Company No. 115793P

Standard Chartered Bank Malaysia Berhad

(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the three months ended 31 March 2018

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

Company No. 115793P

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

		Group		Bank	
	Note	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Assets					
Cash and short term funds		4,333,050	6,157,757	2,681,985	4,956,090
Deposits and placements with banks and other financial institutions	13	-	-	115,211	1,206,617
Investment account placements	14	-	-	3,437,769	1,689,377
Securities purchased under resale agreements		401,536	433,754	401,536	433,754
Investment securities	15	9,587,446	7,142,839	9,487,072	7,042,315
Loans, advances and financing	16	29,235,909	27,641,178	23,590,848	22,102,389
Derivative financial assets		1,917,631	2,445,632	1,919,731	2,450,450
Other assets	18	1,428,016	467,988	1,742,124	681,459
Current tax assets		3,472	3,143	-	-
Statutory deposits with Bank Negara Malaysia	19	695,265	617,013	649,378	478,001
Investments in subsidiaries		-	-	411,522	411,522
Property, plant and equipment		62,077	61,820	61,942	61,668
Deferred tax assets		78,127	78,464	74,703	75,326
Total assets		**47,742,529**	**45,049,588**	**44,573,821**	**41,588,968**
Liabilities					
Deposits from customers	20	30,832,832	32,521,720	28,637,378	30,015,156
Structured deposits		286,055	270,700	275,911	245,210
Investment account of customers		712,892	730,481	-	-
Deposits and placements of banks and other financial institutions	21	4,764,813	1,314,451	4,679,978	1,159,385
Obligations on securities sold under repurchase agreements		1,078,660	-	1,078,660	-
Derivative financial liabilities		1,968,966	2,550,394	1,969,594	2,552,694
Other liabilities	22	2,196,556	1,875,838	2,261,141	2,048,031
Current tax liabilities		19,254	17,315	19,254	17,315
Provision for credit commitments and contingencies	23	6,055	-	5,278	-
Subordinated debts		1,000,000	1,000,000	1,000,000	1,000,000
Total liabilities		**42,866,083**	**40,280,899**	**39,927,194**	**37,037,791**
Equity					
Share capital		163,000	163,000	163,000	163,000
Reserves		4,713,446	4,605,689	4,483,627	4,388,177
Total equity attributable to owner of the Bank		**4,876,446**	**4,768,689**	**4,646,627**	**4,551,177**
Total liabilities and equity		**47,742,529**	**45,049,588**	**44,573,821**	**41,588,968**
Commitments and contingencies	30	**160,484,112**	**168,151,639**	**163,184,344**	**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.

Company No. 115793P

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 1ST QUARTER AND THREE MONTHS ENDED 31 MARCH 2018

		Group			
		1st Quarter ended		Three months ended	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Interest income	24	392,860	361,164	392,860	361,164
Interest expense	25	(172,386)	(155,848)	(172,386)	(155,848)
Net interest income		**220,474**	**205,316**	**220,474**	**205,316**
Net income from Islamic Banking operations	26	63,973	82,089	63,973	82,089
		284,447	287,405	284,447	287,405
Other operating income	27	184,282	116,954	184,282	116,954
Total net income		468,729	404,359	468,729	404,359
Other operating expenses	28	(247,972)	(273,872)	(247,972)	(273,872)
Operating profit		**220,757**	**130,487**	**220,757**	**130,487**
Provisions for credit losses	29	(8,314)	19,589	(8,314)	19,589
Profit before taxation		**212,443**	**150,076**	**212,443**	**150,076**
Tax expense		(55,554)	(38,445)	(55,554)	(38,445)
Profit for the period		**156,889**	**111,631**	**156,889**	**111,631**
Other comprehensive (expense)/income, 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		(31)	-	(31)	-
Items that may be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income:					
Net changes in fair value		(1,662)	-	(1,662)	-
Net amount transferred to profit or loss		(1,229)	-	(1,229)	-
Impairment transferred to profit or loss		79	-	79	-
Fair value reserve (investment securities available-for-sale):					
Net changes in fair value		-	(1,263)	-	(1,263)
Net amount transferred to profit or loss		-	(807)	-	(807)
Cash flow hedges:					
Effective portion of changes in fair value		228	358	228	358
Net amount transferred to profit or loss		-	2	-	2
Other comprehensive expense for the period, net of income tax		**(2,615)**	**(1,710)**	**(2,615)**	**(1,710)**
Total comprehensive income for the period		**154,274**	**109,921**	**154,274**	**109,921**
Profit attributable to:					
Owner of the Bank		**156,889**	**111,631**	**156,889**	**111,631**
Total comprehensive income attributable to:					
Owner of the Bank		**154,274**	**109,921**	**154,274**	**109,921**

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.

Company No. 115793P

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 1ST QUARTER AND THREE MONTHS ENDED 31 MARCH 2018

		Bank			
		1st Quarter ended		Three months ended	
	Note	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Interest income	24	420,718	392,772	420,718	392,772
Interest expense	25	(172,386)	(155,848)	(172,386)	(155,848)
Net interest income		**248,332**	**236,924**	**248,332**	**236,924**
Other operating income	27	199,362	141,062	199,362	141,062
Total net income		447,694	377,986	447,694	377,986
Other operating expenses	28	(241,193)	(264,102)	(241,193)	(264,102)
Operating profit		**206,501**	**113,884**	**206,501**	**113,884**
Provisions for credit losses	29	(16,505)	19,790	(16,505)	19,790
Profit before taxation		**189,996**	**133,674**	**189,996**	**133,674**
Tax expense		(50,281)	(34,373)	(50,281)	(34,373)
Profit for the period		**139,715**	**99,301**	**139,715**	**99,301**
Other comprehensive (expense)/income, 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		(31)	-	(31)	-
Items that may be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income:					
Net changes in fair value		(1,578)	-	(1,578)	-
Net amount transferred to profit or loss		(1,229)	-	(1,229)	-
Impairment transferred to profit or loss		79	-	79	-
Fair value reserve (investment securities available-for-sale):					
Net changes in fair value		-	(1,537)	-	(1,537)
Net amount transferred to profit or loss		-	(807)	-	(807)
Cash flow hedges:					
Effective portion of changes in fair value		228	358	228	358
Net amount transferred to profit or loss		-	2	-	2
Other comprehensive expense for the period, net of income tax		**(2,531)**	**(1,984)**	**(2,531)**	**(1,984)**
Total comprehensive income for the period		**137,184**	**97,317**	**137,184**	**97,317**

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.

