the loss allowance by class of financial assets.

RM'000	2018 12-month ECL	2018 Lifetime ECL not credit – impaired	2018 Lifetime ECL credit - impaired	2018 Total	2017 Total
Cash and cash equivalent					
Balance at 1 January	7	-	-	7	-
Transfer to 12-month ECL	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-
Net remeasurement of loss allowance	63	-	-	63	-
New financial assets originated or purchased	12	-	-	12	-
Financial assets that have been derecognised	(7)	-	-	(7)	-
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Other movements	-	-	-	-	-
Balance at 30 September 2018 / 31 December 2017	75	-	-	75	-

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

RM'000	2018 12-month ECL	2018 Lifetime ECL not credit –impaired	2018 Lifetime ECL credit - impaired	2018 Purchased credit - impaired	2018 Total	2017 Individual	2017 Collective	2017 Total
Loans, advances and financing at amortised cost*								
Balance at 1 January	4,652	357	675	-	5,684	178	16,822	17,000
Transfer to 12-month ECL	90	(41)	(88)	-	(39)	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit- impaired	(415)	-	639	-	224	-	-	-
Net remeasurement of loss allowance	99	137	294	-	530	30	301	331
New financial assets originated or purchased	898	25	-	-	923	-	-	-
Financial assets that have been derecognised	(29)	(37)	-	-	(66)	-	-	-
Write-offs	-	-	-	-	-	(130)	-	(130)
Recoveries of amounts previously written off	-	-	-	-	-	(15)	-	(15)
Changes in models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Balance at 30 September 2018 / 31 December 2017	5,295	441	1,520	-	7,256	63	17,123	17,186

* The loss allowance in this table includes ECL on loan commitment and financial guarantees.

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

RM'000	2018 12-month ECL	2018 Lifetime ECL not credit – impaired	2018 Lifetime ECL credit - impaired	2018 Total	2017 Total
Debt financial securities at FVOCI (2017: debt available-for-sale financial securities)					
Balance at 1 January	2	-	-	2	-
Transfer to 12-month ECL	-	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated or purchased	79	-	-	79	-
Financial assets that have been derecognised	(2)	-	-	(2)	-
Write-offs	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-
Changes in models/risk parameters	-	-	-	-	-
Other movements	-	-	-	-	-
Balance at 30 September 2018 / 31 December 2017	79	-	-	79	-

13. Financial securities

	Group and Bank 30 September 2018 RM'000	Group and Bank 31 December 2017 RM'000
Debt securities at FVTPL		
Malaysian Government Securities	1,635,205	825,718
Malaysian Investment Issue	279,485	620,084
Bank Negara Malaysia Bills	598,664	-
Treasury Bills	62,930	-
Cagamas bonds	285,127	-
Negotiable instruments of deposits	150,004	-
Private debt securities	5,012	-
	3,016,427	1,445,802
Debt securities at FVOCI		
Malaysian Government Securities	223,481	-
Malaysian Investment Issue	49,981	-
	273,462	-
Equity investments at FVOCI		
Unquoted shares in Malaysia	1,591	1,591
	3,291,480	1,447,393

14. Loans, advances and financing

At amortised cost	Group and Bank 30 September 2018 RM'000	Group and Bank 31 December 2017 RM'000
Overdrafts	134,174	112,348
Term loans - housing loans	10,784	12,494
- other term loans	283,123	203,638
Bills receivable	560,206	606,806
Trust Receipt	44,024	22,124
Claims on customers under acceptance credits	1,421,349	1,473,889
Staff loans	911	2,768
	2,454,571	2,434,067
Unearned interest	(6,851)	(25,128)
Gross loans, advances and financing	2,447,720	2,408,939
Allowance for impaired loans and financing		
- Collective assessment	-	(17,123)
- Individual assessment	-	(63)
- Expected credit loss	(7,256)	-
Net loans, advances and financing	2,440,464	2,391,753

14. Loans, advances and financing (continued)

The maturity structure of gross loans, advances and financing are as follows:

	Group and Bank 30 September 2018 RM'000	Group and Bank 31 December 2017 RM'000
Maturing within one year	2,437,018	2,378,919
More than one to three years	682	15,588
More than three to five years	1,507	1,734
More than five years	8,513	12,698
	2,447,720	2,408,939

