



Standard Chartered Bank Malaysia Berhad
(Incorporated in Malaysia)
and its subsidiaries

**Financial statements for the nine months
ended 30 September 2018**

Domiciled in Malaysia
Registered office/Principal place of business
Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	Group		Bank	
		30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Assets					
Cash and short term funds		4,738,910	6,157,757	2,938,653	4,956,090
Deposits and placements with banks and other financial institutions	13	-	-	139,245	1,206,617
Investment account placements	14	-	-	3,055,034	1,689,377
Securities purchased under resale agreements		1,188,159	433,754	1,188,159	433,754
Investment securities	15	5,636,638	7,142,839	5,536,191	7,042,315
Loans, advances and financing	16	29,375,834	27,641,178	23,914,757	22,102,389
Derivative financial assets		1,796,006	2,445,632	1,804,198	2,450,450
Other assets	18	1,538,509	467,988	2,063,399	681,459
Current tax assets		259	3,143	-	-
Statutory deposits with Bank Negara Malaysia	19	681,241	617,013	643,218	478,001
Investments in subsidiaries		-	-	411,522	411,522
Property, plant and equipment		57,722	61,820	57,618	61,668
Deferred tax assets		181,184	78,464	167,555	75,326
Total assets		45,194,462	45,049,588	41,919,549	41,588,968
Liabilities					
Deposits from customers	20	30,174,485	30,814,095	27,834,220	28,307,531
Structured deposits	21	278,732	270,700	275,125	245,210
Investment account of customers		690,693	730,481	-	-
Deposits and placements of banks and other financial institutions	22	3,753,302	3,022,076	3,570,014	2,867,010
Derivative financial liabilities		1,606,536	2,550,394	1,606,545	2,552,694
Other liabilities	23	2,453,244	1,875,838	2,667,599	2,048,031
Current tax liabilities		178,022	17,315	167,704	17,315
Provision for credit commitments and contingencies	24	10,486	-	9,952	-
Subordinated debts		1,000,000	1,000,000	1,000,000	1,000,000
Total liabilities		40,145,500	40,280,899	37,131,159	37,037,791
Equity					
Share capital		880,000	163,000	880,000	163,000
Reserves		4,168,962	4,605,689	3,908,390	4,388,177
Total equity attributable to owner of the Bank		5,048,962	4,768,689	4,788,390	4,551,177
Total liabilities and equity		45,194,462	45,049,588	41,919,549	41,588,968
Commitments and contingencies	31	175,527,922	168,151,639	178,428,628	170,660,114

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

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

	Note	Group			
		3rd Quarter ended		Nine months ended	
		30 September	30 September	30 September	30 September
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Interest income	25	436,026	372,950	1,230,083	1,108,119
Interest expense	26	(182,094)	(154,785)	(536,596)	(466,747)
Net interest income		253,932	218,165	693,487	641,372
Net income from Islamic Banking operations	27	68,060	60,230	198,439	202,121
		321,992	278,395	891,926	843,493
Other operating income	28	146,476	160,068	448,205	405,645
Total net income		468,468	438,463	1,340,131	1,249,138
Other operating expenses	29	(253,522)	(256,805)	(773,252)	(782,652)
Operating profit		214,946	181,658	566,879	466,486
Provisions for credit losses	30	185,412	(9,958)	117,501	(41,818)
Profit before taxation		400,358	171,700	684,380	424,668
Tax expense		(103,944)	(44,397)	(178,121)	(109,313)
Profit for the period		296,414	127,303	506,259	315,355
Other comprehensive income/(expense), net of income tax					
Items that will not be reclassified to profit or loss					
Equity securities designated at fair value through other comprehensive income					
Net changes in fair value		126	-	(160)	-
Items that may be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income:					
Net changes in fair value		7,500	-	(7,359)	-
Net amount transferred to profit or loss		869	-	(21)	-
Net changes in credit losses		237	-	354	-
Fair value reserve (investment securities available-for-sale):					
Net changes in fair value		-	4,246	-	11,734
Net amount transferred to profit or loss		-	6	-	(4,043)
Cash flow hedges:					
Effective portion of changes in fair value		-	-	2,167	194
Net amount transferred to profit or loss		-	-	-	3
Other comprehensive income/(expense) for the period, net of income tax		8,732	4,252	(5,019)	7,888
Total comprehensive income for the period		305,146	131,555	501,240	323,243
Profit attributable to:					
Owner of the Bank		296,414	127,303	506,259	315,355
Total comprehensive income attributable to:					
Owner of the Bank		305,146	131,555	501,240	323,243

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

STANDARD CHARTERED BANK MALAYSIA BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

	Note	Bank			
		3rd Quarter ended		Nine months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
		RM'000	RM'000	RM'000	RM'000
Interest income	25	465,826	400,962	1,319,617	1,195,206
Interest expense	26	(182,094)	(154,785)	(536,596)	(466,747)
Net interest income		283,732	246,177	783,021	728,459
Other operating income	28	163,462	176,783	494,119	462,347
Total net income		447,194	422,960	1,277,140	1,190,806
Other operating expenses	29	(246,319)	(250,224)	(749,922)	(760,633)
Operating profit		200,875	172,736	527,218	430,173
Provisions for credit losses	30	172,669	(8,010)	95,248	(34,929)
Profit before taxation		373,544	164,726	622,466	395,244
Tax expense		(98,513)	(42,757)	(163,997)	(102,270)
Profit for the period		275,031	121,969	458,469	292,974
Other comprehensive income/(expense), net of income tax					
Items that will not be reclassified to profit or loss					
Equity securities designated at fair value through other comprehensive income					
Net changes in fair value		126	-	(160)	-
Items that may be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income:					
Net changes in fair value		7,239	-	(7,405)	-
Net amount transferred to profit or loss		869	-	(21)	-
Impairment transferred to profit or loss		230	-	347	-
Fair value reserve (investment securities available-for-sale):					
Net changes in fair value		-	4,000	-	10,915
Net amount transferred to profit or loss		-	6	-	(4,043)
Cash flow hedges:					
Effective portion of changes in fair value		-	-	2,167	194
Net amount transferred to profit or loss		-	-	-	3
Other comprehensive income/(expense) for the period, net of income tax		8,464	4,006	(5,072)	7,069
Total comprehensive income for the period		283,495	125,975	453,397	300,043

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

STANDARD CHARTERED BANK MALAYSIA BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

GROUP	← Attributable to owner of the Bank →						Distributable Reserves	Total equity
	← Non-Distributable Reserves →							
	Share capital RM'000	Share premium RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	Fair value reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	RM'000
At 31 December 2017	163,000	717,000	260,000	190	6,889	(2,167)	3,623,777	4,768,689
Impact of adopting MFRS 9 as at 1 January 2018								
Adjustment related to measurement, net of income taxes	-	-	-	-	4,600	-	-	4,600
Adjustment related to impairment, net of income taxes	-	-	-	-	492	-	(51,609)	(51,117)
Transfer between reserves	-	-	1,531	-	-	-	(1,531)	-
At 1 January 2018	163,000	717,000	261,531	190	11,981	(2,167)	3,570,637	4,722,172
Fair value reserve (debt securities):								
Net changes in fair value	-	-	-	-	(7,359)	-	-	(7,359)
Net amount transferred to profit or loss	-	-	-	-	333	-	-	333
Fair value reserve (equity securities):								
Net changes in fair value	-	-	-	-	(160)	-	-	(160)
Cash flow hedges:								
Effective portion of changes in fair value	-	-	-	-	-	2,167	-	2,167
Total other comprehensive (expense)/income for the period	-	-	-	-	(7,186)	2,167	-	(5,019)
Profit for the period	-	-	-	-	-	-	506,259	506,259
Total comprehensive (expense)/income for the period	-	-	-	-	(7,186)	2,167	506,259	501,240
Transition to no par value regime	717,000	(717,000)	-	-	-	-	-	-
Distribution to Owner of the Bank								
Dividend (preference shares)								
- 2018 interim	-	-	-	-	-	-	(12,825)	(12,825)
- 2017 final	-	-	-	-	-	-	(12,825)	(12,825)
Dividend (ordinary shares)								
- 2018 interim	-	-	-	-	-	-	(54,400)	(54,400)
- 2017 final	-	-	-	-	-	-	(94,400)	(94,400)
Transfer between reserves	-	-	50,000	-	-	-	(50,000)	-
Total transaction with owner of the Bank	-	-	50,000	-	-	-	(224,450)	(174,450)
At 30 September 2018	880,000	-	311,531	190	4,795	-	3,852,446	5,048,962

* The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM717 million became part of the Group's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There was no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

STANDARD CHARTERED BANK MALAYSIA BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

GROUP	← Attributable to owner of the Bank →						← Non-Distributable Reserves →		Distributable Reserves	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000		
At 1 January 2017	163,000	717,000	265,750	260,000	190	(4,419)	(3,051)	3,119,785	4,518,255	
Fair value reserve (investment securities available-for-sale):										
Net changes in fair value	-	-	-	-	-	11,734	-	-	11,734	
Net amount transferred to profit or loss	-	-	-	-	-	(4,043)	-	-	(4,043)	
Cash flow hedges:										
Effective portion of changes in fair value	-	-	-	-	-	-	194	-	194	
Net amount transferred to profit or loss	-	-	-	-	-	-	3	-	3	
Total other comprehensive income for the period	-	-	-	-	-	7,691	197	-	7,888	
Profit for the period	-	-	-	-	-	-	-	315,355	315,355	
Total comprehensive income for the period	-	-	-	-	-	7,691	197	315,355	323,243	
Distribution to Owner of the Bank										
Dividends (preference shares)										
- 2017 interim	-	-	-	-	-	-	-	(12,825)	(12,825)	
- 2016 final	-	-	-	-	-	-	-	(25,650)	(25,650)	
Dividends (ordinary shares)										
- 2016 final	-	-	-	-	-	-	-	(86,750)	(86,750)	
Transfer between reserves	-	-	(265,750)	-	-	-	-	265,750	-	
Total transaction with owner of the Bank	-	-	(265,750)	-	-	-	-	140,525	(125,225)	
At 30 September 2017	163,000	717,000	-	260,000	190	3,272	(2,854)	3,575,665	4,716,273	