Company No. 115793P

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

CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Attributable to owner of the Bank								
		Non-Distributable Reserves						*Distributable Reserves*	
GROUP	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserves 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**	**Total equity 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	-	-	-	-	-	5,092	-	-	5,092
Adjustment related to impairment, net of income taxes	-	-	-	-	-	-	-	(51,609)	(51,609)
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	-	-	-	-	-	(1,662)	-	-	(1,662)
Net amount transferred to profit or loss	-	-	-	-	-	(1,150)	-	-	(1,150)
Fair value reserve (equity securities):									
Net changes in fair value	-	-	-	-	-	(31)	-	-	(31)
Cash flow hedges:									
Effective portion of changes in fair value	-	-	-	-	-	-	228	-	228
Total other comprehensive (expense)/income for the period	-	-	-	-	-	(2,843)	228	-	(2,615)
Profit for the period	-	-	-	-	-	-	-	156,889	156,889
Total comprehensive (expense)/income for the period	-	-	-	-	-	(2,843)	228	156,889	154,274
At 31 March 2018	**163,000**	**717,000**	-	**261,531**	**190**	**9,138**	**(1,939)**	**3,727,526**	**4,876,446**

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
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

GROUP	Attributable to owner of the Bank								
		Non-Distributable Reserves						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	Total equity 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	-	-	-	-	-	(1,263)	-	-	(1,263)
Net amount transferred to profit or loss	-	-	-	-	-	(807)	-	-	(807)
Cash flow hedges:									
Effective portion of changes in fair value	-	-	-	-	-	-	358	-	358
Net amount transferred to profit or loss	-	-	-	-	-	-	2	-	2
Total other comprehensive (expense)/ income for the period	-	-	-	-	-	(2,070)	360	-	(1,710)
Profit for the period	-	-	-	-	-	-	-	111,631	111,631
Total comprehensive (expense)/income for the period	-	-	-	-	-	(2,070)	360	111,631	109,921
At 31 March 2017	**163,000**	**717,000**	**265,750**	**260,000**	**190**	**(6,489)**	**(2,691)**	**3,231,416**	**4,628,176**

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
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Attributable to owner of the Bank								
		Non-Distributable Reserves						*Distributable Reserves*	
BANK	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserves 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**	**Total equity 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	-	-	-	-	-	5,074	-	-	5,074
Adjustment related to impairment, net of income taxes	-	-	-	-	-	-	-	(46,808)	(46,808)
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 (Investment securities measured at FVOCI):									
Net changes in fair value	-	-	-	-	-	(1,578)	-	-	(1,578)
Net amount transferred to profit or loss	-	-	-	-	-	(1,150)	-	-	(1,150)
Fair value reserve (Investment securities desginated at FVOCI):									
Net changes in fair value	-	-	-	-	-	(31)	-	-	(31)
Cash flow hedges:									
Effective portion of changes in fair value	-	-	-	-	-	-	228	-	228
Total other comprehensive (expense)/income for the period	-	-	-	-	-	(2,759)	228	-	(2,531)
Profit for the period	-	-	-	-	-	-	-	139,715	139,715
Total comprehensive (expense)/income for the period	-	-	-	-	-	(2,759)	228	139,715	137,184
At 31 March 2018	**163,000**	**717,000**	**-**	**247,909**	**190**	**9,165**	**(1,939)**	**3,511,302**	**4,646,627**

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
STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2018

BANK	*Attributable to owner of the Bank*								
		Non-Distributable Reserves						*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**	**Total equity 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	-	-	-	-	-	(1,537)	-	-	(1,537)
Net amount transferred to profit or loss	-	-	-	-	-	(807)	-	-	(807)
Cash flow hedges:									
Effective portion of changes in fair value	-	-	-	-	-	-	358	-	358
Net amount transferred to profit or loss	-	-	-	-	-	-	2	-	2
Total other comprehensive income for the period	-	-	-	-	-	(2,344)	360	-	(1,984)
Profit for the period	-	-	-	-	-	-	-	99,301	99,301
Total comprehensive income for the period	-	-	-	-	-	(2,344)	360	99,301	97,317
At 31 March 2017	**163,000**	**717,000**	**163,000**	**260,000**	**190**	**(5,957)**	**(2,691)**	**3,131,380**	**4,425,922**

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 CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Group		Bank	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Profit before taxation	212,443	150,076	189,996	133,674
Adjustment for non-cash items	12,070	(13,539)	20,206	(13,794)
Operating profit before working capital changes	224,513	136,537	210,202	119,880
Changes in working capital:				
Net changes in operating assets	(2,726,275)	(339,659)	(3,470,370)	(491,966)
Net changes in operating liabilities	3,164,673	1,090,734	3,470,564	1,035,696
Income taxes paid	(36,679)	(963)	(33,561)	-
Net cash generated from operating activities	626,232	886,649	176,835	663,610
Net cash used in investing activities	(2,450,939)	(1,833,954)	(2,450,940)	(1,833,954)
Net decrease in cash and cash equivalents	(1,824,707)	(947,305)	(2,274,105)	(1,170,344)
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	4,333,050	5,553,218	2,681,985	4,175,483

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 SUBSIDIARY COMPANIES

REVIEW OF PERFORMANCE

The Group registered profit before taxation of RM212.44 million for the financial period ended 31 March 2018, a 41.56% increase as compared to the same period last year.

Net interest income increased by 7.38% to RM220.47 million. In addition, other operating income increased by 57.57% to RM184.28 million, mainly attributable to gains from dealing in foreign currency. Other operating expenses decreased by 9.46% to RM247.97 million mainly due to non recurrence of a few lumpy projects related expenses this year.

Growth momentum in loans, advances and financing continued, registering a strong increase of 5.77% to RM29.2 billion during the quarter. Deposits from customers however, decreased by 5.19% to RM 30.83 billion.

The Group remains well capitalised with Common Equity Tier 1 capital ratio and Total Capital Ratio of 12.390 % and 17.135%, respectively, after proposed dividend.

PROSPECTS

The Retail Banking business will continue on its digital agenda to improve client experience and drive execution excellence. Our Commercial Banking and Corporate & Institutional Banking segments will continue to drive Risk Weighted Assets ("RWA") efficiency through disciplined portfolio management while deepening client relationships and leveraging on our global network, capabilities and Islamic offerings, with continued focus on flow business and key growth industries and sectors.

