BANK ISLAM MALAYSIA BERHAD
(Company No. 98127-X)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Bank Islam Malaysia Berhad
(Company No. 98127-X)
(Incorporated in Malaysia)

Contents

Bank Islam Malaysia Berhad
(Company No. 98127-X)
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018.

Principal activities

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 15 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Immediate and ultimate holding company/entity

The Directors regard BIMB Holdings Berhad, a company incorporated in Malaysia and Lembaga Tabung Haji ("LTH"), a *hajj* pilgrims' funds board established in Malaysia as the immediate holding company and ultimate holding entity respectively during the financial year and until the date of this report.

Subsidiaries

The details of the Bank's subsidiaries are disclosed in Note 15 to the financial statements.

Results

	Group RM'000	Bank RM'000
Profit before zakat and tax expense	810,258	808,237
Zakat and tax expense	(216,371)	(217,709)
Profit for the year	593,887	590,528

Reserves and provisions

During the financial year ended 31 December 2018, the Group and the Bank have recognised the impact, net of tax, on the opening balance of fair value reserves and retained earnings following the transition to MFRS 9, *Financial Instruments* amounting to RM13,190,000 and RM143,408,000, as disclosed in Note 2.1(b) and Note 24.

During the financial year ended 31 December 2018, the Group and the Bank have also transferred RM54,645,000 from its regulatory reserve to retained earnings, as disclosed in Note 24.

There were no other material transfers to and from reserves or provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Bank were as follows:

	RM'000
In respect of the financial year ended 31 December 2017 as reported in the Directors' Report of that year:	
Final dividend of approximately 6.09 sen per ordinary share paid on 4 June 2018	150,180
In respect of the financial year ended 31 December 2018:	
Interim dividend of approximately 5.79 sen per ordinary share paid on 20 September 2018	142,870
	293,050

The Directors recommend a final dividend of 6.07 sen per ordinary share totalling RM152,310,000 for the financial year ended 31 December 2018.

Directors of the Bank

Directors of the Bank who served during the financial year until the date of this report are:

Datuk Zamani Abdul Ghani (Chairman)
Tan Sri Dato' Dr. Abdul Shukor Husin
Dato' Sri Khazali Ahmad
Datuk Zaiton Mohd Hassan (resigned on 18 February 2019)
Zahari @ Mohd Zin Idris
Mohamed Ridza Mohamed Abdulla
Nik Mohd Hasyudeen Yusoff
Noraini Che Dan
Azizan Ahmad

Directors of the subsidiaries

Directors of the subsidiaries who served during the financial year until the date of this report are:

Name of Company	Directors
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Maria Mat Said Mohd Muazzam Mohamed (resigned on 6 August 2018) Mohamad Jamali Haron (appointed on 6 August 2018)
BIMB Investment Management Berhad	Nik Mohd Hasyudeen Yusoff Najmuddin Mohd Lutfi Dato' Ghazali Awang Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh Dr. Mohd Hatta Dagap Datuk Noripah Kamso (resigned on 14 December 2018) Mujibburrahman Abd Rashid (resigned on 20 July 2018)

Directors of the subsidiaries (continued)

Name of Company	Directors
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary: BIMB Offshore Company Management Services Sdn. Bhd.	Zahari @ Mohd Zin Idris Maria Mat Said
Farihan Corporation Sdn. Bhd.	Razman Ismail Maria Mat Said

None of the Bank and subsidiaries' Directors holding office as at 31 December 2018 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Note 34 to financial statements or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a firm in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Issue of shares

On 20 September 2018, the Bank increased its issued and paid-up capital from RM2,869,497,600 to RM3,012,367,600 via the issuance of 43,960,000 new ordinary shares at a consideration of RM3.25 per share arising from the Dividend Reinvestment Plan of one hundred percent of the interim dividend of approximately 5.79 sen per share in respect of financial year ended 31 December 2018, as disclosed in Note 23 to the financial statements.

There were no other changes in the issued and paid-up capital of the Bank during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

Indemnity and Takaful costs

During the financial year, the total amount of Takaful cost incurred for Directors and Officers Liability Takaful coverage of the Group and of the Bank is RM110,757.

Other Statutory Information

Impaired financing

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of impairment provisions for impaired financing, and have satisfied themselves that all known bad financing have been written off and adequate impairment provisions made for impaired financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad financing, or amount of impairment provisions for impaired financing in the financial statements of the Group and of the Bank, inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Bank to be misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank to be misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

No contingent or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Bank misleading.