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CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

BANK	← Attributable to owner of the Bank →						Distributable Reserves	Total equity
	← Non-Distributable Reserves →							
	Share capital RM'000	Share premium RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	Fair value reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	RM'000
At 31 December 2017	163,000	717,000	260,000	190	6,850	(2,167)	3,406,304	4,551,177
Impact of adopting MFRS 9 as at 1 January 2018								
Adjustment related to measurement, net of income taxes	-	-	-	-	4,582	-	-	4,582
Adjustment related to impairment, net of income taxes	-	-	-	-	492	-	(46,808)	(46,316)
Transfer between reserves			(12,091)				12,091	-
At 1 January 2018	163,000	717,000	247,909	190	11,924	(2,167)	3,371,587	4,509,443
Fair value reserve (debt securities):								
Net changes in fair value	-	-	-	-	(7,405)	-	-	(7,405)
Net amount transferred to profit or loss	-	-	-	-	326	-	-	326
Fair value reserve (equity securities):								
Net changes in fair value	-	-	-	-	(160)	-	-	(160)
Cash flow hedges:								
Effective portion of changes in fair value	-	-	-	-	-	2,167	-	2,167
Total other comprehensive (expense)/income for the period	-	-	-	-	(7,239)	2,167	-	(5,072)
Profit for the period	-	-	-	-	-	-	458,469	458,469
Total comprehensive (expense)/income for the period	-	-	-	-	(7,239)	2,167	458,469	453,397
Transition to no par value regime *	717,000	(717,000)	-	-	-	-	-	-
Distribution to Owner of the Bank								
Dividend (preference shares)								
- 2018 interim	-	-	-	-	-	-	(12,825)	(12,825)
- 2017 final	-	-	-	-	-	-	(12,825)	(12,825)
Dividend (ordinary shares)								
- 2018 interim	-	-	-	-	-	-	(54,400)	(54,400)
- 2017 final	-	-	-	-	-	-	(94,400)	(94,400)
Transfer between reserves			50,000				(50,000)	-
Total transaction with owner of the Bank	-	-	50,000	-	-	-	(224,450)	(174,450)
At 30 September 2018	880,000	-	297,909	190	4,685	-	3,605,606	4,788,390

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM717 million became part of the Bank's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There was no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
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CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

BANK	← Attributable to owner of the Bank →							<i>Distributable Reserves</i>	Total equity
	← Non-Distributable Reserves →								
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	RM'000
At 1 January 2017	163,000	717,000	163,000	260,000	190	(3,613)	(3,051)	3,032,079	4,328,605
Fair value reserve (investment securities available-for-sale):									
Net changes in fair value	-	-	-	-	-	10,915	-	-	10,915
Net amount transferred to profit or loss	-	-	-	-	-	(4,043)	-	-	(4,043)
Cash flow hedges:									
Effective portion of changes in fair value	-	-	-	-	-	-	194	-	194
Net amount transferred to profit or loss	-	-	-	-	-	-	3	-	3
Total other comprehensive income for the period	-	-	-	-	-	6,872	197	-	7,069
Profit for the period	-	-	-	-	-	-	-	292,974	292,974
Total comprehensive income for the period	-	-	-	-	-	6,872	197	292,974	300,043
Distribution to Owner of the Bank									
Dividend (preference shares)									
- 2017 interim	-	-	-	-	-	-	-	(12,825)	(12,825)
- 2016 final	-	-	-	-	-	-	-	(25,650)	(25,650)
Dividend (ordinary shares)									
- 2016 final	-	-	-	-	-	-	-	(86,750)	(86,750)
Transfer between reserves	-	-	(163,000)	-	-	-	-	163,000	-
Total transaction with owner of the Bank	-	-	(163,000)	-	-	-	-	37,775	(125,225)
At 30 September 2017	163,000	717,000	-	260,000	190	3,259	(2,854)	3,362,828	4,503,423

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

STANDARD CHARTERED BANK MALAYSIA BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Group		Bank	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit before taxation	684,380	424,668	622,466	395,244
Adjustment for non-cash items	(102,407)	38,892	(79,760)	31,842
Operating profit before working capital changes	581,973	463,560	542,706	427,086
Changes in working capital:				
Net changes in operating assets	(3,869,009)	2,258,655	(4,678,292)	2,298,730
Net changes in operating liabilities	647,810	(286,989)	889,128	(304,030)
Income taxes paid	(99,579)	(28,838)	(90,936)	(26,514)
Net cash (used in) / generated from operating activities	(2,738,805)	2,406,388	(3,337,394)	2,395,272
Net cash generated / (used in) investing activities	1,494,408	(1,792,214)	1,494,407	(1,792,215)
Net cash used in financing activities	(174,450)	(125,225)	(174,450)	(125,225)
Net (decrease) / increase in cash and cash equivalents	(1,418,847)	488,949	(2,017,437)	477,832
Cash and cash equivalent at beginning of the period	6,157,757	6,500,523	4,956,090	5,345,827
Cash and cash equivalent at end of the period	4,738,910	6,989,472	2,938,653	5,823,659

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STANDARD CHARTERED BANK MALAYSIA BERHAD
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AND ITS SUBSIDIARY COMPANIES

REVIEW OF PERFORMANCE

The Group registered profit before taxation of RM684.4 million for the financial period ended 30 September 2018, a 61.2% increase as compared to the same period last year.

Net interest income increased by 8.1% to RM693.5 million while other operating income increased by 10.5% to RM448.2 million. Costs were kept under control with other operating expenses decreasing by 1.2% from RM782.7 million to RM773.3 million.

Loans, advances and financing recorded moderate growth of 6.3% to RM29.4 billion over the nine months period. Deposits from customers however, decreased by 2.1% to RM30.2 billion during the same period.

The Group remains well capitalised with Common Equity Tier 1 capital ratio and Total Capital Ratio of 13.005% and 17.842%, respectively.

PROSPECTS

The global economy remains uncertain in the second half of 2018, with headwinds from the brewing trade war between China and the US expected to impact export-oriented businesses in Malaysia with China and the US being Malaysia's second and third largest trading partners.

In the domestic front, Malaysia's economy remains resilient in the aftermath of the general elections, with the main focus now on the next Budget announcements in October 2018.

The Ringgit continued to weaken against the US Dollar, moving to above 4.1 levels while Overnight Policy Rate ("OPR") was maintained at 3.25% in the latest Monetary Policy Committee meeting in 5 September 2018.

Amid the moderate economic growth, the Group will continue to drive its strategic agenda to deliver sustainable returns across all client segments.

STANDARD CHARTERED BANK MALAYSIA BERHAD
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Notes to the financial statements for the nine months ended 30 September 2018

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the third quarter and the nine months ended 30 September 2018 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* in Malaysia.

The financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Group. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements, except for the adoption of the following MFRSs and Amendments to MFRSs during the current financial period:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

i)	MFRS 9	<i>Financial Instruments (2014)</i>
ii)	MFRS 15	<i>Revenue from Contracts with Customers</i>
iii)	Clarifications to MFRS 15	<i>Revenue from Contracts with Customers</i>
iv)	IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
v)	Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>
vi)	Amendments to MFRS 2	<i>Share-based Payment – Classification and Measurement of Share-based Payment Transactions</i>
vii)	Amendments to MFRS 4	<i>Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>
viii)	Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>
ix)	Amendments to MFRS 140	<i>Investment Property – Transfers of Investment Property</i>

The initial application of the abovementioned accounting standards, interpretation and amendments do not have any material impact to the financial statements of the Group and the Bank except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaced the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. As permitted by MFRS 9, the Bank did not restate comparative financial statements. The accounting policy changes and the impact of adoption of the requirements of MFRS 9 are further disclosed in Note 2 and Note 4 respectively.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaced the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfer of Assets from Customers* and IC Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services*.

The standard provides a more detailed principles-based approach for income recognition than the current standard MFRS 118 *Revenue*, with revenue being recognised as or when promised services are transferred to customers. The standard applies to 'Fees and commission income' but does not apply to financial instruments or lease contracts. Hence, the adoption of MFRS 15 does not have a material impact to the Group's and the Bank's financial statements.

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

i)	MFRS 16	<i>Leases</i>
ii)	IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
iii)	Amendments to MFRS 3	<i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>

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1. Basis of preparation of the financial statements (continued)

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

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| iv) | Amendments to MFRS 9 | <i>Financial Instruments – Prepayment Features with Negative Compensation</i> |
| v) | Amendments to MFRS 11 | <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i> |
| vi) | Amendments to MFRS 112 | <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i> |
| vii) | Amendments to MFRS 119 | <i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i> |
| viii) | Amendments to MFRS 123 | <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i> |
| ix) | Amendments to MFRS 128 | <i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i> |

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

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|----|---------|----------------------------|
| i) | MFRS 17 | <i>Insurance Contracts</i> |
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MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed.

- | | | |
|----|------------------------------------|---|
| i) | Amendments to MFRS 10 and MFRS 128 | <i>Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> |
|----|------------------------------------|---|

The Group and the Bank plan to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on 1 January 2019 for the accounting standard, interpretation and amendments that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Bank do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021, as it is not applicable to the Group and the Bank.