Gross loans, advances and financing analysed by type of customer are as follows:

	Group and Bank 30 September 2018 RM'000	Group and Bank 31 December 2017 RM'000
Domestic banking institutions	5,741	2,005
Domestic non-bank financial institutions	421,831	347,431
Domestic business enterprises	1,316,186	1,365,625
Government and statutory bodies	132,737	74,066
Individuals	11,695	15,263
Foreign entities	559,530	604,549
	2,447,720	2,408,939

Gross loans, advances and financing analysed by interest / profit rate sensitivity are as follows:

	Group and Bank 30 September 2018 RM'000	Group and Bank 31 December 2017 RM'000
Fixed rate		
- Other fixed rate loan / financing	911	2,768
Variable rate		
- Base lending rate plus	38,032	49,705
- Cost-plus	2,407,331	2,354,811
- Other variable rates	1,446	1,655
	2,447,720	2,408,939

14. Loans, advances and financing (continued)

Gross loans, advances and financing analysed by their geographical distribution are as follows:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Malaysia	1,888,190	1,804,389
China	18,568	5,894
India	286,117	351,800
Turkey	232,515	226,522
Others	22,330	20,334
	2,447,720	2,408,939

Gross loans, advances and financing analysed by their economic sector are as follows:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Manufacturing	281,377	300,444
Construction	180,965	85,747
Wholesale & retail trade and restaurants & hotels	182,235	124,446
Transport, storage and communication	528,900	811,154
Finance, insurance and business services	1,128,044	997,819
Education, health and others	132,737	74,066
Household	11,695	15,263
Sector N.E.C	1,767	-
	2,447,720	2,408,939

Movements in impaired loans, advances and financing are as follows:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Balance at 1 January	2,032	2,634
Classified as impaired during the period/ year	1,285	504
Reclassified as non-impaired during the period/ year	(179)	(650)
Amount recovered	(181)	(326)
Amount written off	-	(130)
At 30 September 2018 / 31 December 2017	2,957	2,032
Gross impaired loans as a percentage of gross loans, advances and financing	0.12%	0.08%

14. Loans, advances and financing (continued)

Impaired loans, advances and financing analysed by economic sector and geographical distribution are as follows:

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Household (Malaysia)	2,957	2,032
	2,957	2,032

15. Other assets

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Interest / Income receivable	34,730	17,651
Margin placed with exchange	5,893	4,581
Derivatives	997,099	1,302,496
Other debtors, deposits and prepayments	654,771	427,461
	1,692,493	1,752,189

16. Deposits from customers

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Demand deposits	4,058,780	4,030,598	4,058,800	4,030,618
Savings deposits	1,248	2,884	1,248	2,884
Fixed deposits	274,716	315,594	274,716	315,594
Other deposits	156,199	277,941	156,199	277,941
	4,490,943	4,627,017	4,490,963	4,627,037

The maturity structure of fixed deposits and other deposits are as follows:-

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Due within six months	305,030	406,600
More than six months to one year	1,145	78,827
More than five years	124,740	108,108
	430,915	593,535

16. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Business enterprises	3,524,771	3,663,481	3,524,791	3,663,501
Individuals	1,720	18,137	1,720	18,137
Foreign customers	77,187	200,568	77,187	200,568
Others	887,265	744,831	887,265	744,831
	4,490,943	4,627,017	4,490,963	4,627,037

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Other financial institutions	2,370,466	658,943
	2,370,466	658,943

18. Other liabilities

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Interest payable	3,217	2,342
Bills payable	26,009	59,402
Derivatives	1,001,735	1,576,409
Employee benefits	19,709	19,903
Other liabilities	1,052,621	788,405
	2,103,291	2,446,461

19. Interest income

	Group and Bank			
	Nine months ended		Three months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Loans, advances and financing	80,153	54,914	27,435	20,020
Money at call and deposit placements with financial institutions	76,857	89,459	26,558	31,722
Reverse repurchase agreements	2,608	10,084	824	3,614
Financial securities	70,566	31,171	28,245	10,331
	230,184	185,628	83,062	65,687