Notes to the financial statements for the three months ended 31 March 2018

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the first quarter and the three months ended 31 March 2018 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reportig.*

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

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:

<u>MFRS 9, *Financial Instruments*</u>

MFRS 9 replaces 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.

<u>MFRS 15, *Revenue from Contracts with Customers*</u>

MFRS 15 replaces 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	*Leases*
ii)	IC Interpretation 23	*Uncertainty over Income Tax Treatments*
iii)	Amendments to MFRS 3	*Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

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)

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

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

i)	MFRS 17	*Insurance Contracts*

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	*Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned 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.

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.

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.

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.

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.

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.

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.

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 drawndown 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.

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.

Loss provisions on Purchased or Originated Credit Impaired Instruments ("POCI")

The Group measures ECL on a lifetime basis for POCI instruments throughout the life of the instrument. However, ECL is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime ECL is inherent within the gross carrying amount of the instruments. The Group recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative change as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and vice versa where the expected credit losses are greater).

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. Revised Policy Document on Financial Reporting

Bank Negara Malaysia ("BNM") had on 2 Februrary 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) Clarify on the classification of a credit facility as credit-impaired.

4. Impacts on MFRS 9 adoption

The MFRS classificiatiion and measurement requirements as well as the impairment requirements have been applied restropectively 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 As at 31 December 2017 RM'000	Group As at 1 January 2018 RM'000	Bank As at 31 December 2017 RM'000	Bank 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
Debt securities	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
Equity securities	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
Total financial assets			44,906,161	44,867,075	41,040,452	41,006,997

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 As at 31 December 2017 RM'000	Group As at 1 January 2018 RM'000	Bank As at 31 December 2017 RM'000	Bank As at 1 January 2018 RM'000
Financial liabilities						
Deposits from customers	Amortised cost	Amortised cost	32,521,720	32,521,720	30,015,156	30,015,156
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	1,314,451	1,314,451	1,159,385	1,159,385
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
Total financial liabilities			40,263,584	40,263,584	37,020,476	37,020,476

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 Statement of Financial Position	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
Assets						
Cash and short term funds	6,157,757	-	-	(6,108)	-	6,151,649
Securities purchased under resale agreements	433,754	-	-	-	-	433,754
i) Securities purchased under resale agreement at amortised cost	433,754	(433,754)	-	-	-	-
ii) Securities purchased under resale agreement at FVTPL	-	433,754	-	-	-	433,754
Investment securities	7,142,839	-	6,030	(1,043)	-	7,147,826
i) Investment securities at FVTPL	1,878,563	-	-	-	-	1,878,563
ii) Investment securities available-for-sale	5,264,276	(5,264,276)	-	-	-	-
iii) Debt securities measured at FVOCI	-	5,103,534	-	-	-	5,103,534
iv) Equity securities designated at FVOCI	-	9,098	7,674	-	-	16,772
v) Debt securities at amortised cost	-	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 Statement of Financial Position	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
Assets (continued)						
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**
Liabilities						
Deposits from customers	32,521,720	-	-	-	-	32,521,720
Structured deposits	270,700	-	-	-	-	270,700
Investment account of customers	730,481	-	-	-	-	730,481
Deposits and placements of banks and other financial institutions	1,314,451	-	-	-	-	1,314,451
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**

4. Impacts on MFRS 9 adoption (continued)

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

Bank **Statement of Financial Position**	**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**
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) Securities purchased under resale agreement at amortised cost	433,754	(433,754)	-	-	-	-
ii) Securities purchased under resale agreement at FVTPL	-	433,754	-	-	-	433,754
Investment securities	7,042,315	-	6,030	(1,043)	-	7,047,302
i) Investment securities at FVTPL	1,878,563	-	-	-	-	1,878,563
ii) Investment securities available-for-sale	5,163,752	(5,163,752)	-	-	-	-
iii) Debt securities measured at FVOCI	-	5,003,010	-	-	-	5,003,010
iv) Equity securities designated at FVOCI	-	9,098	7,674	-	-	16,772
v) Debt securities at amortised cost	-	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 **Statement of Financial Position**	**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**
Liabilities						
Deposits from customers	30,015,156	-	-	-	-	30,015,156
Structured deposits	245,210	-	-	-	-	245,210
Deposits and placements of banks and other financial institutions	1,159,385	-	-	-	-	1,159,385
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**

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 first quarter and three months ended 31 March 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 first quarter and three months ended 31 March 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 first quarter and three months ended 31 March 2018.

10. Dividend

No dividend has been been proposed for the first quarter and the three months ended 31 March 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 three months ended 31 March 2018.

13. Deposits and placements with banks and other financial institutions

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Deposits and placements with banks and other financial institutions	-	-	115,211	1,206,617

14. Investment account placements

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Investment account placements	-	-	3,437,769	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	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
i) Investment securities measured at FVTPL	4,716,335	-	4,716,335	-
ii) Financial assets held for trading	-	1,878,563	-	1,878,563
iii) Debt securities measured at FVOCI	4,705,108	-	4,604,734	-
iv) Equity securities designated at FVOCI	16,731	-	16,731	-
v) Debt securities at amortised cost	149,272	-	149,272	-
vi) Investment securities available-for-sale	-	5,264,276	-	5,163,752
	9,587,446	7,142,839	9,487,072	7,042,315

Included in investment securities above are financial assets sold under repurchase agreements amounting to RM1,078,660,000 (2017: Nil).

i) Investment securities measured at FVTPL

	Group 31 March 2018 RM'000	Bank 31 March 2018 RM'000
Malaysian Government treasury bills	383,041	383,041
Malaysian Government bonds/securities	2,401,104	2,401,104
Government Islamic bonds	102,621	102,621
Bank Negara Malaysia bills	1,743,925	1,743,925
Corporate bonds and sukuk	85,644	85,644
	4,716,335	4,716,335

ii) Financial assets held for trading

	Group 31 December 2017 RM'000	Bank 31 December 2017 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
	1,878,563	1,878,563