Items of an unusual nature

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Group or of the Bank for the current financial year in which this report is made.

Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia ("BNM")'s expectations on financial reporting have been complied with, including those as set out in the Financial Reporting for Islamic Banking Institutions, Circular on the Application of MFRS and Revised Financial Reporting Requirements for Islamic Banks.

2019 Business Plan and Outlook
Business Plan, Strategy and Future Outlook

The Malaysian banking sector is expected to remain stable in 2019, coupled with ongoing challenges such as moderating loan growth and margins. Industry loan growth is expected to moderate to 5.1% in 2019 from 6.2% in 2018. Despite the challenging outlook on banking industry, Islamic finance continued to contribute major growth in banking industry. In the past 10 years, Islamic banking asset has been growing at a rate of 14.5% Compounded Annual Growth Rate ("CAGR"), surpassing conventional lending growth of 5.6%. The market share has also risen from 15.9% in 2007 to 26.8% in 2018. Islamic banking industry is expected to have 40% market share of total banking assets by 2020. This is partially due to the introduction of Value Based Intermediation ("VBI") by BNM to steer financial players towards sustainable impact on the economy, community and environment.

In addition, supportive measures adopted by the Malaysian government through the recent Budget 2019 announcement are put in place to ensure growth of the Islamic economy. These include the continued prioritisation on Islamic banking, enlargement on halal productivity industry, increasing Shariah-compliant Small Medium Enterprise ("SME") Financing Schemes and digital initiatives.

In this regards, the Bank's strategic plan for the next three years is to deliver sustainable performance with a strategic focus to support the economy, community and environment. The Bank's corporate direction is premised on VBI, at the heart of the Bank's business model. With Shariah Principles/ Halal and Trustworthy being the key distinctive features, the Bank continues its journey in adopting VBI principles such as Triple Bottom Line ("TBL") considerations, of community, environment and prosperity.

Ratings accorded by external rating agency

During the financial year, the Bank's rating was re-affirmed as follows:

Rating agency	Date re-affirmed	Ratings
RAM Rating Services Berhad	13 November 2018	Long-term rating: AA3
		Short-term rating: P1
		Outlook: Stable

Auditors

The auditors, Messrs. KPMG Desa Megat PLT, retire at the forthcoming Annual General Meeting of the Group and of the Bank.

The auditors' remuneration is disclosed in Note 33 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………………
Datuk Zamani Abdul Ghani
Chairman

…………………………………………………………
Noraini Che Dan
Director

Kuala Lumpur,

Date: 27 March 2019

Bank Islam Malaysia Berhad
(Company No. 98127-X)
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Statement by Directors
pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 18 to 183 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2016 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………
Datuk Zamani Abdul Ghani
Chairman

……………………………………………………………
Noraini Che Dan
Director

Kuala Lumpur,

Date: 27 March 2019

Bank Islam Malaysia Berhad
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Report of the Shariah Supervisory Council

بسم الله الرحمن الرحيم

الحمد لله رب العالمين، والصلاة والسلام على سيدنا محمد، الذي أرسله الله رحمة للعالمين، هادياً مهدياً، وسراجاً منيراً، وعلى آله وصحبه أجمعين، ومن تبعهم بإحسان إلى يوم الدين، وبعد،

السلام عليكم ورحمة الله وبركاته and “Salam Sejahtera”

In carrying out the roles and the responsibilities of the Shariah Supervisory Council (“SSC”) as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by BNM and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2018.

The Bank’s Management is responsible to ensure that its conduct and businesses are in accordance with the Shariah rules and principles, and it is our responsibility to form an independent opinion based on our review on the conduct and businesses of the Bank and to produce this report.

We had eight (8) meetings during the financial year in which we reviewed inter alia products, transactions, services, processes and documents of the Bank.

In performing our roles and responsibilities, we have obtained all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with the Shariah rules and principles.