The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements of the Group and the Bank except for 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*.

The standard 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.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for 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.

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2. Accounting policy changes

The below-described accounting policies have been applied since 1 January 2018 following the adoption of MFRS 9.

Summary of accounting policy changes

i) Classification and measurement of financial assets and liabilities

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. Financial liabilities are classified as either amortised cost, or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instruments or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at fair value through other comprehensive income ("FVOCI") have contractual terms that give rise to cash flows that are solely payments of principal and interest ("SPPI" characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition at FVOCI on an instrument by instrument basis. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at fair value through other comprehensive income are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified at fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss include:

- financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term;
- hybrid financial assets that contain one or more embedded derivatives;
- financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics;
- equity instruments that have not been designated as held at FVOCI; and
- financial liabilities that constitute contingent consideration in a business combination.

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2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

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

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ("accounting mismatch").

Interest rate swaps have been acquired with the intention of significantly reducing interest rate risk on certain loans and advances and debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these loans and advances and debt securities have been designated at fair value through profit or loss.

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a bifurcately embedded derivative where the Group is not able to separately value the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Preference shares which carry a mandatory coupon that represents a market rate of interest at the issue date, or which are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Under a financial guarantee contract, the Group undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Financial guarantee contracts and loan commitments issued at below market interest rates are initially recognised as liabilities at fair value and subsequently at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group has access at that date. The fair value of a liability includes the risk that the Group will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Group establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

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2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

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

Initial recognition (continued)

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss but is amortised or released to profit or loss as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

a) Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

b) Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in profit or loss. Changes in expected credit losses are recognised in profit or loss and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to profit or loss.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

c) Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in profit or loss unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognised as interest income in a separate line in profit or loss.

d) Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated fair value through profit or loss is recognised in profit or loss.

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2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

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

Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those loans and advances subject to forbearance strategies, are considered to be modified instruments. Modifications may include changes to the tenor, cash flows and or profit rates amongst other factors.

Where derecognition of financial assets is appropriate (refer to Derecognition), the newly recognised residual loans and advances are assessed to determine whether the assets should be classified as purchased or originated credit impaired assets ("POCI").

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments are recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective profit rate (or credit adjusted effective profit rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss.

Gains and losses arising from modifications for credit reasons are recorded as part of 'Impairment' (refer to Impairment policy). Modification gains and losses arising for non-credit reasons are recognised either as part of "Impairment" or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income.

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition.

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

a) Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

b) Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss.

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

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2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

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

Reclassifications (continued)

c) Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected FVOCI (see above) and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 percent.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to profit or loss.

ii) Impairment of financial assets

Expected credit losses ("ECL") are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

Measurement

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default ("PD") with the loss given default ("LGD") with the expected exposure at the time of default ("EAD"). There may be multiple default events over the lifetime of an instrument. For less material Retail loan portfolios, the Group has adopted simplified approaches based on historical roll rates or loss rates.

Forward looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices amongst others. These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

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2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

ii) Impairment of financial assets (continued)

Measurement (continued)

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centered around the Group's most likely forecast of macroeconomic assumptions.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Group's exposure to credit risk is not limited to the contractual period. For these instruments, the Group estimates an appropriate life based on the period that the Group is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, the Group may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for POCI instruments) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Recognition

a) 12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

b) Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk ("SICR") since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in ECL. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute ECL significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default ("PD") since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

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2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

ii) Impairment of financial assets (continued)

Recognition (continued)

b) Significant increase in credit risk (Stage 2) (continued)

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

A non-purely precautionary early alert account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances amongst other factors.

c) Credit impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired. Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider.
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawdown are also included within the Stage 3 credit impairment provision to the extent that the commitment cannot be withdrawn.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within 'Impairment' in the income statement within a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the bank would not otherwise consider, the instrument is considered to be credit impaired.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans and advances may be modified for non-credit reasons, a significant increase in credit risk may occur.

In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in ECL recognised within impairment.

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2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

ii) Impairment of financial assets (continued)

Write-offs of credit impaired instruments & reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the income statement.

Improvement in credit risk/Curing

A period may elapse from the point at which instruments enter lifetime ECL (Stage 2 or Stage 3) and are reclassified back to 12 month ECL (Stage 1).

For financial assets that are credit-impaired (Stage 3), a transfer to Stage 2 or Stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within Stage 2, these can only be transferred to Stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to Stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to Stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to Stage 1. This includes instances where management actions led to instruments being classified as Stage 2, requiring that action to be resolved before loans are reclassified to Stage 1.

Significant accounting estimates and judgements

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions. The significant judgements and estimates in determining ECL include:

- The Group's criteria for assessing if there has been a significant increase in credit risk;
- Development of ECL models, including the choice of inputs relating to macroeconomic variables.

The calculation of credit-impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information.

3. BNM Policy Document on Financial Reporting

Bank Negara Malaysia ("BNM") had on 2 February 2018, issued a Revised Policy Document on Financial Reporting and Financial Reporting on Islamic Banking Institutions ("Revised Policy Document") which is applicable to all licensed banks, licensed investment bank and licensed Islamic banks in Malaysia. The issuance of this Revised Policy Document superseded previous guidelines issued by BNM previously, namely Financial Reporting and Financial Reporting for Islamic Banking Institutions dated 5 February 2016 as well as Classification and Impairment Provisions for Loans/Financing dated 6 April 2015.

The key changes in the Revised Policy Document are:

- i) 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;
- ii) Additional disclosures on intercompany charges and placement of funds in an investment account with an Islamic banking institution; and
- iii) Clarification on the classification of a credit facility as credit-impaired.

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4. Impacts on MFRS 9 adoption

The MFRS classification and measurement requirements as well as the impairment requirements have been applied retrospectively through adjustments to the Group and the Bank's financial positions amounts on the date of initial application, i.e., 1 January 2018, with no restatement of comparative periods. The impacts of the MFRS 9 adoption were recognised through adjustments to retained earnings and accumulated other comprehensive income on 1 January 2018.

Classification and measurement of financial instruments at the date of initial application of MFRS 9

The following table presents the classification and carrying amounts of the Group and the Bank's financial assets and financial liabilities, as previously established in accordance with MFRS 139 as at 31 December 2017, as well as the new classification and new carrying amounts established in accordance with MFRS 9 as at 1 January 2018, where applicable.

Financial assets/liabilities	Classification under MFRS 139	Classification under MFRS 9	Group		Bank	
			As at 31 December 2017 RM'000	As at 1 January 2018 RM'000	As at 31 December 2017 RM'000	As at 1 January 2018 RM'000
Financial assets						
Cash and short term funds	Loan and receivables	Amortised cost	6,157,757	6,151,649	4,956,090	4,949,982
Deposits and placements with banks and other financial institutions	Loan and receivables	Amortised cost	-	-	1,206,617	1,206,617
Investment account placement	Loan and receivables	Amortised cost	-	-	1,689,377	1,688,299
Securities purchased under resale agreements	Loan and receivables	FVTPL	433,754	433,754	433,754	433,754
Investment securities			7,142,839	7,147,826	7,042,315	7,047,302
<i>Debt securities</i>	FVTPL	FVTPL	1,878,563	1,878,563	1,878,563	1,878,563
	Available for sales	FVOCI	5,103,534	5,103,534	5,003,010	5,003,010
	Available for sales	Amortised cost	151,644	148,957	151,644	148,957
<i>Equity securities</i>	Available for sales	Designated at FVOCI	9,098	16,772	9,098	16,772
Loans, advances and financing	Loan and receivables	Amortised cost	27,641,178	27,603,213	22,102,389	22,071,133
Derivative financial assets	FVTPL	FVTPL	2,445,632	2,445,632	2,450,450	2,450,450
Other assets	Loan and receivables	Amortised cost	467,988	467,988	681,459	681,459
Statutory deposits with Bank Negara Malaysia	Loan and receivables	Amortised cost	617,013	617,013	478,001	478,001

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4. Impacts on MFRS 9 adoption (continued)

Classification and measurement of financial instruments at the date of initial application of MFRS 9 (continued)

Financial assets/liabilities	Classification under MFRS 139	Classification under MFRS 9	Group		Bank	
			As at 31 December 2017 RM'000	As at 1 January 2018 RM'000	As at 31 December 2017 RM'000	As at 1 January 2018 RM'000
Financial liabilities						
Deposits from customers	Amortised cost	Amortised cost	30,814,095	30,814,095	28,307,531	28,307,531
Structured deposits	FVTPL	FVTPL	270,700	270,700	245,210	245,210
Investment account of customers	Amortised cost	Amortised cost	730,481	730,481	-	-
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	3,022,076	3,022,076	2,867,010	2,867,010
Derivative financial liabilities	FVTPL	FVTPL	2,550,394	2,550,394	2,552,694	2,552,694
Other liabilities	Amortised cost	Amortised cost	1,875,838	1,875,838	2,048,031	2,048,031
Subordinated debts	Amortised cost	Amortised cost	1,000,000	1,000,000	1,000,000	1,000,000

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4. Impacts on MFRS 9 adoption (continued)Reconciliation of new carrying values under MFRS 9 as at 1 January 2018

The following table reconciles the financial assets and liability carrying values established in accordance with MFRS 139 as at 31 December 2017 with the carrying values established in accordance with MFRS 9 as at 1 January 2018 as well as the impact of MFRS 9 adoption on income tax assets and liabilities.