20. Interest expense

	Group and Bank			
	Nine months ended		Three months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Deposits and placements of banks and other financial institutions	22,608	8,505	10,007	3,268
Deposits from customers	43,252	49,391	14,488	17,482
Repurchase agreement	1	-	-	-
	65,861	57,896	24,495	20,750

21. Non-interest income

	Group and Bank			
	Nine months ended		Three months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Fee income:				
Commissions	7,868	10,600	2,980	2,890
Service charges and fees	23,278	21,839	10,967	7,070
Guarantee fees	3,227	3,049	1,124	1,085
	34,373	35,488	15,071	11,045
Fee expense:				
Commissions	(3,133)	(2,618)	(881)	(1,188)
Service charges and fees	(8,526)	(7,581)	(3,063)	(2,604)
	(11,659)	(10,199)	(3,944)	(3,792)
Net fee income	22,714	25,289	11,127	7,253
Net gains/ (loss) from financial instruments:				
Net gain arising from financial securities:				
Realised gain	19,867	16,068	8,314	5,668
Unrealised gain	2,149	998	3,358	477
Net gain/ (loss) arising from derivatives:				
Realised loss	(12,213)	(114,175)	(48,634)	(42,080)
Unrealised revaluation gain / (loss)	267,819	(138,232)	270,961	6,863
Foreign exchange (loss) / gain	(147,538)	392,601	(193,435)	77,857
Gross dividend income	73	73	28	28
(Loss)/ gain from disposal of plant and equipment	(6)	84	-	(16)
Other income:				
Other operating income, net	5,849	4,124	(844)	(2,278)
	136,000	161,541	39,748	46,519
	158,714	186,830	50,875	53,772

22. Other operating expenses

	Group and Bank			
	Nine months ended		Three months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Personnel costs				
- Salaries, allowances and bonuses	34,513	36,105	10,747	11,906
- Others	19,803	11,612	6,256	2,784
Establishment costs				
- Rental	1,713	2,180	722	726
- Depreciation	2,688	715	2,304	221
- Others	4,012	4,570	624	2,079
Marketing expenses	1,475	1,374	394	445
Administration and general expenses				
- Intercompany expenses	59,789	42,577	19,681	19,132
- Communication	1,728	1,400	570	614
- Others	8,131	16,535	757	9,510
	133,852	117,068	42,055	47,417

The number of employees of the Group and the Bank at the end of the period was 204 (September 2017 – 225).

23. Allowance for impairment

	Group and Bank			
	Nine months ended		Three months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Expected Credit Loss				
- Loans, advances and financing	(1,572)	-	(472)	-
- Cash and cash equivalent	(68)	-	63	-
- Debt financial securities at FVOCI	(77)	-	(10)	-
Loan, advances and financing:				
Individual assessment allowance				
- made during the period	-	(29)	-	(22)
- written back	-	14	-	2
Collective assessment allowance				
- recovered / (made) during the period	-	2,588	-	(342)
	(1,717)	2,573	(419)	(362)

24. Capital adequacy

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Components of Tier 1 and Tier 2 capital are as follows:-		
Tier 1 capital		
Paid-up share capital	531,362	531,362
Other disclosed reserves	58	-
Retained profits	1,101,628	1,273,835
Less: Deferred tax assets	(27,299)	(27,299)
Total common equity tier 1(CET 1) / Total tier 1 capital	1,605,749	1,777,898
Tier 2 capital		
Expected credit losses (ECL)*	5,736	-
Collective assessment allowance#	-	12,486
Regulatory reserve	39,500	13,558
Total Capital / Capital base	1,650,985	1,803,942
Common equity tier 1(CET 1) / Tier 1 capital ratio	18.571%	21.331%
Total capital ratio	19.095%	21.645%

* Refers to ECL for Stage 1 and Stage 2.

Excludes collective assessment allowance which is restricted from Tier 2 capital of the Bank of RM4,637,000 in 31 December 2017

24. Capital adequacy (continued)

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II – Risk-weighted Assets) reissued on 2 February 2018. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer (CCyB) are 4.5% for CET1 Capital Ratio, 6.0% for Tier 1 Capital Ratio and 8.0% for Total Capital Ratio.