15. Investment securities (continued)

iii) Debt securities measured at FVOCI

	Group 31 March 2018 RM'000	Bank 31 March 2018 RM'000
Malaysian Government bonds/securities	2,058,511	2,058,511
Bank Negara Malaysia bills	104,964	104,964
Bankers' acceptances and Islamic acceptance bills	169,892	169,892
Negotiable instruments of deposit	1,550,264	1,550,264
Government Islamic bonds	821,477	721,103
	4,705,108	4,604,734

iv) Equity securities designated at FVOCI

	Group 31 March 2018 RM'000	Bank 31 March 2018 RM'000
Unquoted investment held for strategic purpose	16,731	16,731

v) Debt securities at amortised cost

	Group 31 March 2018 RM'000	Bank 31 March 2018 RM'000
Corporate bonds	150,243	150,243
Allowance for credit loss	(971)	(971)
	149,272	149,272

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
	5,254,935	5,154,411
Unquoted securities:		
Equity shares, at cost	9,098	9,098
Corporate bonds, at fair value	243	243
	5,264,276	5,163,752

16. Loans, advances and financing

(i) By type

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
At fair value				
Syndicated term loan/financing	170,000	-	170,000	-
At amortised cost				
Overdrafts	1,200,245	1,039,020	1,200,245	1,039,020
Term loans/financing				
- Housing loans/financing	11,831,246	11,976,685	9,028,177	9,124,565
- Syndicated term loan/financing	138,308	423,478	138,308	423,478
- Hire purchase receivables	49,769	59,027	-	-
- Lease receivables	78,324	93,696	-	-
- Other term loans/financing	8,893,209	7,877,452	6,645,503	5,549,737
Bills receivable	1,862,964	3,213,806	1,493,649	2,842,097
Trust receipts	2,139,780	410,764	1,809,188	244,309
Staff loans/financing	34,720	36,997	21,996	23,650
Loans/financing to banks and other financial institutions	11,639	22,745	11,639	22,745
Credit card receivables	2,020,379	2,051,131	2,020,379	2,051,131
Revolving credit	2,184,901	1,977,648	1,859,093	1,731,451
	30,615,484	29,182,449	24,398,177	23,052,183
Less: Unearned interest and income	(501,854)	(511,949)	(19,493)	(16,724)
	30,113,630	28,670,500	24,378,684	23,035,459
Less: Allowances for credit losses financing and advances:				
- 12-month ECL (Stage 1)	(104,924)	-	(97,343)	-
- Lifetime ECL not credit-impaired (Stage 2)	(78,405)	-	(53,632)	-
- Lifetime ECL credit-impaired (Stage 3)	(694,392)	-	(636,861)	-
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	29,235,909	27,641,178	23,590,848	22,102,389

(ii) By type of customer

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Domestic banking institutions	11,640	23,639	11,640	23,639
Domestic non-bank financial institutions	359,696	229,108	279,350	228,747
Domestic business enterprises	11,942,846	10,736,315	9,813,453	8,706,600
Small medium enterprises	*3,263,554*	*3,339,719*	*2,454,305*	*2,524,950*
Others	*8,679,292*	*7,396,596*	*7,359,148*	*6,181,650*
Individuals	14,550,213	14,590,979	12,020,380	11,999,624
Other domestic entities	362	346	362	346
Foreign entities	3,248,873	3,090,113	2,253,499	2,076,503
	30,113,630	28,670,500	24,378,684	23,035,459

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16. Loans, advances and financing (continued)

(iii) By interest/profit rate sensitivity

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Fixed rate				
Housing loans/financing	13,865	14,855	12,837	13,725
Other fixed rate loan/financing	3,749,886	3,658,537	2,910,576	2,987,769
Variable rate				
BLR plus/ Base rate plus	14,659,182	14,909,003	11,857,141	12,058,013
Cost plus	9,841,528	9,322,105	9,515,720	7,888,398
Other variable rates	1,849,169	766,000	82,410	87,554
	30,113,630	28,670,500	24,378,684	23,035,459

(iv) By sector

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Agriculture	229,728	110,176	140,963	18,024
Mining and quarrying	269,080	244,551	36,969	14,045
Manufacturing	3,854,274	3,777,775	3,425,511	3,485,369
Electricity, gas and water	67,165	53,634	66,264	52,690
Construction	849,895	691,416	668,362	492,355
Real estate	2,692,019	2,007,591	2,372,390	1,667,069
Wholesale & retail trade and restaurants & hotels	2,247,454	2,195,710	1,881,233	1,807,693
Transportation, storage and communication	411,009	300,961	366,101	250,207
Finance, insurance and business services	1,485,154	1,405,796	1,044,680	1,076,584
Household	16,610,733	16,658,083	13,634,270	13,612,486
Others	1,397,119	1,224,807	741,941	558,937
	30,113,630	28,670,500	24,378,684	23,035,459

(v) By purpose

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Purchase of landed property	14,590,057	14,794,723	11,206,421	11,354,205
- Residential	*11,711,174*	*11,857,976*	*9,121,377*	*9,226,648*
- Non-residential	*2,878,883*	*2,936,747*	*2,085,044*	*2,127,557*
Purchase of securities	*727,483*	*572,864*	*727,483*	*572,864*
Fixed assets excluding land & building	45,776	*54,784*	-	-
Personal use	1,155,154	*1,158,850*	975,491	957,488
Credit cards	2,020,379	*2,051,131*	2,020,379	2,051,131
Working capital	11,517,291	*9,958,347*	9,391,420	8,019,970
Others	57,490	*79,801*	57,490	79,801
	30,113,630	28,670,500	24,378,684	23,035,459

16. Loans, advances and financing (continued)

(vi) By maturity structure

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Maturing within one year	10,092,750	9,217,851	9,027,027	8,349,627
One year to three years	1,355,419	1,176,044	944,453	732,743
Three years to five years	3,076,767	2,704,343	2,320,210	1,857,569
Over five years	15,588,694	15,572,262	12,086,994	12,095,520
	30,113,630	28,670,500	24,378,684	23,035,459

(vii) By geographical distribution

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Within Malaysia	29,132,932	27,930,149	23,902,470	22,799,592
Outside Malaysia	980,698	740,351	476,214	235,867
	30,113,630	28,670,500	24,378,684	23,035,459

(viii) Analysis of foreign currency exposure

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
USD	4,246,137	4,206,542	3,476,785	2,925,761
GBP	191,592	90,393	191,592	167,554
Other foreign currencies	638,891	26,455	638,891	452,824