GROUP	MFRS 139 carrying values 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 adjustment Impairment RM'000	Tax Impacts RM'000	Reconciliation of new carrying values 1 January 2018 under MFRS 9 RM'000
Statement of Financial Position						
<i>Assets</i>						
Cash and short term funds	6,157,757	-	-	(6,108)	-	6,151,649
Securities purchased under resale agreements	433,754	-	-	-	-	433,754
<i>i) Securities purchased under resale agreement at amortised cost</i>	433,754	(433,754)	-	-	-	-
<i>ii) Securities purchased under resale agreement at FVTPL</i>	-	433,754	-	-	-	433,754
Investment securities	7,142,839	-	6,030	(1,043)	-	7,147,826
<i>i) Investment securities at FVTPL</i>	1,878,563	-	-	-	-	1,878,563
<i>ii) Investment securities available-for-sale</i>	5,264,276	(5,264,276)	-	-	-	-
<i>iii) Debt securities measured at FVOCI</i>	-	5,103,534	-	-	-	5,103,534
<i>iv) Equity securities designated at FVOCI</i>	-	9,098	7,674	-	-	16,772
<i>v) Debt securities at amortised cost</i>	-	151,644	(1,644)	(1,043)	-	148,957
Loans, advances and financing	27,641,178	-	-	(37,966)	-	27,603,212
Derivative financial assets	2,445,632	-	-	-	-	2,445,632
Other assets	467,988	-	-	-	-	467,988
Current tax assets	3,143	-	-	-	(1,447)	1,696

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4. Impacts on MFRS 9 adoption (continued)

Reconciliation of new carrying values under MFRS 9 as at 1 January 2018 (continued)

GROUP	MFRS 139 carrying values 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 adjustment Impairment RM'000	Tax Impacts RM'000	Reconciliation of new carrying values 1 January 2018 under MFRS 9 RM'000
Statement of Financial Position						
<i>Assets (continued)</i>						
Statutory deposits with Bank Negara Malaysia	617,013	-	-	-	-	617,013
Property, plant and equipment	61,820	-	-	-	-	61,820
Deferred tax assets	78,464	-	-	-	-	78,464
TOTAL ASSETS	45,049,588	-	6,030	(45,117)	(1,447)	45,009,054
<i>Liabilities</i>						
Deposits from customers	30,814,095	-	-	-	-	30,814,095
Structured deposits	270,700	-	-	-	-	270,700
Investment account of customers	730,481	-	-	-	-	730,481
Deposits and placements of banks and other financial institutions	3,022,076	-	-	-	-	3,022,076
Derivative financial liabilities	2,550,394	-	-	-	-	2,550,394
Other liabilities	1,875,838	-	-	-	-	1,875,838
Current tax liabilities	17,315	-	-	-	(16,638)	677
Provision for credit commitments and contingencies	-	-	-	22,622	-	22,622
Subordinated debts	1,000,000	-	-	-	-	1,000,000
Total Liabilities	40,280,899	-	-	22,622	(16,638)	40,286,883
Share capital	163,000	-	-	-	-	163,000
Reserves	4,605,689	-	6,030	(67,739)	15,191	4,559,171
Total equity attributable to owner of the Bank	4,768,689	-	6,030	(67,739)	15,191	4,722,171
Total liabilities and equity	45,049,588	-	6,030	(45,117)	(1,447)	45,009,054

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4. Impacts on MFRS 9 adoption (continued)

Reconciliation of new carrying values under MFRS 9 as at 1 January 2018 (continued)

Bank	MFRS 139 carrying values 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 adjustment Impairment RM'000	Tax Impacts RM'000	Reconciliation of new carrying values 1 January 2018 under MFRS 9 RM'000
Statement of Financial Position	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short term funds	4,956,090	-	-	(6,108)	-	4,949,982
Deposits and placements with banks and other financial institutions	1,206,617	-	-	-	-	1,206,617
Investment account placement	1,689,377	-	-	(1,078)	-	1,688,299
Securities purchased under resale agreements	433,754	-	-	-	-	433,754
<i>i) Securities purchased under resale agreement at amortised cost</i>	433,754	(433,754)	-	-	-	-
<i>ii) Securities purchased under resale agreement at FVTPL</i>	-	433,754	-	-	-	433,754
Investment securities	7,042,315	-	6,030	(1,043)	-	7,047,302
<i>i) Investment securities at FVTPL</i>	1,878,563	-	-	-	-	1,878,563
<i>ii) Investment securities available-for-sale</i>	5,163,752	(5,163,752)	-	-	-	-
<i>iii) Debt securities measured at FVOCI</i>	-	5,003,010	-	-	-	5,003,010
<i>iv) Equity securities designated at FVOCI</i>	-	9,098	7,674	-	-	16,772
<i>v) Debt securities at amortised cost</i>	-	151,644	(1,644)	(1,043)	-	148,957
Loans, advances and financing	22,102,389	-	-	(31,256)	-	22,071,133
Derivative financial assets	2,450,450	-	-	-	-	2,450,450
Other assets	681,459	-	-	-	-	681,459
Statutory deposits with Bank Negara Malaysia	478,001	-	-	-	-	478,001
Investments in subsidiaries	411,522	-	-	-	-	411,522
Property, plant and equipment	61,668	-	-	-	-	61,668
Deferred tax assets	75,326	-	-	-	(1,447)	73,879
Total assets	41,588,968	-	6,030	(39,485)	(1,447)	41,554,066

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4. Impacts on MFRS 9 adoption (continued)

Reconciliation of new carrying values under MFRS 9 as at 1 January 2018 (continued)

Bank	MFRS 139 carrying values 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 adjustment Impairment RM'000	Tax Impacts RM'000	Reconciliation of new carrying values 1 January 2018 under MFRS 9 RM'000
Statement of Financial Position	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Liabilities</i>						
Deposits from customers	28,307,531	-	-	-	-	28,307,531
Structured deposits	245,210	-	-	-	-	245,210
Deposits and placements of banks and other financial institutions	2,867,010	-	-	-	-	2,867,010
Derivative financial liabilities	2,552,694	-	-	-	-	2,552,694
Other liabilities	2,048,031	-	-	-	-	2,048,031
Current tax liabilities	17,315	-	-	-	(14,781)	2,534
Provision for credit commitments and contingencies	-	-	-	21,613	-	21,613
Subordinated debts	1,000,000	-	-	-	-	1,000,000
Total liabilities	37,037,791	-	-	21,613	(14,781)	37,044,623
Share capital	163,000	-	-	-	-	163,000
Reserves	4,388,177	-	6,030	(61,098)	13,334	4,346,443
Total equity attributable to owner of the Bank	4,551,177	-	6,030	(61,098)	13,334	4,509,443
Total liabilities and equity	41,588,968	-	6,030	(39,485)	(1,447)	41,554,066

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5. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2017 was not qualified.

6. Seasonal or cyclical factors

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the third quarter and nine months ended 30 September 2018.

8. Changes in accounting estimates

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the third quarter and nine months ended 30 September 2018.

9. Issuances, cancellations, repurchases, resale and repayments of securities portfolio

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the third quarter and nine months ended 30 September 2018.

10. Dividend

The final single tier dividend of 75.52 sen per share totalling RM94,400,000 on the issued and fully paid-up ordinary shares and single-tier dividend of 3.38 sen per share totalling RM12,825,000 on the Irredeemable Convertible Preference shares of the Bank in respect of financial year ended 31 December 2017, which was approved by the Board of Directors on 24 April 2018 was paid on 25 May 2018 and 24 May 2018 respectively.

The Directors also paid an interim single tier dividend of 43.52 sen per share totalling RM54,400,000 on the issued and fully paid-up ordinary shares and semi-annual single-tier dividend of 3.38 sen per share totalling RM12,825,000 on the Irredeemable Convertible Preference shares of the Bank in respect of current financial period on 20 September 2018 and 19 September 2018 respectively.

No dividend has been proposed for the third quarter ended 30 September 2018.

11. Subsequent events

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

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the nine months ended 30 September 2018.

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13. Deposits and placements with banks and other financial institutions

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements with banks and other financial institutions	-	-	139,245	1,206,617

14. Investment account placements

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Investment account placements	-	-	3,055,034	1,689,377

Investment account placement is a placement under the Profit Sharing Investment Account ("PSIA") concept to the Bank's subsidiary .

15. Investment securities

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
i) Investment securities measured at FVTPL	2,159,291	-	2,159,291	-
ii) Financial assets held for trading	-	1,878,563	-	1,878,563
iii) Debt securities measured at FVOCI	3,308,971	-	3,208,524	-
iv) Equity securities designated at FVOCI	16,602	-	16,602	-
v) Debt securities at amortised cost	151,774	-	151,774	-
vi) Investment securities available-for-sale	-	5,264,276	-	5,163,752
	<u>5,636,638</u>	<u>7,142,839</u>	<u>5,536,191</u>	<u>7,042,315</u>

i) Investment securities measured at FVTPL

	Group	Bank
	30 September 2018	30 September 2018
	RM'000	RM'000
Malaysian Government treasury bills	36,270	36,270
Malaysian Government bonds/securities	1,688,529	1,688,529
Government Islamic bonds	342,479	342,479
Corporate bonds and sukuk	92,013	92,013
	<u>2,159,291</u>	<u>2,159,291</u>

ii) Financial assets held for trading

	Group	Bank
	31 December 2017	31 December 2017
	RM'000	RM'000
Malaysian Government bonds/securities	1,732,756	1,732,756
Government Islamic bonds	56,619	56,619
Corporate bonds and sukuk	89,188	89,188
	<u>1,878,563</u>	<u>1,878,563</u>

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15. Investment securities (continued)**iii) Debt securities measured at FVOCI**