The capital conservation buffer required to be maintained in the form of CET1 Capital above the minimum regulatory capital adequacy ratios requirement will be phased-in as follow:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

The CCyB which is in a range of between 0% and 2.5% is not a requirement for exposure in Malaysia yet but may be applied by regulators in the future.

The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

Risk Type		Risk Weighted Assets	
		30 September 2018 RM'000	31 December 2017 RM'000
1	Credit risk	5,099,062	4,697,225
2	Market risk	2,798,598	2,949,956
3	Operational risk	748,669	687,157
Total		8,646,329	8,334,338

24. Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 30 September 2018 are as follows:

	RISK TYPE	Gross Exposures	Net Exposures	Risk-Weighted Assets
1	Credit Risk	RM'000	RM'000	RM'000
	On-Balance Sheet Exposures			
	Sovereigns/Central Banks	2,163,016	2,163,016	-
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	2,340,462	2,340,462	922,730
	Insurance Companies, Securities Firms and Fund Managers	-	-	-
	Corporates	1,612,840	1,612,840	1,610,238
	Regulatory Retail	-	-	-
	Residential Mortgages	8,638	8,638	3,023
	Higher Risk Assets	-	-	-
	Other Assets	348,097	348,097	347,018
	Equity Exposure	1,631	1,631	1,861
	Defaulted Exposures	1,437	1,437	1,437
	Total On-Balance Sheet Exposures	6,476,121	6,476,121	2,886,307
	Off-Balance Sheet Exposures			
	OTC Derivatives	2,290,298	1,790,000	909,422
	Credit Derivatives	-	-	-
	Transaction related contingent Items	376,794	375,859	350,891
	Short Term Self Liquidating trade related contingencies	31,245	31,245	28,808
	Other commitments, such as formal standby facilities and credit lines	923,634	923,634	923,634
	Total for Off-Balance Sheet Exposures	3,621,971	3,120,738	2,212,755
	Total On and Off- Balance Sheet Exposures	10,098,092	9,596,859	5,099,062

24. Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 30 September 2018 are as follows (continued):

	RISK TYPE	Gross Exposures		Risk Weighted Assets
		RM'000		RM'000
		Long Position	Short Position	
2	Market Risk			
	Interest Rate Risk	111,016,858	107,808,919	2,148,120
	Foreign Currency Risk	233,522	90,180	233,528
	Options	-	637	416,950
				2,798,598
3	Operational Risk			748,669
4	Total RWA and Capital Requirements			8,646,329

24. Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for at 31 December 2017 are as follows:

	RISK TYPE	Gross Exposures	Net Exposures	Risk-Weighted Assets
1	Credit Risk	RM'000	RM'000	RM'000
	On-Balance Sheet Exposures			
	Sovereigns/Central Banks	3,262,212	3,193,170	-
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,837,094	1,837,094	799,184
	Insurance Companies, Securities Firms and Fund Managers	-	-	-
	Corporates	1,465,467	1,465,467	1,464,947
	Regulatory Retail	-	-	-
	Residential Mortgages	13,037	13,037	4,563
	Higher Risk Assets	-	-	-
	Other Assets	366,864	366,864	365,869
	Equity Exposure	1,631	1,631	1,861
	Defaulted Exposures	1,969	1,969	1,969
	Total On-Balance Sheet Exposures	6,948,274	6,879,232	2,638,393
	Off-Balance Sheet Exposures			
	OTC Derivatives	2,056,133	1,543,391	795,627
	Credit Derivatives	1,659	1,659	459
	Transaction related contingent Items	394,592	393,551	366,594
	Short Term Self Liquidating trade related contingencies	15,418	15,418	8,697
	Other commitments, such as formal standby facilities and credit lines	898,815	898,815	887,455
	Total for Off-Balance Sheet Exposures	3,366,617	2,852,834	2,058,832
	Total On and Off- Balance Sheet Exposures	10,314,891	9,732,066	4,697,225

24. Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for at 31 December 2017 are as follows (continued):