At the management level, the Chief Shariah Officer who functionally reports to us oversees the conduct and effectiveness of the internal Shariah compliance functions i.e. Shariah Research & Advisory, Shariah Review and Shariah Risk Management which are further substantiated by Shariah Audit that resides in the Internal Audit Division. Both Shariah Review and Shariah Risk Management functions also report to Chief Compliance Officer and Chief Risk Officer respectively. The roles of these functions are facilitating new research & product development activities, refining existing products & procedures, providing Shariah training, managing Shariah non-compliance risks bank-wide, conducting Shariah audit & review on departments and branches and coordinating with us on any matter that requires our decision.

The following are the major developments that took place during the financial year which come under our purview:

Approvals

To ensure smoothness and timely execution of our business operation, we empower the Chief Shariah Officer and his deputy to approve non-substantial variation to Shariah-related matters, and the approvals are reported to us periodically for review and confirmation.

Shariah Governance

We have approved in our meetings, initiatives in strengthening the Shariah governance of the Bank which include the review and update of the Shariah Review Guideline, Shariah Non-Compliance Management & Reporting Guideline, Shariah Compliance Risk Management Guideline and Shariah Compliance Policy that aim, among others, to set out the Shariah Compliance Risk Management framework and Shariah review processes. In addition, we also approved a dedicated Shariah Compliance Policy for the offshore branch of the Bank i.e. Bank Islam Labuan Offshore Branch ("BILOB").

We also approved the review of Charity Fund Management Guideline that governs the management of Shariah non-compliant income fund as well as other charity funds to ensure its compliance with Shariah rules and principles.

Shariah Risk Management

We observe that the Bank implements measures in managing its Shariah non-compliance risk bank-wide as communicated in its integrated Enterprise-Wide Risk Management Policy. This includes the implementation of Risk Control Self-Assessment ("RCSA") that aims to assess the significance of identified Shariah non-compliance risks and effectiveness of the controls in providing reasonable mitigation to avoid any occurrence of Shariah non-compliances event in meeting the business objectives. The identified Shariah risk in RCSA has increased Shariah awareness level among staff especially Risk Controllers ("RC") at their functional areas and has strengthened existing controls to mitigate Shariah non-compliance risk.

Shariah Review & Shariah Audit

The Shariah Review and Shariah Audit functions play a vital role in achieving the objective of ensuring Shariah compliance by evaluating and assessing activities in the Bank whereby the former validates the compliance of activities with Shariah rules and principles and the latter provides independent assurance in order to add value and improve the degree of Shariah compliance in relation to such activities. Shariah Review is required to perform assessment on newly launched products 6 months (not later than a year) after the products are launched.

Both Shariah Review and Shariah Audit plans for the financial year are reviewed, concurred and approved by us for their implementation. The reports are deliberated in our meetings to confirm that the Bank complies with the rulings issued by the Shariah Advisory Council ("SAC") of BNM, the SAC of Securities Commission (for capital market related matters) as well as our decisions.

During the year, the following reports were presented to us covering the following entities/areas:

Shariah Audit	Shariah Review
1) Wealth Management Ar-Rahnu and Operations	1) Compliance to BNM's *Kafalah* Policy Document
2) Consumer Banking Division	2) Validation on compliance with BNM's Special Deposit Facility Document
3) Trade Operations Department	3) Verification on the Compliance to the SSC Decisions in FY2017
4) Deposit & Cash Management Division	4) Bank Islam Card Centre
5) Credit Administration Department	5) Trade Operations Products
6) Treasury Division	6) Profit Allocation for Investment Account
7) Shariah Division	7) Procedures of Housing Developer Account ("HDA")

Shariah Review & Shariah Audit (continued)

Shariah Audit	Shariah Review
8) Corporate Support Division	8) Operation of Consumer Products at Branches
9) Assessment on the Bank's compliance with the BNM Kafalah Policy Document	9) Ar-Rahnu Business
10) Assessment on the Bank's compliance with the BNM Mudarabah Policy Document	10) Marketing of BIMB-Arabesque Malaysia Shariah ESG (Equity), BIMB-Arabesque*I* Global Dividend Fund 1 and BIMB Invest Wafiyah (Money Market) Funds
11) Assessment on the Bank's compliance with the BNM Wakalah Policy Document	11) Al-Awfar and Bank Islam Card Draw Activities
12) Assessment on the Bank's compliance with the BNM Qard Policy Document	12) Corporate Support Division
13) Assessment on the Bank's compliance with the BNM Hibah Policy Document	13) Third Party Agreements executed by General Administration Department
14) 52 Bank Islam Branches[1]	
15) 4 Ar-Rahnu Outlets[1]	

[1] Only Shariah related findings were escalated for deliberation and decision.