	Group 30 September 2018 RM'000	Bank 30 September 2018 RM'000
Malaysian Government bonds/securities	2,291,760	2,291,760
Bankers' acceptances and Islamic acceptance bills	240,257	240,257
Negotiable instruments of deposit	150,040	150,040
Government Islamic bonds	626,914	526,467
	<u>3,308,971</u>	<u>3,208,524</u>

The carrying amount of a debt securities measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but it reflected as a debit to profit or loss or retained profit and credit to OCI

Movement of allowance for credit losses

	Group 30 September 2018 RM'000	Bank 30 September 2018 RM'000
Balance as at 1 January	492	492
Net remeasurement of loss allowance	346	346
At end of reporting period/year	<u>838</u>	<u>838</u>

iv) Equity securities designated at FVOCI

	Group 30 September 2018 RM'000	Bank 30 September 2018 RM'000
Unquoted investment held for strategic purpose	<u>16,602</u>	<u>16,602</u>

v) Debt securities at amortised cost

	Group 30 September 2018 RM'000	Bank 30 September 2018 RM'000
Corporate bonds	150,243	150,243
Fair value changes arising from fair value hedge	2,282	2,282
Allowance for credit loss	(751)	(751)
	<u>151,774</u>	<u>151,774</u>

vi) Investment securities available-for-sale

	Group 31 December 2017 RM'000	Bank 31 December 2017 RM'000
Malaysian Government bonds/securities	2,179,932	2,179,932
Bank Negara Malaysia bills	16,572	16,572
Negotiable instruments of deposit	2,320,400	2,320,400
Government Islamic bonds	586,630	486,106
Corporate bonds	151,401	151,401
	<u>5,254,935</u>	<u>5,154,411</u>
Unquoted securities:		
Equity shares, at cost	9,098	9,098
Corporate bonds, at fair value	243	243
	<u>5,264,276</u>	<u>5,163,752</u>

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16. Loans, advances and financing**(i) By type**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<u>At amortised cost</u>				
Overdrafts	1,350,658	1,039,020	1,350,658	1,039,020
Term loans/financing				
- Housing loans/financing	11,561,076	11,976,685	8,871,043	9,124,565
- Syndicated term loan/financing	392,531	423,478	392,531	423,478
- Hire purchase receivables	29,685	59,027	-	-
- Lease receivables	43,517	93,696	-	-
- Other term loans/financing	8,037,514	7,877,452	5,819,765	5,549,737
Bills receivable	3,779,379	3,213,806	3,381,582	2,842,097
Trust receipts	405,794	410,764	176,744	244,309
Staff loans/financing	31,571	36,997	19,573	23,650
Loans/financing to banks and other financial institutions	87,483	22,745	87,483	22,745
Credit card receivables	2,072,475	2,051,131	2,072,475	2,051,131
Revolving credit	2,678,791	1,977,648	2,307,678	1,731,451
	<u>30,470,474</u>	<u>29,182,449</u>	<u>24,479,532</u>	<u>23,052,183</u>
Less: Unearned interest and income	<u>(480,827)</u>	<u>(511,949)</u>	<u>(18,478)</u>	<u>(16,724)</u>
	<u>29,989,647</u>	<u>28,670,500</u>	<u>24,461,054</u>	<u>23,035,459</u>
Less: Allowances for credit losses financing and advances:				
- 12-month ECL (Stage 1)	(73,631)	-	(69,672)	-
- Lifetime ECL not credit-impaired (Stage 2)	(57,925)	-	(45,104)	-
- Lifetime ECL credit-impaired (Stage 3)	(482,257)	-	(431,521)	-
Less: Impairment provisions on loans, advances and financing:				
- Individual impairment provisions	-	(696,528)	-	(664,729)
- Collective impairment provisions	-	(332,794)	-	(268,341)
Total net loans, advances and financing	<u>29,375,834</u>	<u>27,641,178</u>	<u>23,914,757</u>	<u>22,102,389</u>

(ii) By type of customer

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Domestic banking institutions	12,388	23,639	12,388	23,639
Domestic non-bank financial institutions	302,624	229,108	262,302	228,747
Domestic business enterprises	12,110,407	10,736,315	10,108,895	8,706,600
<i>Small medium enterprises</i>	3,312,290	3,339,719	2,483,441	2,524,950
<i>Others</i>	8,798,117	7,396,596	7,625,454	6,181,650
Individuals	14,347,902	14,590,979	11,942,697	11,999,624
Other domestic entities	362	346	362	346
Foreign entities	3,215,964	3,090,113	2,134,410	2,076,503
	<u>29,989,647</u>	<u>28,670,500</u>	<u>24,461,054</u>	<u>23,035,459</u>

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16. Loans, advances and financing (continued)**(iii) By interest/profit rate sensitivity**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Fixed rate				
Housing loans/financing	12,135	14,855	11,149	13,725
Other fixed rate loan/financing	3,463,176	3,658,537	2,777,757	2,987,769
Variable rate				
BLR plus/ Base rate plus	14,452,800	14,909,003	11,697,666	12,058,013
Cost plus	10,301,135	9,322,105	9,900,826	7,888,398
Other variable rates	1,760,401	766,000	73,656	87,554
	<u>29,989,647</u>	<u>28,670,500</u>	<u>24,461,054</u>	<u>23,035,459</u>

(iv) By sector

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Agriculture	158,362	110,176	14,144	18,024
Mining and quarrying	17,608	244,551	8,815	14,045
Manufacturing	4,367,589	3,777,775	3,864,209	3,485,369
Electricity, gas and water	74,065	53,634	73,211	52,690
Construction	781,131	691,416	600,761	492,355
Real estate	2,216,768	2,007,591	1,898,539	1,667,069
Wholesale & retail trade and restaurants & hotels	2,686,941	2,195,710	2,270,634	1,807,693
Transportation, storage and communication	459,815	300,961	415,218	250,207
Finance, insurance and business services	1,476,108	1,405,796	1,153,352	1,076,584
Household	16,399,454	16,658,083	13,568,253	13,612,486
Others	1,351,806	1,224,807	593,918	558,937
	<u>29,989,647</u>	<u>28,670,500</u>	<u>24,461,054</u>	<u>23,035,459</u>

(v) By purpose

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Purchase of landed property	14,226,016	14,794,723	10,973,699	11,354,205
- Residential	11,445,540	11,857,976	8,956,254	9,226,648
- Non-residential	2,780,476	2,936,747	2,017,445	2,127,557
Purchase of securities	809,999	572,864	809,999	572,864
Fixed assets excluding land & building	26,200	54,784	-	-
Personal use	1,128,229	1,158,850	985,683	957,488
Credit cards	2,072,475	2,051,131	2,072,475	2,051,131
Working capital	11,639,245	9,958,347	9,531,715	8,019,970
Others	87,483	79,801	87,483	79,801
	<u>29,989,647</u>	<u>28,670,500</u>	<u>24,461,054</u>	<u>23,035,459</u>

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16. Loans, advances and financing (continued)**(vi) By maturity structure**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Maturing within one year	10,639,917	9,217,851	9,530,372	8,349,627
One year to three years	1,403,565	1,176,044	999,856	732,743
Three years to five years	2,781,948	2,704,343	2,100,362	1,857,569
Over five years	15,164,217	15,572,262	11,830,464	12,095,520
	<u>29,989,647</u>	<u>28,670,500</u>	<u>24,461,054</u>	<u>23,035,459</u>

(vii) By geographical distribution

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Within Malaysia	29,085,908	27,930,149	24,182,709	22,799,592
Outside Malaysia	903,739	740,351	278,345	235,867
	<u>29,989,647</u>	<u>28,670,500</u>	<u>24,461,054</u>	<u>23,035,459</u>

(viii) Analysis of foreign currency exposure

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
USD	4,550,712	3,566,152	3,853,455	2,925,761
GBP	208,870	167,544	208,870	167,554
Other foreign currencies	789,210	452,824	789,210	452,824
	<u>789,210</u>	<u>452,824</u>	<u>789,210</u>	<u>452,824</u>

17. Impaired loans, advances and financing**(i) Movements in impaired loans, advances and financing**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
At 1 January	1,324,562	1,379,042	1,281,381	1,322,159
Currency translation differences	52,628	(26,414)	52,628	(26,414)
Classified as impaired during the financial period/year	686,250	865,492	606,524	774,318
Reclassified as performing during the financial period/year	(620,032)	(315,297)	(573,063)	(243,975)
Amount recovered during the financial period/year	(106,794)	(132,578)	(105,262)	(128,629)
Amount written off during the financial period/year	(550,294)	(445,683)	(536,453)	(416,078)
At end of reporting period/year	786,320	1,324,562	725,755	1,281,381
ECL Stage 3/Individual impairment provisions	(369,928)	(696,528)	(337,280)	(664,729)
Net impaired loans, advances and financing	<u>416,392</u>	<u>628,034</u>	<u>388,475</u>	<u>616,652</u>

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17. Impaired loans, advances and financing (continued)

(ii) Movements in allowances for credit losses/ impairment provisions for loans, advances and financing

Group	← 30 September 2018 →				← 31 December 2017 →		
	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000	Collective impairment provisions RM'000	Individual impairment provisions RM'000	Total RM'000
Loans, advances and financing at amortised cost							
^ Balance as at 1 January	105,486	84,913	876,888	1,067,287	401,631	768,121	1,169,752
Transfer to 12-month ECL	117,576	(115,490)	(2,086)	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(20,827)	181,105	(160,278)	-	-	-	-
Transfer to lifetime ECL credit-impaired	(3,470)	(36,359)	39,829	-	-	-	-
Net remeasurement of loss allowance	(125,175)	(56,243)	75,017	(106,401)	33,625	290,566	324,191
Write-offs	-	-	(350,933)	(350,933)	-	(238,647)	(238,647)
Recoveries of amounts previously written off	-	-	-	-	(102,462)	(97,098)	(199,560)
Foreign exchange and other movements	41	(1)	3,820	3,860	-	(26,414)	(26,414)
At end of reporting period/year	<u>73,631</u>	<u>57,925</u>	<u>482,257</u>	<u>613,813</u>	<u>332,794</u>	<u>696,528</u>	<u>1,029,322</u>

Per the Revised Policy Document, the Group is required to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1.0% of total credit exposures (excluding exposure to Government of Malaysia, BNM and licensed banks), net of loss allowance for credit-impaired exposures. As of 30 September 2018, the Bank's total loss allowances and regulatory reserve is above the regulatory minimum.

