Standard Chartered Saadiq Berhad

(Company No. 823437K)
(Incorporated in Malaysia)

Financial statements for the nine months ended 30 September 2018

Company No. 823437K

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

	Note	30 September 2018 RM'000	31 December 2017 RM'000
Assets			
Cash and short term funds		1,856,603	1,612,916
Investment securities	13	100,447	100,524
Financing and advances - investment account placements	14	2,475,099	752,076
Financing and advances - others	14	2,985,978	4,786,713
Derivative financial assets		184,577	207,304
Other assets	16	350,180	187,727
Current tax assets		-	3,143
Statutory deposits with Bank Negara Malaysia	17	38,023	139,012
Property, plant and equipment		104	152
Deferred tax assets		13,629	3,121
Total assets		**8,004,640**	**7,792,688**
Liabilities			
Deposits from customers	18	2,343,908	2,506,704
Structured deposits		3,607	25,490
Investment accounts of customers	19	690,693	730,481
Deposits and placements of banks and other financial institutions	20	377,226	1,772,932
Restricted investment accounts due to designated financial institutions	21	3,055,034	1,689,377
Derivative financial liabilities		192,760	209,822
Other liabilities	22	560,432	127,775
Provision for credit commitments and contingencies	23	534	-
Current tax liabilities		10,236	-
Subordinated sukuk		100,000	100,000
Total liabilities		**7,334,430**	**7,162,581**
Equity			
Share capital		411,000	102,750
Reserves		259,210	527,357
Total equity attributable to owner of the Bank		**670,210**	**630,107**
Total liabilities and equity		**8,004,640**	**7,792,688**
Commitments and contingencies	31	**9,441,939**	**9,749,955**

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

Company No. 823437K

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

		3rd quarter ended		Nine months ended	
	Note	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of depositors' funds	24	**62,459**	71,553	**178,483**	211,728
Income derived from investment of investment account funds	25	**43,049**	23,321	**130,756**	68,986
Income derived from investment of shareholder's funds	26	**15,107**	12,188	**46,862**	54,558
Release/(allowances) for credit losses/ impairment provision	27	**12,743**	(1,948)	**22,828**	(6,892)
Total distributable income		**133,358**	105,114	**378,929**	328,380
Profit/hibah distributed to depositors	28	**(47,567)**	(55,254)	**(140,659)**	(162,896)
Profit distributed to investment account holders	29	**(34,790)**	(19,590)	**(106,539)**	(57,343)
Total net income		**51,001**	30,270	**131,731**	108,141
Other operating expenses	30	**(24,259)**	(24,294)	**(71,837)**	(81,322)
Profit before taxation		**26,742**	5,976	**59,894**	26,819
Tax expense		**(5,431)**	(1,621)	**(13,980)**	(7,006)
Profit for the period		**21,311**	4,355	**45,914**	19,813
Other comprehensive income, net of income tax					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve:					
Net changes in fair value					
- debt securities		**259**	-	**44**	-
- investment securities available-for-sale		**-**	246	**-**	819
Net changes in credit losses		**7**	-	**7**	-
Other comprehensive income for the period, net of income tax		**266**	246	**51**	819
Total comprehensive income for the period		**21,577**	4,601	**45,965**	20,632

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

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

	← Non-Distributable Reserves →				Distributable Reserves	
	Share capital RM'000	**Share premium RM'000**	**Regulatory reserves RM'000**	**Fair value reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
At 31 December 2017	102,750	308,250	-	40	219,067	630,107
Impact of adopting MFRS 9 as at 1 January 2018						
- Adjustment related to impairment, net of income taxes	-	-	-	18	(5,880)	(5,862)
- Transfer between reserves	-	-	13,622	-	(13,622)	-
Restated balance as at 1 January 2018	102,750	308,250	13,622	58	199,565	624,245
Fair value reserve (investment securities measured at fair value through other comprehensive income)						
Net changes in fair value	-	-	-	44	-	44
Net changes in credit losses	-	-	-	7	-	7
Total other comprehensive expense for the period	-	-	-	51	-	51
Profit for the period	-	-	-	-	45,914	45,914
Total comprehensive income for the period	-	-	-	51	45,914	45,965
Transition to no par value regime *	308,250	(308,250)	-	-	-	-
Total transaction with owner of the Bank	308,250	(308,250)	-	-	-	-
At 30 September 2018	**411,000**	**-**	**13,622**	**109**	**245,479**	**670,210**

* The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM308.25 million became part of the Bank's share capital persuant to the transitional provisions set out in Section 618(2) of the Act. There was no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