Shariah Training & Awareness

During the year, twenty eight (28) Shariah training and awareness sessions were held covering 1,107 participants among the Bank's employees nationwide.

All new recruits of the Bank spend one day in the Muamalat 101 training module during the orientation programme in which they learn the fundamentals of Shariah applied in Islamic banking business.

The Bank has also conducted two (2) Shariah Town Hall sessions for all RC where the sessions updated the RCs on new Shariah requirements/ rulings issued either by us or the regulators and lesson learnt from Shariah non – compliance occurrences.

The Bank has embarked on an initiative to increase the knowledge of the staff by engaging Islamic Banking and Finance Institute Malaysia ("IBFIM") for in-house certification programme namely Associate Qualification in Islamic Finance ("AQIF"), Intermediate Qualification of Islamic Finance ("IQIF") and Certified Qualification in Islamic Finance ("CQIF"). The Bank's Shariah officers are also part of the trainers for the AQIF modules. The certifications enhance staff competencies and knowledge in Islamic finance that include fundamentals of Islamic finance and its operational applications including regulatory framework, risk management, compliance, ethics, etc..

To ensure our continuous professional development is in line with the regulatory expectation, the Bank has enrolled all SSC members and key Shariah officers to the Certified Shariah Advisor ("CSA") and Certified Shariah Practitioner ("CSP") programmes offered by Association of Shariah Advisors in Islamic Finance ("ASAS").

Shariah Non-Compliant Events & Income

Throughout the financial year 2018, we confirmed eight (8) incidences of Shariah non-compliance events detailed as follows:

(i) Two (2) occurrence of absence of *wakalah aqad* execution for Term Deposit Tawarruq-i ("TDT-i") at branches;

Shariah Non-Compliant Events & Income (continued)

(ii) Two (2) occurrence of payment of late payment charges due to delay in rental payment;
(iii) Absence of *Mudarabah aqad* execution for Investment Account at branch;
(iv) Overcharged profit during abandoned period of house financing;
(v) Income recognition of interchange fee received from Non-Halal Merchant Category Code ("MCC"); and
(vi) Absence of Tawarruq commodity trading for Islamic Credit Card.

We also deliberated the causes of the incidences and acknowledged that the Bank has taken its corrective as well as preventive measures in order to avoid the same incidences from occurring in the future.

We also confirmed that all of the events together with the rectification plans were presented to the Board of Directors and us and reported to BNM in accordance with the Shariah non-compliance reporting requirement prescribed by BNM.

Within the financial year, the Bank has collected and purified Shariah non-compliance income amounting to RM9,852.53 due to unavoidable operational activities. The amount was disposed to charitable causes upon our approval as further described in the Note 25 – Sources and Uses of Charity Funds. The Bank has paid and refunded to the deserving counterparties amounting to RM11,568.13 based on the rectification plan approved by us.

Business Zakat

During the financial year, the Bank fulfilled its obligation to pay *zakat* on its business to state *zakat* authorities by adopting the capital growth computation method and in compliance with the Manual Pengurusan Zakat Perbankan issued by Jabatan Wakaf, Zakat dan Haji ("JAWHAR"). The Bank paid the *zakat* on the Bank's portion i.e. shareholders' fund as well as other funds received by the Bank except for depositors' fund.

Several *zakat* authorities had mandated the Bank as their agent to distribute a portion of the business *zakat* to eligible beneficiaries (*asnaf*), including needy individuals, mosque, non-governmental organisations, student welfare funds of higher learning institutions and schools as guided by the Business Zakat Payment Guideline that was approved by us.

Sadaqa House

In the financial year, the Bank has launched Sadaqa House, a charity crowdfunding platform as an initiative to expand the Bank's roles in Islamic social finance agenda alongside *zakat* and *waqf* instruments as well as supporting VBI of BNM. To ensure the interest of Sadaqa House donors are safeguarded, we have reviewed the conduct of fund management as well as the selection of change-makers and their respective charity projects.

Safeguarding the Investment Account Holders ("IAH") Interest

In ensuring the interest of IAHs are protected, we confirmed that the profit allocation for the IAHs is in accordance with Shariah rules and principles where the profit computation formula has been duly presented and approved by us. The performance of the Investment Account has also been disclosed and reported via issuance of Fund Performance Report ("FPR") which has been made available on the Bank's website upon approval by us.