	RISK TYPE	Gross Exposures		Risk Weighted Assets
		RM'000		RM'000
		Long Position	Short Position	
2	Market Risk			
	Interest Rate Risk	111,865,038	110,799,993	1,468,990
	Foreign Currency Risk	314,642	998,340	1,000,027
	Options	-	261	480,939
				2,949,956
3	Operational Risk			687,157
4	Total RWA and Capital Requirements			8,334,338

24. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights as at 30 September 2018 are as follows:

Risk Weights	Exposures after Netting & Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	2,222,994	-	-	-	-	-	-	-	1,079	-	2,224,073	-
20%	-	-	1,604,870	2,693	2,668	-	-	-	-	-	1,610,231	322,046
35%	-	-	-	-	-	-	8,638	-	-	-	8,638	3,023
50%	-	-	1,925,220	-	35,087	-	-	-	-	-	1,960,307	980,153
75%	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	1,036	18,559	3,423,929	-	1,437	-	347,018	1,611	3,793,590	3,793,590
1250%	-	-	-	-	-	-	-	-	-	20	20	250
Total Exposures	2,222,994	-	3,531,126	21,252	3,461,684	-	10,075	-	348,097	1,631	9,596,859	5,099,062
Risk-Weighted Assets by Exposures	-	-	1,284,620	19,097	3,442,006	-	4,460	-	347,018	1,861	5,099,062	
Average Risk Weight	0.0%	0.0%	36.4%	89.9%	99.4%	0.0%	44.3%	0.0%	99.7%	114.1%	53.1%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

24. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights for 31 December 2017 are as follows:

Risk Weights	Exposures after Netting & Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,200,691	-	-	-	-	-	-	-	993	-	3,201,684	-
20%	-	-	1,078,197	3,030	14,200	-	-	-	-	-	1,095,427	219,085
35%	-	-	-	-	-	-	13,037	-	-	-	13,037	4,563
50%	-	-	1,861,950	-	35,193	-	-	-	-	-	1,897,143	948,572
75%	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	368	9,238	3,145,700	-	1,969	-	365,869	1,611	3,524,755	3,524,755
1250%	-	-	-	-	-	-	-	-	-	20	20	250
Total Exposures	3,200,691	-	2,940,515	12,268	3,195,093	-	15,006	-	366,862	1,631	9,732,066	4,697,225
Risk-Weighted Assets by Exposures	-	-	1,146,983	9,844	3,166,136	-	6,532	-	365,869	1,861	4,697,225	
Average Risk Weight	0.0%	0.0%	39.0%	80.2%	99.1%	0.0%	43.5%	0.0%	99.7%	114.1%	48.3%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

25. Commitments and contingencies

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows:

30 September 2018 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	753,588	376,794	350,891
Short Term Self Liquidating Trade Related Contingencies	156,224	31,245	28,808
Foreign exchange related contracts			
One year or less	11,213,643	297,865	223,975
Over one year to five years	1,595,071	122,931	122,931
Over five years	310,475	34,152	17,076
Interest/Profit rate related contracts			
One year or less	716,619	3,149	1,707
Over one year to five years	775,296	211,680	208,116
Over five years	260,935	16,329	14,175
Equity related contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	89,369,230	1,604,192	321,441
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	655,654	327,827	327,827
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,979,037	595,807	595,807
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	108,785,772	3,621,971	2,212,754

25. Commitments and contingencies (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows (continued):

31 December 2017 Group and Bank	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	-	-	-
Transaction Related Contingent Items	789,185	394,592	366,594
Short Term Self Liquidating Trade Related Contingencies	77,089	15,418	8,697
Foreign exchange related contracts			
One year or less	10,324,163	211,993	195,970
Over one year to five years	521,424	32,969	32,969
Over five years	310,475	34,152	17,076
Interest/Profit rate related contracts			
One year or less	493,754	1,592	966
Over one year to five years	1,018,769	214,936	208,671
Over five years	538,386	37,823	35,399
Equity related contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
Credit Derivative Contracts			
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	91,265,175	1,524,326	305,035
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	575,451	287,725	287,725
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,055,448	611,090	599,730
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-
Total	108,969,319	3,366,616	2,058,832