^ Balance as of 1 January 2018 have been applied restropectively with MFRS 9 day 1 impact.

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17. Impaired loans, advances and financing (continued)

(ii) Movements in allowances for credit losses/ impairment provisions for loans, advances and financing (continued)

Bank	← 30 September 2018 →				← 31 December 2017 →		
	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000	Collective impairment provisions RM'000	Individual impairment provisions RM'000	Total RM'000
Loans, advances and financing at amortised cost							
^ Balance as at 1 January	92,550	52,116	819,660	964,326	320,965	741,959	1,062,924
Transfer to 12-month ECL	93,444	(91,702)	(1,742)	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(16,378)	175,315	(158,937)	-	-	-	-
Transfer to lifetime ECL credit-impaired	(3,443)	(28,019)	31,462	-	-	-	-
Net remeasurement of loss allowance*	(96,516)	(62,605)	66,146	(92,975)	23,421	233,642	257,063
Write-offs	-	-	(328,888)	(328,888)	-	(198,957)	(198,957)
Recoveries of amounts previously written off	-	-	-	-	(76,045)	(85,501)	(161,546)
Foreign exchange and other movements	15	(1)	3,820	3,834	-	(26,414)	(26,414)
At end of reporting period/year	<u>69,672</u>	<u>45,104</u>	<u>431,521</u>	<u>546,297</u>	<u>268,341</u>	<u>664,729</u>	<u>933,070</u>

Per the Revised Policy Document, the Bank is required to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1.0% of total credit exposures (excluding exposure to Government of Malaysia, BNM and licensed banks), net of loss allowance for credit-impaired exposures. As of 30 September 2018, the Bank's total loss allowances and regulatory reserve is above the regulatory minimum.

* Included in net remeasurement allowance is a transfer from Standard Chartered Saadiq Berhad under PSIA arrangement amounting to RM8.2 million.

^ Balance as of 1 January 2018 have been applied restropectively with MFRS 9 day 1 impact.

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17. Impaired loans, advances and financing (continued)**(iii) Impaired loans, advances and financing by sector**

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Agriculture	118	-	118	-
Mining and quarrying	3,601	5,091	3,601	5,091
Manufacturing	464,798	982,794	463,652	981,592
Construction	5,408	5,218	4,658	3,631
Real estate	4,762	34,209	37	33,820
Wholesale & retail trade and restaurants & hotels	72,544	82,662	65,073	73,205
Transportation, storage and communication	8,181	5,895	5,942	3,823
Finance, insurance and business services	4,832	1,594	723	760
Household	218,407	202,507	178,282	175,168
Others	3,669	4,592	3,669	4,291
	<u>786,320</u>	<u>1,324,562</u>	<u>725,755</u>	<u>1,281,381</u>

(iv) Impaired loans, advances and financing by purpose

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Purchase of landed property	146,888	123,675	104,992	104,816
- Residential	125,408	105,012	97,834	92,790
- Non-residential	21,480	18,663	7,158	12,026
Fixed assets excluding land & building	2,935	2,443	-	-
Personal use	82,920	94,886	76,223	82,251
Credit cards	9,244	11,053	9,244	11,053
Working capital	544,333	1,092,505	535,296	1,083,261
	<u>786,320</u>	<u>1,324,562</u>	<u>725,755</u>	<u>1,281,381</u>

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

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Within Malaysia	<u>786,320</u>	<u>1,324,562</u>	<u>725,755</u>	<u>1,281,381</u>

18. Other assets

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Interest/Income receivables	67,958	89,786	87,189	101,157
Unquoted Subordinated Sukuk of a subsidiary company	-	-	100,000	100,000
Other receivables, deposits and prepayments	1,470,551	378,202	1,876,210	480,302
	<u>1,538,509</u>	<u>467,988</u>	<u>2,063,399</u>	<u>681,459</u>

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19. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009 to satisfy the Statutory Reserve Requirement ("SRR"); the amounts of which are determined at set percentages of total eligible liabilities.

20. Deposits from customers**(i) By type of deposits**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Demand deposits	13,713,426	14,528,455	12,860,378	13,710,063
Savings deposits	3,616,578	4,276,019	3,364,853	4,202,228
Fixed/Investment deposits	12,206,412	10,800,659	10,968,989	9,314,073
Negotiable instruments of deposits	638,069	1,208,962	640,000	1,081,167
	<u>30,174,485</u>	<u>30,814,095</u>	<u>27,834,220</u>	<u>28,307,531</u>

The maturity structure of the fixed/investment deposits and negotiable instruments of deposits is as follows:

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Due within six months	9,693,005	9,525,489	8,602,354	8,001,079
Six months to one year	3,014,043	2,398,989	2,867,100	2,323,379
One year to three years	97,433	44,742	99,535	30,381
Three years to five years	40,000	40,401	40,000	40,401
	<u>12,844,481</u>	<u>12,009,621</u>	<u>11,608,989</u>	<u>10,395,240</u>

(ii) By type of customers

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Government and statutory bodies	744,491	1,017,379	79,799	77,686
Business enterprises	15,124,352	15,474,605	14,364,492	14,582,141
Individuals	11,752,810	11,481,046	11,098,285	11,178,588
Others	2,552,832	2,841,065	2,291,644	2,469,116
	<u>30,174,485</u>	<u>30,814,095</u>	<u>27,834,220</u>	<u>28,307,531</u>

21. Structured deposits

Structured deposits are customer deposits which comprise both deposits and investment elements. The balance are treated as financial liabilities held at fair value through profit or loss.

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22. Deposits and placements of banks and other financial institutions

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Licensed banks	478,404	905,672	478,404	905,672
Other financial institutions	3,274,898	2,116,404	3,091,610	1,961,338
	<u>3,753,302</u>	<u>3,022,076</u>	<u>3,570,014</u>	<u>2,867,010</u>

23. Other liabilities

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Interest/Income payable	222,083	219,489	220,139	216,872
Other payables and accruals	2,231,161	1,656,349	2,447,460	1,831,159
	<u>2,453,244</u>	<u>1,875,838</u>	<u>2,667,599</u>	<u>2,048,031</u>

24. Provision for credit commitments and contingencies

	Group	Bank
	30 September 2018 RM'000	30 September 2018 RM'000
Loan commitments and financial guarantee contracts		
Balance as at 1 January (Note 4)	22,622	21,613
Net remeasurement of loss allowance	(12,134)	(11,656)
Foreign exchange and other movements	(2)	(5)
At end of reporting period/year	<u>10,486</u>	<u>9,952</u>

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25. Interest income

	Group			
	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	291,343	275,155	890,940	827,905
- Recoveries from impaired loans	62,241	7,217	77,410	20,460
Money at call and deposit placements with banks and other financial institutions	28,131	30,030	75,566	84,965
Investment securities at FVTPL	16,984	-	60,699	-
Investment securities at FVOCI	35,512	-	120,083	-
Investment securities at amortised cost	1,815	-	5,385	-
Financial assets held for trading	-	23,706	-	66,426
Investment securities available-for-sale	-	36,842	-	108,363
	<u>436,026</u>	<u>372,950</u>	<u>1,230,083</u>	<u>1,108,119</u>

	Bank			
	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	291,343	275,155	890,940	827,905
- Recoveries from impaired loans	62,241	7,217	77,410	20,460
Money at call and deposit placements with banks and other financial institutions	57,931	58,042	165,100	172,052
Investment securities at FVTPL	16,984	-	60,699	-
Investment securities at FVOCI	35,512	-	120,083	-
Investment securities at amortised cost	1,815	-	5,385	-
Financial assets held for trading	-	23,706	-	66,426
Investment securities available-for-sale	-	36,842	-	108,363
	<u>465,826</u>	<u>400,962</u>	<u>1,319,617</u>	<u>1,195,206</u>

26. Interest expense

	Group and Bank			
	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	12,285	9,333	44,940	27,660
Deposits from customers	156,816	133,109	453,641	402,506
Subordinated debts	12,993	12,343	38,015	36,581
	<u>182,094</u>	<u>154,785</u>	<u>536,596</u>	<u>466,747</u>

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27. Net income from Islamic Banking operations

	Group			
	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	62,459	71,553	178,483	211,728
Income derived from investment account funds	43,049	23,321	130,756	68,986
Income attributable to depositors	(46,262)	(27,242)	(138,951)	(90,936)
Income attributable to investment account holders	(6,293)	(19,590)	(18,711)	(42,215)
Income attributable to the shareholder	52,953	48,042	151,577	147,563
Income derived from investment of shareholder's funds	15,107	12,188	46,862	54,558
	<u>68,060</u>	<u>60,230</u>	<u>198,439</u>	<u>202,121</u>