	Non-Distributable Reserves				*Distributable Reserves*	
	Share capital RM'000	**Share premium RM'000**	**Statutory reserves RM'000**	**Fair value reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2017	102,750	308,250	102,750	(805)	92,839	605,784
Fair value reserve (investment securities available-for-sale):-						
Net changes in fair value	-	-	-	819	-	819
Total other comprehensive income for the period	-	-	-	819	-	819
Profit for the period	-	-	-	-	19,813	19,813
Total comprehensive income for the period	-	-	-	819	19,813	20,632
Transfer between reserves	-	-	(102,750)	-	102,750	-
Total transaction with owner of the Bank	-	-	(102,750)	-	102,750	-
At 30 September 2017	**102,750**	**308,250**	**-**	**14**	**215,402**	**626,416**

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

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	30 September 2018 RM'000	30 September 2017 RM'000
Profit before taxation	59,894	26,819
Adjustment for non-cash items	(22,647)	7,050
Operating profit before working capital changes	37,247	33,869
Changes in working capital		
Net changes in operating assets	36,403	772,450
Net changes in operating liabilities	178,676	(874,813)
Income taxes paid	(8,639)	(2,324)
Net cash generated from/(used in) operating activities	243,687	(70,818)
Net cash generated from investing activities	-	22
Net increase/(decrease) in cash and cash equivalents	243,687	(70,796)
Cash and cash equivalent at beginning of the year	1,612,916	1,392,350
Cash and cash equivalent at end of the period	1,856,603	1,321,554

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

REVIEW OF PERFORMANCE

The Bank registered a pre-tax profit of RM59.89 million, an increase of RM33.08 million against the corresponding period last year mainly attributable to the provision for financing improved by RM29.72 million. In addition, operating expenses reduced by 11.66% year on year.

Financing and advances, including financing and advances funded by investment account placements decreased marginally by 1.40% to RM5.46 billion while there was a decrease in deposit from customers of 6.49% to RM2.34 billion. The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 24.50% and 28.84%, respectively.

PROSPECTS

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

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

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

Amid the moderate economic growth, the Bank will continue to drive its strategic agenda to deliver sustainable returns via its Islamic product and solution capabilities.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Notes to the financial statements for the nine months ended 30 September 2018

1. Basis of preparation of the financial statements

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

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, Interpretation and Amendments to MFRSs during the current financial period:

i)	MFRS 9	*Financial Instruments*
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*
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*

The adoption of the above MFRSs, Interpretation and Amendments to MFRSs do not have any material impacts to the financial statements of the Bank except as mentioned below:

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

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

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

MFRS 15 replaced the guidance in MFRS 111, *Construction Contracts* , MFRS 118, *Revenue* , IC Interpretation 13, *Customer Loyalty Programmes* , IC Interpretation 15, *Agreements for Construction of Real Estate* , IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, R*evenue - 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 will not have a material impact to the Bank's financial statements and there will not be an adjustment to retained earnings in respect of adoption.

The following MFRSs, Interpretations and Amendments to MFRSs have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective:

<u>MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2019</u>

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)*
iv)	Amendments to MFRS 9	*Financial Instruments – 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*

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

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

i)	MFRS 17	*Insurance Contracts*

MFRSs and Amendments to MFRSs effective for 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 Bank plans to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on 1 January 2019 for the accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 3, Amendments to MFRS 11 and Amendments to MFRS 128 which are not applicable to the Bank.

The Bank does 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 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 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* .

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

The Bank is 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 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 Bank 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 instrument or, where applicable, at the time of reclassification.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

i) Classification and measurement of financial assets (continued)

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 profit income ("SPPP 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. Profit income 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 SPPP characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a 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 Bank manages financial assets to generate cash flows.

The Bank 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 SPPP 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 SPPP 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 SPPP 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 (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").

Profit rate swaps have been acquired with the intention of significantly reducing profit rate risk on certain financing and advances and debt securities with fixed profit rates. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these financing and advances and debt securities have been designated at fair value through profit or loss. Similarly, to reduce accounting mismatches, the Bank has designated certain financial liabilities 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 Bank is not able to separately value the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or financing 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 profit rate 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 profit expense on an amortised cost basis using the effective profit method.

Financial guarantee contracts and financing commitments

The Bank issues financial guarantee contracts and financing commitments in return for fees. Under a financial guarantee contract, the Bank undertakes to meet a customer’s obligations under the terms of a debt instrument if the customer fails to do so. Financing commitments are firm commitments to provide credit under prespecified terms and conditions. Financial guarantee contracts and financing commitments issued at below market profit 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 Bank has access at that date. The fair value of a liability includes the risk that the Bank 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 Bank 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 Bank 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 Bank establishes fair value by using valuation techniques.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

i) Classification and measurement of financial assets (continued)

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 Bank commits to purchase or sell the asset). Financing 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.

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 liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective profit rate method (see profit income and expense). 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 profit income on financial assets held at fair value through profit or loss is recognised as profit income in a separate line in profit or loss.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

i) Classification and measurement of financial assets (continued)

Subsequent measurement (continued)

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.

Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those financing 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 financing 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 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.

Reclassification

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 profit rate or expected credit loss computations.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

i) Classification and measurement of financial assets (continued)

Reclassification (continued)

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 financing and advances 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.

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 profit 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 Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank'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 and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

i) Classification and measurement of financial assets (continued)

Derecognition of financial instruments (continued)

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 per cent.

If the Bank 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 ECL 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 Bank expects to receive over the contractual life of the instrument.

Measurement

ECL are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking.

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 financing portfolios, the Bank 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, profit rates, house price indices and commodity prices amongst others. These assumptions are incorporated using the Bank’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.

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 ECL amounts. These scenarios are determined using a Monte Carlo approach centered around the Bank’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 Bank is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Bank’s exposure to credit risk is not limited to the contractual period. For these instruments, the Bank estimates an appropriate life based on the period that the Bank is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

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2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

ii) Impairment of financial assets (continued)

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

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of ECL 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 ECL, a reimbursement asset is recognised to the extent of the ECL recorded.

Cash shortfalls are discounted using the effective profit rate on the financial instrument as calculated at initial recognition or if the instrument has a variable profit rate, the current effective profit rate determined under the contract.

Recognition

a) 12 months ECL (Stage 1)

ECL 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. ECL 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, ECL 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 ECL 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 profit. 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. This would include forbearance actions;
- 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 drawn down 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 profit 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.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

ii) Impairment of financial assets (continued)

Modified financial instruments (continued)

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 financing 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 ECL, with any increase or decrease in ECL recognised within impairment.

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 financing and advances provision. Such financing and advances 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 financing and advances impairment in the income statement. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the income statement.

Improvement in credit risk / Curing

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

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

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

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to Stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to Stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to Stage 1. This includes instances where management actions led to instruments being classified as Stage 2, requiring that action to be resolved before financing and advances 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 Bank’s criteria for assessing if there has been a significant increase in credit risk; and
- 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 on Islamic Banking Institutions

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

The key changes in the Revised Policy Document are:

i) Extend the applicability of the requirements in this policy document to a financial holding company under the Islamic Financial Services Act 2013;
ii) 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;
iii) Additional disclosure on intercompany charges and investment accounts; and
iv) The classification of a credit facility as credit-impaired.

4. Impacts on MFRS 9 adoption

The MFRS 9 classification and measurement requirements as well as the impairment requirements have been applied retrospectively through adjustments to the statement of financial position on the date of initial application, i.e. 1 January 2018, with no restatement of comparative periods. The impacts of MFRS 9 adoption were recognised through adjustments to reserves and retained earnings 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 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	As at 31 December 2017 RM'000	As at 1 January 2018 RM'000
Financial assets				
Cash and short term funds	Financing and receivables	At amortised cost	1,612,916	1,612,916
Investment securities				
- Debt securities	Available-for-sale	At fair value through other comprehensive income	100,524	100,524
Financing and advances - investment account placements	Financing and receivables	At amortised cost	752,076	752,076
Financing and advances - others	Financing and receivables	At amortised cost	4,786,713	4,780,003
Derivative financial assets	At fair value through profit or loss	At fair value through profit or loss	207,304	207,304
Other assets	Financing and receivables	At amortised cost	187,727	187,727
Statutory deposits with Bank Negara Malaysia	Financing and receivables	At amortised cost	139,012	139,012

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4. Impacts on MFRS 9 adoption (continued)

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

Financial assets/ liabilities	Classification under MFRS 139	Classification under MFRS 9	As at 31 December 2017 RM'000	As at 1 January 2018 RM'000
Financial liabilities				
Deposits from customers	At amortised cost	At amortised cost	2,506,704	2,506,704
Structured deposits	Designated at fair value through profit or loss	Designated at fair value through profit or loss	25,490	25,490
Investment accounts of customers	At amortised cost	At amortised cost	730,481	730,481
Deposits and placements of banks and other financial institutions	At amortised cost	At amortised cost	1,772,932	1,772,932
Restricted investment accounts due to designated financial institutions	At amortised cost	At amortised cost	1,689,377	1,689,377
Derivative financial liabilities	At fair value through profit or loss	At fair value through profit or loss	209,822	209,822
Other liabilities	At amortised cost	At amortised cost	127,775	127,775
Subordinated sukuk	At amortised cost	At amortised cost	100,000	100,000

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4. Impacts on MFRS 9 adoption (continued)