We have reviewed the financial statements of the Bank and confirm that the financial statement is in compliance with the Shariah rules and principles.

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank, excluding the eight (8) Shariah non-compliance incidences mentioned above, during the financial year ended 31 December 2018 that were reviewed are in compliance with the Shariah rules and principles;

2. The allocation of profit and charging of losses relating to Investment Account conformed to the basis that has been approved by us;

3. The computation, payment and distribution of business *zakat* are in compliance with the Shariah rules and principles;

4. All earnings that have been realised from sources or by means prohibited by the Shariah rules and principles were disposed to charitable causes; and

5. The fund management and distribution of Sadaqa House are in accordance with Shariah rules and principles.

On that note, we, members of SSC of Bank Islam Malaysia Berhad, do hereby confirm that, in our level best, the operations of the Bank for the year ended 31 December 2018 have been conducted in conformity with the Shariah rules and principles.

We bear witness only to what we know, and we could not well guard against the unseen! (S*urah Yusuf, verse:81*)

Allah knows best.

……………………………………………......
Professor Dato' Dr. Ahmad Hidayat Buang

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Ustaz Dr. Ahmad Shahbari@Sobri Salamon

……………………………………………......
Sahibus Samahah Dato' Dr. Hj. Anhar Hj. Opir

……………………………………………......
Associate Professor Dr. Yasmin Hanani Mohd Safian

……………………………………………......
Assistant Professor Dr. Uzaimah Ibrahim

Kuala Lumpur,

Date: 27 March 2019

Bank Islam Malaysia Berhad
(Company No. 98127-X)
(Incorporated in Malaysia)

Statutory Declaration
pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Mohd Muazzam bin Mohamed,** the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 18 to 183 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named Mohd Muazzam bin Mohamed, MIA CA (15917) in Kuala Lumpur on 27 March 2019.

………………………………………………….……….……….
Mohd Muazzam bin Mohamed

Before me,

Bank Islam Malaysia Berhad
(Company No. 98127-X)
(Incorporated in Malaysia)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK ISLAM MALAYSIA BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank Islam Malaysia Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Bank in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the ability of the Group and of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Bank.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat PLT
Firm Number: LLP0010082-LCA & AF0759
Chartered Accountants

Adrian Lee Lye Wang
Approval Number: 02679/11/2019 J
Chartered Accountant

Petaling Jaya

Date: 27 March 2019

Bank Islam Malaysia Berhad

(Company No. 98127-X)
(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2018

	Note	Group		Bank	
		31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Assets					
Cash and short-term funds	3	**2,092,654**	4,185,697	**2,086,703**	4,185,561
Deposits and placements with banks and other financial institutions	4	**2,432,000**	-	**2,432,000**	-
Financial assets held-for-trading	5	**-**	380,925	**-**	375,664
Financial assets at fair value through profit or loss	6	**364,959**	-	**359,533**	-
Derivative financial assets	7	**34,148**	68,319	**34,148**	68,319
Financial assets available-for-sale	8	**-**	9,252,683	**-**	9,253,140
Financial assets at fair value through other comprehensive income	9	**11,354,299**	-	**11,355,089**	-
Financial assets held-to-maturity	10	**-**	-	**-**	-
Financing, advances and others	11	**45,680,680**	42,113,420	**45,680,680**	42,113,420
Other financial assets at amortised cost	12	**129,042**	123,503	**126,533**	121,062
Statutory deposits with Bank Negara Malaysia	13	**1,602,284**	1,407,284	**1,602,284**	1,407,284
Current tax assets		**8,466**	1,792	**8,403**	1,737
Deferred tax assets	14	**51,385**	37,288	**49,842**	37,288
Investments in subsidiaries	15	**-**	-	**15,525**	15,525
Property and equipment	16	**188,816**	172,003	**188,153**	171,240
Total assets		**63,938,733**	57,742,914	**63,938,893**	57,750,240

The notes on pages 27 to 183 are an integral part of these financial statements.