17. Impaired loans, advances and financing

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 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	21,858	(26,414)	21,858	(26,414)
Classified as impaired during the financial period/year	158,273	865,492	129,808	774,318
Reclassified as performing during the financial period/year	(90,699)	(315,297)	(70,095)	(243,975)
Amount recovered during the financial period/year	(46,359)	(132,578)	(45,765)	(128,629)
Amount written off during the financial period/year	(258,178)	(445,683)	(251,962)	(416,078)
At end of reporting period/year	1,109,457	1,324,562	1,065,225	1,281,381
ECL Stage 3/Individual impairment provisions	(589,469)	(696,528)	(551,205)	(664,729)
Net impaired loans, advances and financing	519,988	628,034	514,020	616,652

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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

	31 March 2018				31 December 2017		
Group	**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**	**Individual impairment provisions RM'000**	**Collective 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	768,121	401,631	1,169,752
Transfer to 12-month ECL	11,081	(10,074)	(1,007)	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(34,272)	35,060	(788)	-	-	-	-
Transter to lifetime ECL credit-impaired	(15,447)	(16,235)	31,682	-	-	-	-
Net remeasurement of loss allowance	45,787	(15,259)	(3,766)	26,762	290,566	33,625	324,191
Write-offs	-	-	(208,617)	(208,617)	(238,647)	-	(238,647)
Recoveries of amounts previously written off	-	-	-	-	(97,098)	(102,462)	(199,560)
Foreign exchange and other movements	(7,711)	-	-	(7,711)	(26,414)	-	(26,414)
At end of reporting period/year	104,924	78,405	694,392	877,721	696,528	332,794	1,029,322

Per the Revised Policy Document, the Bank is required to maintain, in aggregate, loss allowance for not credit-impaired exposures and regulatory reserves of no less than 1.0% of total credit exposures, net of loss allowance for credit-impaired exposures. As of 31 March 2018, the loss allowance for not credit-impaired exposures, as a percentage of gross loans, advances and financing less loss allowance for credit-impaired exposures after including regulatory reserve is above 1.0%.

17. Impaired loans, advances and financing (continued)

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

Bank	31 March 2018 12-month ECL (Stage 1) RM'000	31 March 2018 Lifetime ECL not credit-impaired (Stage 2) RM'000	31 March 2018 Lifetime ECL credit-impaired (Stage 3) RM'000	31 March 2018 Total RM'000	31 December 2017 Individual impairment provisions RM'000	31 December 2017 Collective impairment provisions RM'000	31 December 2017 Total RM'000
Loans, advances and financing at amortised cost							
Balance as at 1 January	92,550	52,116	819,660	964,326	741,959	320,965	1,062,924
Transfer to 12-month ECL	8,179	(7,295)	(884)	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(23,548)	24,189	(641)	-	-	-	-
Transter to lifetime ECL credit-impaired	(11,740)	(11,654)	23,394	-	-	-	-
Net remeasurement of loss allowance*	40,681	(3,724)	(5,194)	31,763	233,642	23,421	257,063
Write-offs	-	-	(199,474)	(199,474)	(198,957)	-	(198,957)
Recoveries of amounts previously written off	-	-	-	-	(85,501)	(76,045)	(161,546)
Foreign exchange and other movements	(8,779)	-	-	(8,779)	(26,414)	-	(26,414)
At end of reporting period/year	97,343	53,632	636,861	787,836	664,729	268,341	933,070

Per the Revised Policy Document, the Bank is required to maintain, in aggregate, loss allowance for not credit-impaired exposures and regulatory reserves of no less than 1.0% of total credit exposures, net of loss allowance for credit-impaired exposures. As of 31 March 2018, the loss allowance for not credit-impiared exposures, as a percentage of gross loans, advances and financing less loss allowance for credit-impaired exposures after including regulatory reserve is above 1.0%.

* Included in net remeasurement allowance is a transfer from Standard Charted Saadiq Berhad under PSIA arrangement amounting to RM4.6 million.

17. Impaired loans, advances and financing (continued)

(iii) Impaired loans, advances and financing by sector

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Mining and quarrying	5,097	5,091	5,097	5,091
Manufacturing	769,267	982,794	768,083	981,592
Construction	4,884	5,218	3,859	3,631
Real estate	33,900	34,209	33,900	33,820
Wholesale & retail trade and restaurants & hotels	69,095	82,662	63,018	73,205
Transportation, storage and communication	6,578	5,895	4,504	3,823
Finance, insurance and business services	5,205	1,594	1,837	760
Household	210,014	202,507	179,797	175,168
Others	5,417	4,592	5,130	4,291
	1,109,457	1,324,562	1,065,225	1,281,381

(iv) Impaired loans, advances and financing by purpose

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Purchase of landed property	142,406	123,675	118,408	104,816
- Residential	*124,508*	*105,012*	*104,910*	*92,790*
- Non-residential	*17,898*	*18,663*	*13,498*	*12,026*
Fixed assets excluding land & building	2,315	2,443	-	-
Personal use	85,605	94,886	75,241	82,251
Credit cards	9,430	11,053	9,430	11,053
Working capital	869,701	1,092,505	862,146	1,083,261
	1,109,457	1,324,562	1,065,225	1,281,381

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

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Within Malaysia	1,109,457	1,324,562	1,065,225	1,281,381

18. Other assets

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Interest/Income receivables	104,212	89,786	115,975	101,157
Unquoted Subordinated Sukuk of a subsidiary company	-	-	100,000	100,000
Other receivables, deposits and prepayments	1,323,804	378,202	1,526,149	480,302
	1,428,016	467,988	1,742,124	681,459

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	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Demand deposits	14,800,843	15,963,761	14,089,211	15,145,369
Savings deposits	3,493,019	4,276,019	3,429,418	4,202,228
Fixed/Investment deposits	11,428,648	11,072,978	10,135,371	9,586,392
Negotiable instruments of deposits	1,110,322	1,208,962	983,378	1,081,167
	30,832,832	32,521,720	28,637,378	30,015,156

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

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Due within six months	8,981,134	9,156,642	7,928,663	7,632,232
Six months to one year	2,748,135	2,498,989	2,380,096	2,423,379
One year to three years	426,118	244,742	426,407	230,381
Three years to five years	40,205	40,401	40,205	40,401
Over five years	343,378	341,166	343,378	341,166
	12,538,970	12,281,940	11,118,749	10,667,559