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

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

Statement of Financial Position	**MFRS 139 carrying values 31 December 2017 RM'000**	**Reclassification and 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	1,612,916	-	-	-	1,612,916
Investment securities	100,524	-	-	-	100,524
Financing and advances - investment account placements	752,076	-	-	-	752,076
Financing and advances - others	4,786,713	-	(6,710)	-	4,780,003
Derivative financial assets	207,304	-	-	-	207,304
Other assets	187,727	-	-	-	187,727
Current tax assets	3,143	-	-	1,857	5,000
Statutory deposits with Bank Negara Malaysia	139,012	-	-	-	139,012
Property, plant and equipment	152	-	-	-	152
Deferred tax assets	3,121	-	-	-	3,121
Total assets	**7,792,688**	**-**	**(6,710)**	**1,857**	**7,787,835**
Liabilities					
Deposits from customers	2,506,704	-	-	-	2,506,704
Structured deposits	25,490	-	-	-	25,490
Investment accounts of customers	730,481	-	-	-	730,481
Deposits and placements of banks and other financial institutions	1,772,932	-	-	-	1,772,932
Restricted investment accounts to designated financial institutions	1,689,377	-	-	-	1,689,377
Derivative financial liabilities	209,822	-	-	-	209,822
Other liabilities	127,775	-	-	-	127,775
Subordinated sukuk	100,000	-	-	-	100,000
Provision for credit commitments and contingencies	-	-	1,009	-	1,009
Total liabilities	**7,162,581**	**-**	**1,009**	**-**	**7,163,590**

4. Impacts on MFRS 9 adoption (continued)

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

Statement of Financial Position	MFRS 139 carrying values 31 December 2017 RM'000	Reclassification and 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
Equity					
Share capital	102,750	-	-	-	102,750
Reserves	527,357	-	(7,719)	1,857	521,495
Total equity attributable to owner of the Bank	**630,107**	**-**	**(7,719)**	**1,857**	**624,245**
Total liabilities and equity	**7,792,688**	**-**	**(6,710)**	**1,857**	**7,787,835**

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 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 Bank in the third quarter and nine months ended 30 September 2018 .

8. Changes in accounting estimates

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

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

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

10. Proposed Dividend

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

11. Subsequent events

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

12. Changes in the composition of the Bank

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

13. Investment securities

	30 September 2018 RM'000	31 December 2017 RM'000
Investment securities measured at FVOCI - debt instruments	100,447	-
Investment securities available-for-sale	-	100,524
	100,447	100,524

i) By type

	30 September 2018 RM'000
Investment securities measured at FVOCI - debt instruments	
Government Islamic bonds	100,447
	100,447

	31 December 2017 RM'000
Investment securities available-for-sale	
Government Islamic bonds	100,524
	100,524

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

Movement of allowance for credit losses

	30 September 2018 12-month ECL RM'000	31 December 2017 Impairment provisions RM'000
Investment securities measured at FVOCI		
Balance as at 1 January	18	-
Net remeasurement of loss allowance	7	-
At end of reporting period/year	25	-

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14. Financing and advances

(i) By type and by contract

As at 30 September 2018	Bai'^	Ijarah #	Ijarah Thumma Al-Bai #	Murabahah	Tawarruq	Musyarakah Mutanaqisah	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing								
- House financing	377,626	-	-	-	-	2,312,407	-	2,690,033
- Hire purchase receivables	-	-	29,685	-	-	-	-	29,685
- Lease receivables	-	43,517	-	-	-	-	-	43,517
- Other term financing	24,784	-	-	-	1,358,324	739,924	94,717	2,217,749
Bills receivable	251,105	-	-	103,798	42,894	-	-	397,797
Trust receipts	-	-	-	229,050	-	-	-	229,050
Staff financing	351	-	-	-	11,440	-	207	11,998
Revolving credit	-	-	-	-	371,113	-	-	371,113
	653,866	43,517	29,685	332,848	1,783,771	3,052,331	94,924	5,990,942
Less: Unearned income								(462,349)
Gross financing and advances								5,528,593
Less: Allowances for credit losses financing and advances:-								
- 12-month ECL (Stage 1)								(3,959)
- Lifetime ECL not credit-impaired (Stage 2)								(12,821)
- Lifetime ECL credit-impaired (Stage 3)								(50,736)
Total net financing and advances								5,461,077
Less: Financing and advances funded by investment account placements *								(2,475,099)
Total net financing and advances - others								2,985,978

^ Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

Under this mode of financing, the Bank acquires the assets against customers' providing purchase undertaking to purchase the assets on maturity of the financing. The assets will be leased to the customer during financing tenure prior to the acquisition of asset by the customer.

* Included in financing and advances funded by investment account placements are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between the Bank and Standard Chartered Bank Malaysia Berhad. Standard Chartered Bank Malaysia Berhad is exposed to risks and rewards on RPSIA financing and will account for all the expected credit losses for financing arising thereon.