28. Other operating income

	Group			
	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee and commission				
Fee and commission income:				
Arising from financial instruments not fair valued through profit or loss	58,986	67,744	194,882	190,755
- <i>Commission income</i>	38,230	43,512	121,894	122,511
- <i>Service fees</i>	8,860	13,258	37,475	36,702
- <i>Guarantee fees</i>	11,896	10,974	35,513	31,542
Fee and commission expense:				
Arising from financial instruments not fair valued through profit or loss	(13,659)	(12,406)	(52,770)	(48,195)
- <i>Commission charges</i>	1,059	(1,066)	(14,170)	(12,644)
- <i>Service charges</i>	(14,718)	(11,340)	(38,600)	(35,551)
	<u>45,327</u>	<u>55,338</u>	<u>142,112</u>	<u>142,560</u>
Net trading income				
Gains/(losses) from sale of financial assets at FVTPL	47,491	119,215	(26,641)	219,002
Unrealised gains/(losses) on revaluation of financial assets at FVTPL	15,205	(17,618)	221,112	93,983
Foreign exchange currency				
- Gains/(losses) from dealing in foreign currency	12,053	(209,031)	200,131	(54,156)
- Unrealised gains/(losses) from foreign exchange translation	27,060	210,295	(92,140)	(3,713)
	<u>101,809</u>	<u>102,861</u>	<u>302,462</u>	<u>255,116</u>
Other income				
Gains from sale of investment securities at FVOCI	(1,143)	-	132	-
Gains from sale of investment securities available-for-sale	-	107	-	5,213
Gross dividends from unquoted investments	123	122	1,169	811
Rental income	9	9	28	26
Gain on disposal of property, plant and equipment	-	374	-	484
Others	351	1,257	2,302	1,435
	<u>(660)</u>	<u>1,869</u>	<u>3,631</u>	<u>7,969</u>
Total other operating income	<u>146,476</u>	<u>160,068</u>	<u>448,205</u>	<u>405,645</u>

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28. Other operating income (continued)

	Bank			
	3rd Quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Fee and commission				
Fee and commission income:				
Arising from financial instruments not fair valued through profit or loss	58,689	67,744	194,112	190,755
- <i>Commission income</i>	37,933	43,512	121,124	122,511
- <i>Service fees</i>	8,860	13,258	37,475	36,702
- <i>Guarantee fees</i>	11,896	10,974	35,513	31,542
Fee and commission expense:				
Arising from financial instruments not fair valued through profit or loss	(13,598)	(12,406)	(52,560)	(48,195)
- <i>Commission charges</i>	1,059	(1,066)	(14,170)	(12,644)
- <i>Service charges</i>	(14,657)	(11,340)	(38,390)	(35,551)
	<u>45,091</u>	<u>55,338</u>	<u>141,552</u>	<u>142,560</u>
Net trading income				
Gains/(losses) from sale of financial assets at FVTPL	47,491	119,215	(26,641)	219,002
Unrealised gains/(losses) on revaluation of financial assets at FVTPL	15,205	(18,490)	219,181	91,644
Foreign exchange currency				
- Gains/(losses) from dealing in foreign currency	12,053	(209,031)	200,131	(54,156)
- Unrealised gains/(losses) from foreign exchange translation	27,060	210,295	(92,140)	(3,713)
	<u>101,809</u>	<u>101,989</u>	<u>300,531</u>	<u>252,777</u>
Other income				
Gains from sale of investment securities at FVOCI	(1,143)	-	132	-
Gains from sale of investment securities available-for-sale	-	107	-	5,213
Gross dividends from unquoted investments	123	122	1,169	811
Gross dividend from a subsidiary	-	-	-	-
Rental income	9	9	28	26
Gain on disposal of property, plant and equipment	1	374	1	484
Others	17,572	18,844	50,706	60,476
	<u>16,562</u>	<u>19,456</u>	<u>52,036</u>	<u>67,010</u>
Total other operating income	<u>163,462</u>	<u>176,783</u>	<u>494,119</u>	<u>462,347</u>

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29. Other operating expenses

	Group			
	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonuses, wages and allowances	98,080	85,360	281,272	263,957
- Pension fund contributions	12,514	15,107	38,392	34,678
- Other staff related cost	9,041	9,137	27,833	29,388
	<u>119,635</u>	<u>109,604</u>	<u>347,497</u>	<u>328,023</u>
Establishment costs				
- Depreciation of property, plant and equipment	5,412	6,197	18,815	19,081
- Rental	6,554	6,249	18,735	18,726
- Information technology and project expenses	60,325	59,777	140,502	174,040
- Others	9,812	11,989	29,281	32,221
	<u>82,103</u>	<u>84,212</u>	<u>207,333</u>	<u>244,068</u>
Marketing expenses				
- Advertisement and publicity	1,715	5,579	11,293	14,228
- Others	2,294	4,484	14,238	14,649
	<u>4,009</u>	<u>10,063</u>	<u>25,531</u>	<u>28,877</u>
Administration and general expenses				
- Communication expenses	2,190	3,134	6,965	8,686
- Group administration and business support expenses	13,388	2,203	48,206	42,548
- Outsourcing expenses	20,144	28,650	84,505	81,648
- Others	12,053	18,939	53,215	48,802
	<u>47,775</u>	<u>52,926</u>	<u>192,891</u>	<u>181,684</u>
Total other operating expenses	<u><u>253,522</u></u>	<u><u>256,805</u></u>	<u><u>773,252</u></u>	<u><u>782,652</u></u>
	Bank			
	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonuses, wages and allowances	94,583	83,530	273,475	256,160
- Pension fund contributions	12,514	15,107	38,392	34,678
- Other staff related cost	8,350	8,577	25,217	27,605
	<u>115,447</u>	<u>107,214</u>	<u>337,084</u>	<u>318,443</u>
Establishment costs				
- Depreciation of property, plant and equipment	5,397	6,188	18,768	19,052
- Rental	6,351	6,033	18,028	17,984
- Information technology and project expenses	60,193	59,669	140,085	173,077
- Others	9,497	11,408	28,313	31,403
	<u>81,438</u>	<u>83,298</u>	<u>205,194</u>	<u>241,516</u>
Marketing expenses				
- Advertisement and publicity	1,715	5,579	11,293	14,228
- Others	2,154	4,429	13,933	14,529
	<u>3,869</u>	<u>10,008</u>	<u>25,226</u>	<u>28,757</u>
Administration and general expenses				
- Communication expenses	2,150	3,084	6,793	8,587
- Group administration and business support expenses	11,856	1,561	41,827	37,463
- Outsourcing expenses	20,144	28,650	84,505	81,648
- Others	11,415	16,409	49,293	44,219
	<u>45,565</u>	<u>49,704</u>	<u>182,418</u>	<u>171,917</u>
Total other operating expenses	<u><u>246,319</u></u>	<u><u>250,224</u></u>	<u><u>749,922</u></u>	<u><u>760,633</u></u>

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30. Provisions for credit losses

	Group		Bank	
	3rd Quarter ended 30 September 2018 RM'000	Nine months ended 30 September 2018 RM'000	3rd Quarter ended 30 September 2018 RM'000	Nine months ended 30 September 2018 RM'000
(Release)/allowances of credit losses for financial assets:				
Loan and advances	(178,372)	(106,401)	(168,221)	(92,975)
Credit commitments and contingencies	(10,438)	(12,134)	(10,601)	(11,656)
Other financial assets	1,706	(119)	1,699	(701)
Impaired loans, advances and financing:				
Written off	20,088	56,573	20,088	56,573
Recovered	(18,396)	(55,420)	(15,634)	(46,489)
	<u>(185,412)</u>	<u>(117,501)</u>	<u>(172,669)</u>	<u>(95,248)</u>

	Group		Bank	
	3rd Quarter ended 30 September 2017 RM'000	Nine months ended 30 September 2017 RM'000	3rd Quarter ended 30 September 2017 RM'000	Nine months ended 30 September 2017 RM'000
Provisions for loans, advances and financing:				
Individual impairment provisions	36,982	100,125	28,388	64,158
- Made in the financial period	37,798	122,906	27,906	77,976
- Discounting of expected cashflows	12,954	57,264	12,954	57,264
- Written back	(13,770)	(80,045)	(12,472)	(71,082)
Collective impairment provisions				
- Made in the financial period	4,846	19,491	2,725	13,012
- Written back	(35,506)	(94,841)	(29,947)	(69,227)
Impaired loans, advances and financing:				
Written off	22,246	73,493	22,246	73,493
Recovered	(18,610)	(56,450)	(15,402)	(46,507)
	<u>9,958</u>	<u>41,818</u>	<u>8,010</u>	<u>34,929</u>

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31. Commitments and contingencies

In ordinary course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies are as follows:

Group	30 September 2018			31 December 2017		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,241,274	1,241,274	345,631	1,720,623	1,720,623	676,206
Transaction-related contingent items	4,096,371	4,096,371	944,804	3,620,380	3,620,380	1,064,613
Short-term self liquidating trade-related contingencies	542,299	542,299	81,045	392,402	391,974	104,427
Other commitments to extend credit:						
- maturity not exceeding one year	35,266,323	4,143,662	1,460,661	34,835,929	4,221,515	1,840,991
- maturity exceeding one year	3,437,734	579,705	400,144	2,912,182	527,629	706,199
Foreign exchange related contracts:						
- less than one year	67,866,043	1,952,713	638,123	54,934,667	1,940,412	490,822
- one year to less than five years	12,597,629	1,408,634	738,373	11,938,270	1,557,564	751,741
- five years and above	872,336	158,153	54,265	1,279,033	207,568	95,475
Interest rate related contracts:						
- less than one year	12,149,576	40,960	6,518	18,129,267	148,801	21,058
- one year to less than five years	27,343,150	776,817	294,881	28,586,931	755,525	227,463
- five years and above	5,955,576	455,599	96,087	6,533,194	495,420	133,702
Miscellaneous commitments and contingencies	4,159,611	350,537	206,230	3,268,761	370,327	200,777
	<u>175,527,922</u>	<u>15,746,724</u>	<u>5,266,762</u>	<u>168,151,639</u>	<u>15,957,738</u>	<u>6,313,474</u>