(ii) By type of customers

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Government and statutory bodies	850,691	1,017,379	70,310	77,686
Business enterprises	14,699,358	15,474,605	14,069,533	14,582,141
Individuals	11,396,686	11,481,046	10,941,471	11,178,588
Others	3,886,097	4,548,690	3,556,064	4,176,741
	30,832,832	32,521,720	28,637,378	30,015,156

21. Deposits and placements of banks and other financial institutions

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Licensed banks	2,653,783	905,672	2,653,782	905,672
Other financial institutions	2,111,030	408,779	2,026,196	253,713
	4,764,813	1,314,451	4,679,978	1,159,385

22. Other liabilities

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Interest/Income payable	228,342	219,489	223,953	216,872
Amount owing to subsidiaries	-	-	22	22
Other payables and accruals	1,968,214	1,656,349	2,037,166	1,831,137
	2,196,556	1,875,838	2,261,141	2,048,031

23. Provision for credit commitments and contingencies

	Group	Bank
	31 March 2018 RM'000	31 March 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	(16,512)	(16,280)
Foreign exchange and other movements	(55)	(55)
At end of reporting period/year	6,055	5,278

24. Interest income

	Group			
	1st Quarter ended		Three months ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	294,993	283,382	294,993	283,382
- Recoveries from impaired loans	7,699	6,655	7,699	6,655
Money at call and deposit placements with banks and other financial institutions	25,775	19,649	25,775	19,649
Investment securities at FVTPL	19,393	-	19,393	-
Investment securities at FVOCI	43,225	-	43,225	-
Investment securities at amortised cost	1,775	-	1,775	-
Financial assets held for trading	-	20,075	-	20,075
Investment securities available-for-sale	-	31,403	-	31,403
	392,860	361,164	392,860	361,164

	Bank			
	1st Quarter ended		Three months ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	294,993	283,382	294,993	283,382
- Recoveries from impaired loans	7,699	6,655	7,699	6,655
Money at call and deposit placements with banks and other financial institutions	53,633	51,257	53,633	51,257
Investment securities at FVTPL	19,393	-	19,393	-
Investment securities at FVOCI	43,225	-	43,225	-
Investment securities at amortised cost	1,775	-	1,775	-
Financial assets held for trading	-	20,075	-	20,075
Investment securities available-for-sale	-	31,403	-	31,403
	420,718	392,772	420,718	392,772

25. Interest expense

	Group and Bank			
	1st Quarter ended		Three months ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Deposits and placements of banks and other financial institutions	14,299	9,974	14,299	9,974
Deposits from customers	145,883	133,837	145,883	133,837
Subordinated debts	12,204	12,037	12,204	12,037
	172,386	155,848	172,386	155,848

26. Net income from Islamic Banking operations

	Group			
	1st Quarter ended		Three months ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of depositors' funds	57,817	79,481	57,817	79,481
Income derived from investment account funds	38,988	24,824	38,988	24,824
Income attributable to depositors	(42,450)	(33,123)	(42,450)	(33,123)
Income attributable to investment account holders	(6,137)	(5,596)	(6,137)	(5,596)
Income attributable to the shareholder	48,218	65,586	48,218	65,586
Income derived from investment of shareholder's funds	15,755	16,503	15,755	16,503
	63,973	82,089	63,973	82,089

27. Other operating income

	Group			
	1st Quarter ended		Three months ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Fee and commission				
Fee and commission income:				
Arising from financial instruments not fair valued through profit or loss	73,428	62,159	73,428	62,159
- Commission income	*46,295*	*38,171*	*46,295*	*38,171*
- Service fees	*15,393*	*12,608*	*15,393*	*12,608*
- Guarantee fees	*11,740*	*11,380*	*11,740*	*11,380*
Fee and commission expense:				
Arising from financial instruments not fair valued through profit or loss	(19,958)	(19,425)	(19,958)	(19,425)
- Commission charges	*(7,549)*	*(7,554)*	*(7,549)*	*(7,554)*
- Service charges	*(12,409)*	*(11,871)*	*(12,409)*	*(11,871)*
	53,470	42,734	53,470	42,734
Net trading income				
(Losses)/gains from sale of financial assets at FVTPL	(75,985)	39,382	(75,985)	39,382
Unrealised gains on revaluation of financial assets at FVTPL	191,162	29,678	191,162	29,678
Foreign exchange currency				
- Gains from dealing in foreign currency	148,491	48,958	148,491	48,958
- Unrealised losses from foreign exchange translation	(135,356)	(45,372)	(135,356)	(45,372)
	128,312	72,646	128,312	72,646
Other income				
Gains from sale of investment securities at FVOCI	1,499	-	1,499	-
Gains from sale of investment securities available-for-sale	-	1,465	-	1,465
Rental income	9	8	9	8
Others	992	101	992	101
	2,500	1,574	2,500	1,574
Total other operating income	**184,282**	**116,954**	**184,282**	**116,954**

27. Other operating income (continued)

	Bank			
	1st Quarter ended		Three months ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Fee and commission				
Fee and commission income:				
Arising from financial instruments not fair valued through profit or loss	73,204	62,159	73,204	62,159
- Commission income	*46,071*	*38,171*	*46,071*	*38,171*
- Service fees	*15,393*	*12,608*	*15,393*	*12,608*
- Guarantee fees	*11,740*	*11,380*	*11,740*	*11,380*
Fee and commission expense:				
Arising from financial instruments not fair valued through profit or loss	(19,885)	(19,425)	(19,885)	(19,425)
- Commission charges	*(7,549)*	*(7,554)*	*(7,549)*	*(7,554)*
- Service charges	*(12,336)*	*(11,871)*	*(12,336)*	*(11,871)*
	53,319	42,734	53,319	42,734
Net trading income				
(Losses)/gains from sale of financial assets at FVTPL	(75,985)	39,382	(75,985)	39,382
Unrealised gains on revaluation of financial assets at FVTPL	190,143	33,333	190,143	33,333
Foreign exchange currency				
- Gains from dealing in foreign currency	148,491	48,958	148,491	48,958
- Unrealised losses from foreign exchange translation	(135,356)	(45,372)	(135,356)	(45,372)
	127,293	76,301	127,293	76,301
Other income				
Gains from sale of investment securities at FVOCI	1,499	-	1,499	-
Gains from sale of investment securities available-for-sale	-	1,465	-	1,465
Rental income	9	8	9	8
Others	17,242	20,554	17,242	20,554
	18,750	22,027	18,750	22,027
Total other operating income	**199,362**	**141,062**	**199,362**	**141,062**