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14. Financing and advances (continued)

(i) By type and by contract (continued)

As at 31 December 2017	**Bai'^**	**Ijarah**	**Ijarah Thumma Al-Bai**	**Murabahah**	**Tawarruq**	**Musyarakah Mutanaqisah**	**Others**	**Total financing and advances**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Term financing								
- House financing	430,318	-	-	-	-	2,421,796	6	2,852,120
- Hire purchase receivables	-	-	59,027	-	-	-	-	59,027
- Lease receivables	-	93,696	-	-	-	-	-	93,696
- Other term financing	29,075	-	-	-	1,373,589	783,857	141,194	2,327,715
Bills receivable	199,004	-	-	108,240	64,465	-	-	371,709
Trust receipts	-	-	-	166,455	-	-	-	166,455
Staff financing	374	-	-	-	12,718	-	255	13,347
Revolving credit	-	-	-	-	246,197	-	-	246,197
	658,771	93,696	59,027	274,695	1,696,969	3,205,653	141,455	6,130,266
Less: Unearned income								(495,225)
Gross financing and advances								5,635,041
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(31,799)
- Collective impairment provisions								(64,453)
Total net financing and advances								5,538,789
Less: Financing and advances funded by investment account placements *								(752,076)
Total net financing and advances - others								4,786,713

^ Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

* Included in financing and advances funded by investment account placments are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between the Bank and Standard Chartered Bank Malaysia Berhad. Standard Chartered Bank Malaysia Berhad is exposed to risks and rewards on RPSIA financing and will account for all the expected credit losses for financing arising thereon.

14. Financing and advances (continued)

(ii) By type of customer

	30 September 2018 RM'000	31 December 2017 RM'000
Domestic non-bank financial institutions	40,322	361
Domestic business enterprises	2,001,512	2,029,715
Small medium enterprises	*828,849*	*814,769*
Others	*1,172,663*	*1,214,946*
Individuals	2,405,205	2,591,355
Foreign entities	1,081,554	1,013,610
	5,528,593	5,635,041

(iii) By profit rate sensitivity

	30 September 2018 RM'000	31 December 2017 RM'000
Fixed rate		
- House financing	986	1,130
- Hire purchase receivables	39,320	59,027
- Other financing	646,099	611,741
Variable rate		
- House financing	2,755,134	2,850,990
- Revolving credit	400,309	246,197
- Other financing	1,686,745	1,865,956
	5,528,593	5,635,041

(iv) By sector

	30 September 2018 RM'000	31 December 2017 RM'000
Agriculture	144,218	92,152
Mining and quarrying	8,793	230,506
Manufacturing	503,380	292,406
Electricity, gas and water	854	944
Construction	180,370	199,061
Real estate	318,229	340,522
Wholesale & retail trade and restaurants & hotels	416,307	388,017
Transportation, storage and communication	44,597	50,754
Finance, insurance and business services	322,756	329,212
Household	2,831,201	3,045,597
Others	757,888	665,870
	5,528,593	5,635,041

14. Financing and advances (continued)

(v) By purpose

	30 September 2018 RM'000	31 December 2017 RM'000
Purchase of landed property		
- *Residential*	2,489,286	2,631,328
- *Non-residential*	763,031	809,190
Fixed assets excluding land and building	26,200	54,784
Personal Use	142,546	201,362
Working Capital	2,107,530	1,938,377
	5,528,593	5,635,041

(vi) By maturity structure

	30 September 2018 RM'000	31 December 2017 RM'000
Maturing within one year	1,109,545	868,224
One year to three years	403,709	443,301
Three years to five years	681,586	846,774
Over five years	3,333,753	3,476,742
	5,528,593	5,635,041

(viii) By geographical distribution

	30 September 2018 RM'000	31 December 2017 RM'000
Within Malaysia	4,903,199	5,130,557
Outside Malaysia	625,394	504,484
	5,528,593	5,635,041

(ix) Analysis of foreign currency exposure

	30 September 2018 RM'000	31 December 2017 RM'000
USD	697,257	640,391

15. Impaired financing and advances

(i) Movements in impaired financing and advances

	30 September 2018 RM'000	31 December 2017 RM'000
At 1 January	43,181	56,883
Classified as impaired during the financial period/year	79,726	91,174
Reclassified as performing during the financial period/year	(46,969)	(71,322)
Amount recovered during the financial period/year	(1,532)	(3,949)
Amount written off during the financial period/year	(13,841)	(29,605)
At end of reporting period/year	60,565	43,181
ECL Stage 3/Individual impairment provision	(32,648)	(31,799)
Net impaired financing and advances	27,917	11,382

15. Impaired financing and advances

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

	2018				2017		
	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Total RM'000	Collective impairment provisions RM'000	Individual impairment provisions RM'000	Total RM'000
Balance at 1 January	12,936	32,797	57,228	102,961 ^	80,664	26,162	106,826
Transfer to 12-month ECL	24,132	(23,788)	(344)	-	-	-	-
Transfer to lifetime ECL not credit-impaired	(4,449)	5,790	(1,341)	-	-	-	-
Transter to lifetime ECL credit-impaired	(27)	(8,340)	8,367	-	-	-	-
Net remeasurement of loss allowance *	(28,659)	6,362	8,871	(13,426)	10,206	56,924	67,130
Write-offs	-	-	(22,045)	(22,045)	-	(39,690)	(39,690)
Written back in respect of recoveries	-	-	-	-	(26,417)	(11,597)	(38,014)
Foreign exchange and other movements	26	-	-	26	-	-	-
At end of reporting period/year	3,959	12,821	50,736	67,516	64,453	31,799	96,252