26. The operations of Islamic Banking

Statement of Financial Position
As at 30 September 2018 – Unaudited

	Note	Bank 30 September 2018 RM'000	Bank 31 December 2017 RM'000
Assets			
Cash and short term funds	(a)	99,538	115,686
Other assets		24	28
Total assets		99,562	115,714
Liabilities and shareholders' funds			
Deposits from customer	(b)	60,164	68,590
Other liabilities	(c)	3,590	11,429
Taxation		646	2,579
Total liabilities		64,400	82,598
Capital funds		25,000	25,000
Retained profits		10,162	8,116
Islamic banking funds		35,162	33,116
Total liabilities and Islamic banking funds		99,562	115,714
Commitments and contingencies		-	-

26. The operations of Islamic Banking (continued)

Statement Of Profit Or Loss And Other Comprehensive Income
For The Financial Period Ended 30 September 2018 - Unaudited

	Bank			
	Nine months ended		Three months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of Islamic banking funds	2,706	2,075	897	786
Total net income	2,706	2,075	897	786
Other operating expenses	(14)	(15)	(4)	(5)
Profit before taxation	2,692	2,060	893	781
Taxation	(646)	(494)	(214)	(187)
Profit and total comprehensive income for the period	2,046	1,566	679	594

Statement Of Changes In Islamic Banking Funds
For The Financial Period Ended 30 September 2018

	Capital funds RM'000	Retained profits RM'000	Total RM'000
Bank			
At 1 January 2018	25,000	8,116	33,116
Profit and total comprehensive income for the period	-	2,046	2,046
At 30 September 2018	25,000	10,162	35,162
At 1 January 2017	25,000	6,128	31,128
Profit and total comprehensive income for the period	-	1,566	1,566
At 30 September 2017	25,000	7,694	32,694

26. The operations of Islamic Banking (continued)

Statement Of Cash Flows
For The Financial Period Ended 30 September 2018

	Bank	
	30 September 2018 RM'000	30 September 2017 RM'000
Cash flows from operating activities		
Profit before taxation	2,692	2,060
Operating profit before working capital changes	2,692	2,060
Changes in working capital:		
Net changes in operating assets	4	(4)
Net changes in operating liabilities	(16,265)	17,512
Income tax paid	(2,579)	-
Net cash (used in) / generated from operations	(16,148)	19,568
Net (decrease)/ increase in cash and cash equivalents	(16,148)	19,568
Cash and cash equivalents at beginning of period	115,686	67,160
Cash and cash equivalents at end of period	99,538	86,728
Analysis of cash and cash equivalents:		
Cash and short term funds	99,538	86,728

26. The operations of Islamic Banking (continued)

Shariah Committee

The Shariah Committee was established under BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise the Board of Directors on Shariah matters in its Islamic business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

The Shariah Committee comprises of Dr Sheikh Hussein Hamed Sayed Hassan, Dr Muhammad Qaseem and Encik Mohd Hilmi bin Ramli.

Whilst the Shariah Governance Framework requires 5 Shariah Committee members, the Bank has sought and received approval from BNM to operate on 3 Shariah Committee members.

Basis of measurement

The financial statements of the Islamic banking business have been prepared on the basis consistent with that of the Group and of the Bank as disclosed in Note 1 to the financial statements of the Group and of the Bank.

(a) Cash and short term funds

	Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	99,538	115,686
	======	======

(b) Deposits from customer

	Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Non-Mudharabah		
Demand deposits	60,164	68,590
	======	======

(c) Other liabilities

	Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Bills payable	7	166
Others	3,583	11,263
	3,590	11,429
	======	=======

26. The operations of Islamic Banking (continued)

(d) Capital adequacy

The capital adequacy ratios of the Islamic banking business of the Bank are computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

Components of Tier I and Tier II Capital:

	Bank 30 September 2018 RM'000	Bank 31 December 2017 RM'000
Components of Tier I and Tier II capital are as follows:-		
Tier 1 capital		
Capital funds	25,000	25,000
Retained profits	8,116	8,116
Total common equity tier 1/ Total tier 1 capital	33,116	33,116
Total Tier 2 capital	-	-
Capital base	33,116	33,116
Common equity tier 1(CET 1) / Tier 1 capital ratio	485.803%	585.865%
Total capital ratio	485.803%	585.865%