28. Other operating expenses

	Group			
	1st Quarter ended		Three months ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Personnel costs				
- Salaries, bonuses, wages and allowances	86,875	85,025	86,875	85,025
- Pension fund contributions	12,505	9,269	12,505	9,269
- Other staff related cost	8,725	11,007	8,725	11,007
	108,105	105,301	108,105	105,301
Establishment costs				
- Depreciation of property, plant and equipment	6,176	6,541	6,176	6,541
- Rental	5,975	6,208	5,975	6,208
- Information technology and project expenses	43,924	70,903	43,924	70,903
- Others	19,488	13,918	19,488	13,918
	75,563	97,570	75,563	97,570
Marketing expenses				
- Advertisement and publicity	4,836	4,628	4,836	4,628
- Others	6,460	2,899	6,460	2,899
	11,296	7,527	11,296	7,527
Administration and general expenses				
- Communication expenses	2,234	2,550	2,234	2,550
- Group administration and business support expenses	13,171	26,084	13,171	26,084
- Outsourcing expenses	26,561	26,698	26,561	26,698
- Others	11,042	8,142	11,042	8,142
	53,008	63,474	53,008	63,474
Total other operating expenses	**247,972**	**273,872**	**247,972**	**273,872**

	Bank			
	1st Quarter ended		Three months ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Personnel costs				
- Salaries, bonuses, wages and allowances	85,030	82,004	85,030	82,004
- Pension fund contributions	12,505	9,269	12,505	9,269
- Other staff related cost	7,788	10,347	7,788	10,347
	105,323	101,620	105,323	101,620
Establishment costs				
- Depreciation of property, plant and equipment	6,159	6,530	6,159	6,530
- Rental	5,700	5,917	5,700	5,917
- Information technology and project expenses	43,822	70,048	43,822	70,048
- Others	18,620	13,559	18,620	13,559
	74,301	96,054	74,301	96,054
Marketing expenses				
- Advertisement and publicity	4,836	4,628	4,836	4,628
- Others	6,389	2,883	6,389	2,883
	11,225	7,511	11,225	7,511
Administration and general expenses				
- Communication expenses	2,181	2,527	2,181	2,527
- Group administration and business support expenses	11,540	22,472	11,540	22,472
- Outsourcing expenses	26,561	26,698	26,561	26,698
- Others	10,062	7,220	10,062	7,220
	50,344	58,917	50,344	58,917
Total other operating expenses	**241,193**	**264,102**	**241,193**	**264,102**

29. Provisions for credit losses

	Group		Bank	
	1st Quarter ended 31 March 2018 RM'000	Three months ended 31 March 2018 RM'000	1st Quarter ended 31 March 2018 RM'000	Three months ended 31 March 2018 RM'000
Allowances of credit losses for financial assets:				
Loan and advances	26,762	26,762	31,763	31,763
Credit commitments and contingencies	(16,512)	(16,512)	(16,280)	(16,280)
Olther financial assets	(2,509)	(2,509)	(2,509)	(2,509)
Bad and doubtful debts on loans, advances and financing:				
Written off	20,294	20,294	20,294	20,294
Recovered	(19,721)	(19,721)	(16,763)	(16,763)
	8,314	8,314	16,505	16,505

	Group		Bank	
	1st Quarter ended 31 March 2017 RM'000	Three months ended 31 March 2017 RM'000	1st Quarter ended 31 March 2017 RM'000	Three months ended 31 March 2017 RM'000
Provisions for loans, advances and financing:				
Individual impairment provisions	13,273	13,273	(3,007)	(3,007)
- Made in the financial period	*43,397*	*43,397*	*23,024*	*23,024*
- Discounting of expected cashflows	*13,461*	*13,461*	*13,461*	*13,461*
- Written back	*(43,585)*	*(43,585)*	*(39,492)*	*(39,492)*
Collective impairment provisions				
- Made in the financial period	3,917	3,917	2,895	2,895
- Written back	(44,739)	(44,739)	(31,001)	(31,001)
Bad and doubtful debts on loans, advances and financing:				
Written off	26,704	26,704	26,704	26,704
Recovered	(18,744)	(18,744)	(15,381)	(15,381)
	(19,589)	(19,589)	(19,790)	(19,790)

30. 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:

	31 March 2018			31 December 2017		
Group	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	1,613,954	1,613,954	595,830	1,720,623	1,720,623	676,206
Transaction-related contingent items	3,686,376	3,686,376	1,159,593	3,620,380	3,620,380	1,064,613
Short-term self liquidating trade-related contingencies	318,826	318,033	67,381	392,402	391,974	104,427
Sell and buy back agreements	2,024,209	2,024,209	63,370	-	-	-
Other commitments to extend credit:						
- maturity not exceeding one year	33,053,844	4,022,765	1,666,423	34,835,929	4,221,515	1,840,991
- maturity exceeding one year	2,420,670	344,740	293,670	2,912,182	527,629	706,199
Foreign exchange related contracts:						
- less than one year	54,227,722	1,520,766	438,132	54,934,667	1,940,412	490,822
- one year to less than five years	11,736,048	1,435,346	788,490	11,938,270	1,557,564	751,741
- five years and above	1,240,909	182,957	67,395	1,279,033	207,568	95,475
Interest rate related contracts:						
- less than one year	14,760,357	145,993	23,360	18,129,267	148,801	21,058
- one year to less than five years	26,409,231	706,372	201,564	28,586,931	755,525	227,463
- five years and above	6,489,464	504,410	125,511	6,533,194	495,420	133,702
Miscellaneous commitments and contingencies	2,502,502	203,513	108,628	3,268,761	370,327	200,777
	160,484,112	16,709,434	5,599,347	168,151,639	15,957,738	6,313,474