Per the Revised Policy Document, the Bank is required to maintain, in aggregate, loss allowances for non-credit-impaired exposures and regulatory reserves of no less than 1.00% of total credit exposures (excluding exposure to Government of Malaysia, Bank Negara Malaysia and licensed banks), net of loss allowance for credit-impaired exposures. As of 30 September 2018, the loss allowance for non-credit-impared exposures and regulatory reserves, as a percentage of credit exposures less loss allowance for credit-impaired exposures is above the regulatory minimum after excluding the exposures funded by Profit Sharing Investment Account ("PSIA") placements from Standard Chartered Bank Malaysia Berhad ("SCBMB"), where loss allowance for financing assets funded by PSIA are held at the fund provider, SCBMB.

***** Included in net remeasurement allowance is a transfer to SCBMB under PSIA arrangement amounting to RM11.56 million.

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

15. Impaired financing and advances

(iii) Impaired financing and advances by sector

	30 September 2018 RM'000	31 December 2017 RM'000
Manufacturing	1,146	1,202
Construction	750	1,587
Real estate	4,725	389
Wholesale & retail trade and restaurants & hotels	7,471	9,457
Transportation, storage and communication	2,239	2,072
Finance, insurance and business services	4,109	834
Household	40,125	27,339
Others	-	301
	60,565	43,181

(iv) Impaired financing and advances by purpose

	30 September 2018 RM'000	31 December 2017 RM'000
Purchase of landed property	41,896	18,859
- Residential	*27,574*	*12,222*
- Non-residential	*14,322*	*6,637*
Fixed assets excluding land and building	2,935	2,443
Personal use	6,697	12,635
Working capital	9,037	9,244
	60,565	43,181

(v) Impaired financing and advances by geographical distribution

	30 September 2018 RM'000	31 December 2017 RM'000
Within Malaysia	60,565	43,181

16. Other assets

	30 September 2018 RM'000	31 December 2017 RM'000
Income receivable	3,138	2,206
Other receivables, deposits and prepayments	347,042	185,521
	350,180	187,727

17. 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.

18. Deposits from customers

(i) By type of deposits

	30 September 2018 RM'000	31 December 2017 RM'000
Demand deposits	853,827	822,028
- Qard ^	844,643	-
- Commodity Murabahah (via Tawarruq arrangement) *	9,184	1,665
- Wadiah	-	820,363
Saving deposits	251,725	79,252
- Qard ^	62,242	-
- Commodity Murabahah (via Tawarruq arrangement) *	189,483	5,461
- Wadiah	-	73,791
Term deposits	1,238,356	1,605,424
- Commodity Murabahah (via Tawarruq arrangement) *	1,224,934	1,466,255
- Mudharabah	13,422	13,305
Negotiable instruments of deposits		
- Bai-Inah	-	125,864
	2,343,908	2,506,704
	-	

^ Wadiah based demand deposits and saving deposits have been converted to Qard effective 8 June 2018.

* Balances under Tawarruq arrangement may contain incidental qard element due to timing between deposit placement renewal and execution of Commodity Murabahah.

The maturity structure of the investment deposits, general investment deposits and negotiable instruments of deposits is as follows:-

	30 September 2018 RM'000	31 December 2017 RM'000
Due within six months	1,090,651	1,517,284
Six months to one year	146,943	75,610
One year to three years	762	12,530
	1,238,356	1,605,424

(ii) By type of customers

	30 September 2018 RM'000	31 December 2017 RM'000
Government and statutory bodies	664,692	939,693
Business enterprises	759,860	754,662
Individuals	654,525	438,329
Others	264,831	374,020
	2,343,908	2,506,704

19. Investment accounts of customers

	30 September 2018 RM'000	31 December 2017 RM'000
Unrestricted investment accounts		
Without maturity		
Mudharabah	690,693	730,481

20. Deposits and placements of banks and other financial institutions

	30 September 2018 RM'000	31 December 2017 RM'000
Non-Mudharabah		
Licensed banks	193,938	1,617,866
Other financial institutions	183,288	155,066
	377,226	1,772,932

21. Restricted investment accounts due to designated financial institutions

Restricted investment accounts		
Mudharabah	3,055,034	1,689,377
By type of counterparties		
Licensed banks	3,055,034	1,689,377

Mudharabah deposit placement of licensed bank is a placement under the PSIA concept by the Bank's immediate holding company .