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31. Commitments and contingencies (continued)

	30 September 2018			31 December 2017		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Bank						
Direct credit substitutes	1,217,183	1,217,183	336,878	1,707,032	1,708,386	672,242
Transaction-related contingent items	3,876,205	3,907,805	916,481	3,363,489	3,425,439	1,021,728
Short-term self liquidating trade-related contingencies	449,018	495,864	69,235	322,029	368,198	96,182
Other commitments to extend credit:						
- maturity not exceeding one year	38,897,365	4,027,232	1,391,011	38,107,057	3,967,871	1,589,689
- maturity exceeding one year	3,015,538	547,760	365,770	2,492,559	511,449	693,390
Foreign exchange related contracts:						
- less than one year	67,895,441	2,061,245	665,882	54,935,278	1,938,562	489,350
- one year to less than five years	12,597,629	1,408,634	727,278	11,938,270	1,748,730	842,765
- five years and above	872,336	158,153	54,265	1,279,033	207,568	95,475
Interest rate related contracts:						
- less than one year	12,149,576	40,960	6,518	18,129,267	148,801	21,058
- one year to less than five years	27,343,150	776,817	300,245	28,564,534	755,152	240,301
- five years and above	5,955,576	455,599	96,087	6,533,194	495,420	133,702
Miscellaneous commitments and contingencies	4,159,611	350,537	206,230	3,288,372	371,896	201,415
	<u>178,428,628</u>	<u>15,447,789</u>	<u>5,135,880</u>	<u>170,660,114</u>	<u>15,647,472</u>	<u>6,097,297</u>

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

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32. Fair values of financial assets and liabilities

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. 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).

The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly observable market inputs	Valuation models using significant non-observable market inputs
Type of financial assets	Actively traded government and agency securities	Corporate and other government bonds and loans Over-the-counter ("OTC") derivatives Securities purchased under resale agreements	Private debt equity investments
Type of financial liabilities		OTC derivatives Structured deposits Obligations on securities sold under repurchase agreements	

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32. Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

Group	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
30 September 2018	RM'000	RM'000	RM'000	RM'000
Assets				
Investment securities measured at FVTPL				
Malaysian Government Treasury Bills /				
Bank Negara Malaysia Bills	-	1,724,799	-	1,724,799
Government Islamic bonds	-	342,479	-	342,479
Debt securities	-	92,013	-	92,013
Investment securities at FVOCI				
Malaysian Government Treasury Bills /				
Bank Negara Malaysia Bills	-	3,158,931	-	3,158,931
Debt securities	-	150,040	-	150,040
Equity securities designated at FVOCI				
Unquoted investment held for strategic purpose	-	-	16,602	16,602
Derivative financial assets	-	1,796,006	-	1,796,006
Securities purchased under resale agreements	-	1,188,159	-	1,188,159
At 30 September 2018	-	8,452,427	16,602	8,469,029
Liabilities				
Structured deposits	-	278,732	-	278,732
Derivative financial liabilities	-	1,606,536	-	1,606,536
At 30 September 2018	-	1,885,268	-	1,885,268

Group	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
31 December 2017	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets held for trading				
Malaysian Government bonds/securities	-	1,732,756	-	1,732,756
Government Islamic bonds	-	56,619	-	56,619
Debt securities	-	89,188	-	89,188
Investment securities available-for-sale				
Malaysian Government Treasury Bills /				
Bank Negara Malaysia Bills	-	2,783,134	-	2,783,134
Debt securities	-	2,472,044	-	2,472,044
Derivative financial assets	-	2,445,632	-	2,445,632
Securities purchased under resale agreements	-	433,754	-	433,754
At 31 December 2017	-	10,013,127	-	10,013,127
Liabilities				
Structured deposits	-	270,700	-	270,700
Derivative financial liabilities	-	2,550,394	-	2,550,394
At 31 December 2017	-	2,821,094	-	2,821,094

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32. Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

Bank	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
30 September 2018	RM'000	RM'000	RM'000	RM'000
Assets				
Investment securities measured at FVTPL				
Malaysian Government Treasury Bills /				
Bank Negara Malaysia Bills	-	1,724,799	-	1,724,799
Government Islamic bonds		342,479	-	342,479
Debt securities	-	92,013	-	92,013
Investment securities measured at FVOCI				
Malaysian Government Treasury Bills /				
Bank Negara Malaysia Bills	-	3,058,484	-	3,058,484
Debt securities	-	150,040	-	150,040
Equity securities designated at FVOCI				
Unquoted investment held for				
strategic purpose	-	-	16,602	16,602
Derivative financial assets	-	1,804,198	-	1,804,198
Securities purchased under resale agreements	-	1,188,159	-	1,188,159
At 30 September 2018	-	8,360,172	16,602	8,376,774
Liabilities				
Structured deposits	-	275,125	-	275,125
Obligations on securities sold under				
repurchase agreements	-	-	-	-
Derivative financial liabilities	-	1,606,545	-	1,606,545
At 30 September 2018	-	1,881,670	-	1,881,670

Bank	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
31 December 2017	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets held for trading				
Malaysian Government bonds/securities	-	1,732,756	-	1,732,756
Government Islamic bonds		56,619		56,619
Debt securities	-	89,188	-	89,188
Derivative financial assets	-	2,450,450	-	2,450,450
Investment securities available-for-sale				
Malaysian Government Treasury Bills /				
Bank Negara Malaysia Bills	-	2,682,610	-	2,682,610
Debt securities	-	2,472,044	-	2,472,044
Securities purchased under resale agreements	-	433,754	-	433,754
At 31 December 2017	-	9,917,421	-	9,917,421
Liabilities				
Structured deposits	-	245,210	-	245,210
Derivative financial liabilities	-	2,552,694	-	2,552,694
At 31 December 2017	-	2,797,904	-	2,797,904

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33. Capital adequacy

The capital adequacy ratios of the Group and the Bank are analysed as follows:

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Tier 1 Capital				
Paid-up ordinary share capital	500,000	125,000	500,000	125,000
Share premium	-	375,000	-	375,000
Other reserves	3,852,246	3,623,577	3,605,406	3,406,104
Less: Deferred tax assets	(180,351)	(78,977)	(169,034)	(75,832)
Unrealised gains and losses on FVOCI financial instruments	2,158	3,101	2,108	3,083
Investment in subsidiaries deducted from CET 1 capital	-	-	(411,522)	(329,218)
CET 1 capital	<u>4,174,053</u>	<u>4,047,701</u>	<u>3,526,958</u>	<u>3,504,137</u>
Irredeemable Convertible Preference Shares	380,000	380,000	380,000	380,000
Eligible Tier 1 capital	<u>4,554,053</u>	<u>4,427,701</u>	<u>3,906,958</u>	<u>3,884,137</u>
Tier 2 Capital				
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
Collective impairment provisions under standardised approach	18,939	17,215	18,614	14,599
Surplus of total eligible provisions over total expected loss under AIRB approach	153,543	36,061	142,205	19,139
Non-controlling interest	-	-	-	-
	<u>1,172,482</u>	<u>1,053,276</u>	<u>1,160,819</u>	<u>1,033,738</u>
Less: Investment in subsidiaries	-	-	(100,000)	(182,304)
Eligible Tier 2 capital	<u>1,172,482</u>	<u>1,053,276</u>	<u>1,060,819</u>	<u>851,434</u>
Total capital base	<u>5,726,535</u>	<u>5,480,977</u>	<u>4,967,777</u>	<u>4,735,571</u>

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets:				
Credit risk	27,105,596	25,675,485	25,190,036	23,660,860
Market risk	1,782,300	1,879,562	1,782,300	1,879,562
Operational risk	3,207,392	3,242,662	3,092,294	3,124,905
	<u>32,095,288</u>	<u>30,797,709</u>	<u>30,064,630</u>	<u>28,665,327</u>

The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
CET 1 capital ratio	13.005%	13.143%	11.731%	12.224%
Tier 1 capital ratio	14.189%	14.377%	12.995%	13.550%
Total capital ratio	17.842%	17.797%	16.524%	16.520%

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The capital adequacy ratios of the Islamic banking subsidiary of the Bank are as follows:

	30 September 2018	31 December 2017
CET 1 capital ratio	24.503%	20.644%
Tier 1 capital ratio	24.503%	20.644%
Total capital ratio	28.841%	24.497%

34. Change in comparative

Certain comparative in the financial statements have been restated to align with current year presentation.

35. Other matters

Changes in tax laws may affect the Group and the Bank's tax position, which in turn may have an impact on the Group and the Bank's profitability and capital ratios.

On 19 July 2018, the Ministry of Finance ("MOF") issued a letter disallowing full tax deduction on collective impairment provisions recognised under MFRS 9. The stance taken by the MOF represents a departure from its previous position towards impairment losses recognized under MFRS 139 Financial Instruments: Recognition and Measurement, where impairment losses were fully deductible for tax purpose under MFRS 139 Tax Guideline dated 1 April 2008.

In August 2018, the banking industry in Malaysia has submitted an appeal to MOF to revise the guideline. As of 30 September 2018, the final decision from MOF is still pending and is expected to be decided in the fourth quarter of 2018.

The Group and the Bank will make the necessary adjustment in the next quarter based on MOF's final decision.