30. Commitments and contingencies (continued)

	31 March 2018			31 December 2017		
Bank	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	1,600,442	1,601,796	590,218	1,707,032	1,708,386	672,242
Transaction-related contingent items	3,448,593	3,515,260	1,118,227	3,363,489	3,425,439	1,021,728
Short-term self liquidating trade-related contingencies	285,552	285,198	59,406	322,029	368,198	96,182
Sell and buy back agreements	2,024,209	2,024,209	63,370	-	-	-
Other commitments to extend credit:						
- maturity not exceeding one year	36,398,212	3,843,417	1,444,375	38,107,057	3,967,871	1,589,689
- maturity exceeding one year	2,061,624	332,205	276,069	2,492,559	511,449	693,390
Foreign exchange related contracts:						
- less than one year	54,228,346	1,520,797	434,493	54,935,278	1,938,562	489,350
- one year to less than five years	11,736,047	1,574,754	846,976	11,938,270	1,748,730	842,765
- five years and above	1,240,909	182,957	67,395	1,279,033	207,568	95,475
Interest rate related contracts:						
- less than one year	14,760,357	145,993	23,360	18,129,267	148,801	21,058
- one year to less than five years	26,402,087	706,300	210,742	28,564,534	755,152	240,301
- five years and above	6,489,464	504,410	125,511	6,533,194	495,420	133,702
Miscellaneous commitments and contingencies	2,508,502	203,993	108,795	3,288,372	371,896	201,415
	163,184,344	16,441,289	5,368,937	170,660,114	15,647,472	6,097,297

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

31. 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 detemined 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	Private debt equity investments
		Over-the-counter ("OTC") derivatives	
		Securities purchased under resale agreements	
			Loans, advances and financing
Type of financial liabilities		OTC derivatives	
		Structured deposits	
		Obligations on securities sold under repurchase agreements	

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

Fair value hierarchy (continued)

Group	**Fair value of financial instruments carried at fair value**			
31 March 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Investment securities measured at FVTPL				
Malaysian Government Treasury Bills / Bank Negara Malaysia Bills	-	4,528,070	-	4,528,070
Government Islamic bonds	-	102,621	-	102,621
Debt securities	-	85,644	-	85,644
Investment securities at FVOCI				
Malaysian Government Treasury Bills / Bank Negara Malaysia Bills	-	3,154,844	-	3,154,844
Debt securities	-	1,550,264	-	1,550,264
Equity securities designated at FVOCI				
Unquoted investment held for strategic purpose	-	-	16,731	16,731
Loans, advances and financing			170,000	170,000
Derivative financial assets	-	1,917,631	-	1,917,631
Securities purchased under resale agreements	-	401,536	-	401,536
At 31 March 2018	-	11,740,610	186,731	11,927,341
Liabilities				
Structured deposits	-	286,055	-	286,055
Obligations on securities sold under repurchase agreements	-	1,078,660	-	1,078,660
Derivative financial liabilities	-	1,968,966	-	1,968,966
At 31 March 2018	-	3,333,681	-	3,333,681

Group	**Fair value of financial instruments carried at fair value**			
31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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

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

Fair value hierarchy (continued)

Bank	Fair value of financial instruments carried at fair value			
31 March 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Investment securities measured at FVTPL				
Malaysian Government Treasury Bills / Bank Negara Malaysia Bills	-	4,528,070	-	4,528,070
Government Islamic bonds		102,621	-	102,621
Debt securities	-	85,644	-	85,644
Investment securities measured at FVOCI				
Malaysian Government Treasury Bills / Bank Negara Malaysia Bills	-	3,054,470	-	3,054,470
Debt securities	-	1,550,264	-	1,550,264
Equity securities designated at FVOCI				
Unquoted investment held for strategic purpose	-	-	16,731	16,731
Loans, advances and financing			170,000	170,000
Derivative financial assets	-	1,919,731	-	1,919,731
At 31 March 2018	-	11,240,800	186,731	11,427,531
Liabilities				
Structured deposits	-	275,911	-	275,911
Obligations on securities sold under repurchase agreements	-	1,078,660	-	1,078,660
Derivative financial liabilities	-	1,969,594	-	1,969,594
At 31 March 2018	-	3,324,165	-	3,324,165

Bank	Fair value of financial instruments carried at fair value			
31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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
At 31 December 2017	-	9,483,667	-	9,483,667
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

There were no transfers between Level 1 and Level 2 during the period ended 31 March 2018.

32. Capital adequacy

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

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Tier 1 Capital				
Paid-up ordinary share capital	125,000	125,000	125,000	125,000
Share premium	375,000	375,000	375,000	375,000
Other reserves	3,727,326	3,623,577	3,511,102	3,406,104
Less: Deferred tax assets	(77,152)	(78,977)	(73,723)	(75,832)
Unrealised gains and losses on 'available-for-sale' financial instruments	4,112	3,101	4,124	3,083
Investment in subsidiaries deducted from CET 1 capital	-	-	(411,522)	(329,218)
CET 1 capital	4,154,286	4,047,701	3,529,981	3,504,137
Irredeemable Convertible Preference Shares	380,000	380,000	380,000	380,000
Eligible Tier 1 capital	4,534,286	4,427,701	3,909,981	3,884,137
Tier 2 Capital				
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
Collective impairment provisions under standardised approach	17,699	17,215	16,811	14,599
Surplus of total eligible provisions over total expected loss under AIRB approach	152,533	36,061	140,210	19,139
	1,170,232	1,053,276	1,157,021	1,033,738
Less: Investment in subsidiaries	-	-	(100,000)	(182,304)
Eligible Tier 2 capital	1,170,232	1,053,276	1,057,021	851,434
Total capital base	5,704,518	5,480,977	4,967,002	4,735,571

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

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets:				
Credit risk	26,838,030	25,675,485	24,713,246	23,660,860
Market risk	2,577,055	1,879,562	2,577,055	1,879,562
Operational risk	3,250,069	3,242,662	3,134,097	3,124,905
	32,665,154	30,797,709	30,424,398	28,665,327

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

	Group		Bank	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Before proposed dividend:				
CET 1 capital ratio	12.718%	13.143%	11.602%	12.224%
Tier 1 capital ratio	13.881%	14.377%	12.851%	13.550%
Total capital ratio	17.464%	17.797%	16.326%	16.520%

32. Capital adequacy (continued)

	Group		Bank	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**
After proposed dividend*:				
CET 1 capital ratio	12.390%	12.795%	11.250%	11.850%
Tier 1 capital ratio	13.553%	14.029%	12.499%	13.176%
Total capital ratio	17.135%	17.449%	15.973%	16.146%

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

	31 March 2018	**31 December 2017**
CET 1 capital ratio	23.273%	20.644%
Tier 1 capital ratio	23.273%	20.644%
Total capital ratio	27.560%	24.497%

* The proposed dividend is in respect of financial year ended 31 December 2017.