22. Other liabilities

	30 September 2018 RM'000	31 December 2017 RM'000
Income payable	24,429	16,356
Other payables and accruals	536,003	111,419
	560,432	127,775

23. Provision for credit commitments and contingencies

	30 September 2018 ECL RM'000	31 December 2017 Impairment provisions RM'000
Loan commitments and financial guarantee contracts		
Balance as at 1 January (Note 4)	1,009	-
Net remeasurement of loss allowance	(478)	-
Foreign exchange and other movements	3	-
At end of reporting period/year	534	-

24. Income derived from investment of depositors' funds

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of:-				
(i) Term deposits	41,828	48,889	114,216	133,317
(ii) Other deposits	20,631	22,664	64,267	78,411
	62,459	71,553	178,483	211,728

(i) Income derived from investment of term deposits

	3rd Quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Finance income and hibah				
Financing and advances	32,157	39,138	93,662	106,860
Investment securities	518	552	1,444	1,426
Money at call and deposits with financial institutions	6,243	9,285	14,951	21,969
	38,918	48,975	110,057	130,255
Amortisation of premium less accretion of discount	(94)	(1,843)	(2,164)	(4,686)
Total finance income and hibah	38,824	47,132	107,893	125,569
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not at fair valued through profit or loss	3,268	2,484	8,048	9,689
Fees and commission expense:-				
- Arising from financial instruments not at fair valued through profit or loss	(264)	(727)	(1,725)	(1,941)
	3,004	1,757	6,323	7,748
	41,828	48,889	114,216	133,317

24. Income derived from investment of depositors' funds (continued)

(ii) Income derived from investment of other deposits

	3rd quarter ended 30 September 2018 RM'000	3rd quarter ended 30 September 2017 RM'000	Nine months ended 30 September 2018 RM'000	Nine months ended 30 September 2017 RM'000
Finance income and hibah				
Financing and advances	15,625	18,134	52,701	62,851
Investment securities	255	262	813	839
Money at call and deposits with financial institutions	3,164	4,546	8,413	12,921
	19,044	22,942	61,927	76,611
Amortisation of premium less accretion of discount	30	(879)	(1,218)	(2,756)
Total finance income and hibah	19,074	22,063	60,709	73,855
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not at fair valued through profit or loss	1,647	941	4,529	5,698
Fees and commission expense:-				
- Arising from financial instruments not at fair valued through profit or loss	(90)	(340)	(971)	(1,142)
	1,557	601	3,558	4,556
	20,631	22,664	64,267	78,411

25. Income derived from investment of investment account funds

	3rd quarter ended 30 September 2018 RM'000	3rd quarter ended 30 September 2017 RM'000	Nine months ended 30 September 2018 RM'000	Nine months ended 30 September 2017 RM'000
Finance income and hibah				
Financing and advances	38,078	16,962	111,002	48,727
Money at call and deposits with financial institutions	4,971	6,359	19,754	20,259
	43,049	23,321	130,756	68,986

26. Income derived from investment of shareholder's funds

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Finance income and hibah				
Financing and advances	11,449	9,746	38,430	43,731
Investment securities	186	145	592	584
Money at call and deposits with financial institutions	2,314	2,625	6,134	8,990
	13,949	12,516	45,156	53,305
Amortisation of premium less accretion of discount	20	(492)	(888)	(1,918)
Total finance income and hibah	13,969	12,024	44,268	51,387
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not at fair valued through profit or loss	1,205	349	3,302	3,965
Fees and commission expense:-				
- Arising from financial instruments not at fair valued through profit or loss	(67)	(185)	(708)	(794)
	1,138	164	2,594	3,171
	15,107	12,188	46,862	54,558

27. Allowances for credit losses/impairment provision

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Provisions for financing:-				
- Individual impairment provisions	-	8,594	-	35,967
- Made in the financial period	-	9,892	-	44,930
- Written back in respect of recoveries	-	(1,298)	-	(8,963)
- Collective impairment provisions	-	(3,438)	-	(19,132)
- Made in the financial period	-	2,121	-	6,479
- Written back	-	(5,559)	-	(25,611)
Net allowances for credit losses:-	(9,981)	-	(13,897)	-
- Financing and advances	(10,151)	-	(13,426)	-
- Credit commitments and contingencies	163	-	(478)	-
- Other financial assets	7	-	7	-
Impaired financing and advances:-				
- Recovered	(2,762)	(3,208)	(8,931)	(9,943)
(Release)/allowances for credit losses/ impairemnt provision	(12,743)	1,948	(22,828)	6,892

28. Profit/hibah distributed to depositors

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Deposits from customers				
- Mudharabah fund	1,073	186	1,724	636
- Non-Mudharabah fund	16,262	16,374	48,190	45,750
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	30,232	38,694	90,745	116,510
	47,567	55,254	140,659	162,896