The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

Risk Type		Risk Weighted Assets	
		30 September 2018 RM'000	31 December 2017 RM'000
1	Credit risk	928	843
2	Market risk	1,853	1,687
3	Operational risk	4,036	3,123
Total		6,817	5,653

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 30 September 2018 are as follows:

	RISK TYPE	Gross Exposures	Net Exposures	Risk-Weighted Assets
1	Credit Risk	RM'000	RM'000	RM'000
	On-Balance Sheet Exposures			
	Sovereigns/Central Banks	97,708	97,708	-
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,853	1,853	927
	Insurance Companies, Securities Firms and Fund Managers	-	-	-
	Corporates	-	-	-
	Regulatory Retail	-	-	-
	Residential Mortgages	-	-	-
	Higher Risk Assets	-	-	-
	Other Assets	1	1	1
	Equity Exposure	-	-	-
	Defaulted Exposures	-	-	-
	Total On-Balance Sheet Exposures	99,562	99,562	928
	Off-Balance Sheet Exposures			
	OTC Derivatives	-	-	-
	Credit Derivatives	-	-	-
	Total for Off-Balance Sheet Exposures	-	-	-
	Total On and Off- Balance Sheet Exposures	99,562	99,562	928

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 30 September 2018 are as follows (continued):

RISK TYPE		Gross Exposures		Risk Weighted Assets
		RM'000		RM'000
		Long Position	Short Position	
2	Market Risk			
	Interest Rate Risk	-	-	-
	Foreign Currency Risk	1,853	-	1,853
	Options	-	-	-
				1,853
3	Operational Risk			4,036
4	Total RWA and Capital Requirements			6,817

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 31 December 2017 are as follows:

	RISK TYPE	Gross Exposures	Net Exposures	Risk-Weighted Assets
1	Credit Risk	RM'000	RM'000	RM'000
	On-Balance Sheet Exposures			
	Sovereigns/Central Banks	114,028	114,028	-
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,686	1,686	843
	Insurance Companies, Securities Firms and Fund Managers	-	-	-
	Corporates	-	-	-
	Regulatory Retail	-	-	-
	Residential Mortgages	-	-	-
	Higher Risk Assets	-	-	-
	Other Assets	-	-	-
	Equity Exposure	-	-	-
	Defaulted Exposures	-	-	-
	Total On-Balance Sheet Exposures	115,714	115,714	843
	Off-Balance Sheet Exposures			
	OTC Derivatives	-	-	-
	Credit Derivatives	-	-	-
	Total for Off-Balance Sheet Exposures	-	-	-
	Total On and Off- Balance Sheet Exposures	115,714	115,714	843

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 31 December 2017 are as follows (continued):

	RISK TYPE	Gross Exposures		Risk Weighted Assets
		RM'000		RM'000
		Long Position	Short Position	
2	Market Risk			
	Interest Rate Risk	-	-	-
	Foreign Currency Risk	1,687	-	1,687
	Options	-	-	-
				1,687
3	Operational Risk			3,123
4	Total RWA and Capital Requirements			5,653

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights as at 30 September 2018 are as follows:

Risk Weights	Exposures after Netting & Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	97,708	-	-	-	-	-	-	-	-	-	97,708	-
20%	-	-	-	-	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	1,853	-	-	-	-	-	-	-	1,853	927
75%	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	1	-	1	1
150%	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	97,708	-	1,853	-	-	-	-	-	1	-	99,562	928
Risk-Weighted Assets by Exposures	-	-	927	-	-	-	-	-	1	-	928	
Average Risk Weight	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.9%	
Deduction from Capital Base	-	-	-	-	-	-	-		-	-	-	

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights as at 31 December 2017 are as follows:

Risk Weights	Exposures after Netting & Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	114,028	-	-	-	-	-	-	-	-	-	114,028	-
20%	-	-	-	-	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	1,686	-	-	-	-	-	-	-	1,686	843
75%	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	114,028	-	1,686	-	-	-	-	-	-	-	115,714	843
Risk-Weighted Assets by Exposures	-	-	843	-	-	-	-	-	-	-	843	
Average Risk Weight	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	
Deduction from Capital Base	-	-	-	-	-	-	-		-	-	-	