29. Profit/hibah distributed to investment account holders

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Investment accounts of customers	6,293	7,839	18,711	18,179
Investment accounts due to designated financial institutions	28,497	11,751	87,828	39,164
	34,790	19,590	106,539	57,343

30. Other operating expenses

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	3,497	1,830	7,797	7,797
- Other staff related cost	691	560	2,616	1,783
	4,188	2,390	10,413	9,580
Establishment costs				
- Depreciation of property, plant and equipment	15	9	47	29
- Rental	203	216	707	742
- Information technology expenses	105	108	337	963
- Utilities and maintenance	315	581	960	814
	638	914	2,051	2,548
Marketing expenses				
- Others	140	55	305	120
	140	55	305	120
Administration and general expenses				
- Communication expenses	40	50	172	99
- Group administration fees and business support expenses	1,532	642	6,379	5,085
- Management fee	17,221	17,726	48,970	59,360
- Others	500	2,517	3,547	4,530
	19,293	20,935	59,068	69,074
Total other operating expenses	24,259	24,294	71,837	81,322

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

31. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs 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:-

	As at 30 September 2018			As at 31 December 2017		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	24,091	24,091	8,753	13,591	12,237 **	3,964 **
Transaction-related contingent items	220,166	188,566 **	28,323 **	256,891	194,941 **	42,885 **
Short-term self liquidating trade-related contingencies	93,281	46,435 **	11,810 **	70,373	23,776 **	8,245 **
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	4,122,686	117,470 **	69,840 **	4,130,051	254,684 **	251,840 **
- maturity exceeding one year	422,196	31,945 **	34,374 **	419,623	16,180 **	12,809 **
Foreign exchange related contracts:-						
- less than one year	1,945,621	62,241 **	29,065 **	1,291,601	48,668	12,599
- one year to less than five years	1,188,192	119,314	56,890	2,080,252	103,458 **	18,726 **
Profit rate related contracts:-						
- one year to less than five years	1,425,706	37,032	9,261	1,487,573	46,152	6,941
	9,441,939	627,094	248,316	9,749,955	700,096	358,009

Included in direct credit substitutes and transaction-related contingent items are the deals or contracts entered under *Kafalah* concept amounting to RM244.3 million (2017: RM270.5 million)

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM253.0 million (2017: RM398.9 million) and RM142.4 million (2017: RM267.4 million) respectively relating to exposures funded by PSIA placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by Specific Investment Account ("SIA"). The related credit risk and exposure of facilities funded by the SIA are allowed to be transferred to SCBMB as the fund provider.

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

32. Fair values of financial assets and liabilities

Methods and assumptions

Fair value hierarchy

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 market observable inputs.	Valuation models using significant non-market observable inputs.
Type of financial assets	Actively traded government and agency securities.	Corporate and other government bonds and financing and advances. Over-the-counter (OTC) derivatives.	-
Type of financial liabilities	-	OTC derivatives. Structured deposits.	-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 September 2018				
Assets				
Investment securities measured at FVOCI				
- Government Islamic bonds	-	100,447	-	100,447
Derivative financial instruments	-	184,577	-	184,577
	-	285,024	-	285,024
Liabilities				
Structured deposits	-	3,607	-	3,607
Derivative financial instruments	-	192,760	-	192,760
	-	196,367	-	196,367

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2017				
Assets				
Investment securities available-for-sale				
- Government Islamic bonds	-	100,524	-	100,524
Derivative financial instruments	-	207,304	-	207,304
	-	307,828	-	307,828
Liabilities				
Structured deposits	-	25,490	-	25,490
Derivative financial instruments	-	209,822	-	209,822
	-	235,312	-	235,312

There were no transfers between Level 1 and Level 2 during the period ended 30 September 2018.

33. Capital adequacy

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

	30 September 2018 RM'000	31 December 2017 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	411,000	102,750
Share premium	-	308,250
Other reserves	245,479	219,067
Less: Deferred tax assets	(13,663)	(3,128)
under AIRB approach	-	-
Unrealised gains and losses on investment securities	49	18
CET 1 and Eligible Tier 1 capital	642,865	626,957
Tier 2 Capital		
Islamic subordinated sukuk	100,000	100,000
Impairment provisions under standardised approach	53	2,615
Surplus of total eligible provisions over total expected loss under AIRB approach	13,765	14,400
Eligible Tier 2 capital	113,818	117,015
Total capital base	756,683	743,972

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

	30 September 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets:-		
Credit risk	2,320,148	2,716,763
Operational risk	303,467	320,217
	2,623,615	3,036,980
CET 1 capital ratio	24.503%	20.644%
Tier 1 capital ratio	24.503%	20.644%
Risk-weighted capital ratio	28.841%	24.497%

34. Change in comparatives

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

35. Other matters

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

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

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

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