Bank Islam Malaysia Berhad

(Company No. 98127-X)
(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2018 (continued)

		Group		Bank	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Liabilities and equity					
Deposits from customers	17	**49,895,232**	46,192,910	**49,909,199**	46,209,028
Investment accounts of customers	18	**5,176,819**	4,260,185	**5,176,819**	4,260,185
Derivative financial liabilities	7	**19,520**	74,668	**19,520**	74,668
Bills and acceptance payable		**41,114**	420,258	**41,114**	420,258
Recourse obligations on financing sold to Cagamas	19	**1,501,187**	-	**1,501,187**	-
Subordinated Sukuk Murabahah	20	**1,308,634**	1,006,486	**1,308,634**	1,006,486
Other liabilities	21	**706,133**	782,299	**695,714**	773,769
Zakat and taxation	22	**13,687**	46,404	**13,539**	46,340
Total liabilities		**58,662,326**	52,783,210	**58,665,726**	52,790,734
Equity					
Share capital	23	**3,012,368**	2,869,498	**3,012,368**	2,869,498
Reserves		**2,264,039**	2,090,206	**2,260,799**	2,090,008
Total equity		**5,276,407**	4,959,704	**5,273,167**	4,959,506
Total liabilities and equity		**63,938,733**	57,742,914	**63,938,893**	57,750,240
Restricted investment accounts managed by the Bank	18	**78,717**	124,384	**78,717**	124,384
Total Islamic banking asset owned and managed by the Bank		**64,017,450**	57,867,298	**64,017,610**	57,874,624
Commitments and contingencies	44	**14,162,355**	13,768,162	**14,162,355**	13,768,162

The notes on pages 27 to 183 are an integral part of these financial statements.

Bank Islam Malaysia Berhad
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(Incorporated in Malaysia)

Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2018

		Group		Bank	
		2018	**2017**	**2018**	**2017**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Income derived from investment of depositors' funds	26	**2,601,825**	2,324,187	**2,601,825**	2,324,187
Income derived from investment account funds	27	**257,915**	247,046	**257,915**	247,046
Income derived from investment of shareholders' funds	28	**476,277**	434,353	**442,331**	421,285
Net allowance for impairment on financing and advances, net of recoveries	29	**(81,454)**	15,613	**(81,454)**	15,613
Net allowance for impairment on other financial assets		**43**	(243)	**43**	(243)
Direct expenses		**(17,870)**	(18,421)	**(17,870)**	(18,421)
Total distributable income		**3,236,736**	3,002,535	**3,202,790**	2,989,467
Wakalah fees from restricted investment accounts	18	**485**	2,595	**485**	2,595
Income attributable to depositors	30	**(1,289,275)**	(1,103,036)	**(1,289,542)**	(1,103,275)
Income attributable to investment account holders	31	**(94,559)**	(105,301)	**(94,559)**	(105,301)
Total net income		**1,853,387**	1,796,793	**1,819,174**	1,783,486
Personnel expenses	32	**(595,319)**	(569,343)	**(583,460)**	(560,447)
Other overhead expenses	33	**(391,099)**	(419,101)	**(370,766)**	(415,634)
		866,969	808,349	**864,948**	807,405
Finance cost on Subordinated Sukuk Murabahah	20	**(56,711)**	(41,296)	**(56,711)**	(41,296)
Profit before zakat and tax		**810,258**	767,053	**808,237**	766,109
Zakat		**(13,664)**	(13,373)	**(13,530)**	(13,306)
Tax expense	36	**(202,707)**	(187,562)	**(204,179)**	(187,454)
Profit for the year		**593,887**	566,118	**590,528**	565,349
Earnings per share (sen)	37	**23.96**	23.27		

The notes on pages 27 to 183 are an integral part of these financial statements.

Bank Islam Malaysia Berhad
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Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2018 (continued)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	**593,887**	566,118	**590,528**	565,349
Other comprehensive income, net of tax:				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences in respect of foreign operations	**(8,290)**	45,908	**(7,973)**	45,990
Movement in fair value reserve (debt securities):				
Net change in fair value	**47,747**	-	**47,747**	-
Net amount transferred to profit or loss	**(27,444)**	-	**(27,444)**	-
Movement in fair value reserve (available-for-sale):				
Net change in fair value	**-**	43,480	**-**	43,480
Net amount transferred to profit or loss	**-**	(6,157)	**-**	(6,157)
Income tax effect relating to components of other comprehensive income	**(3,633)**	(8,958)	**(3,633)**	(8,958)
	8,380	74,273	**8,697**	74,355
Items that will not be reclassified to profit or loss				
Movement in fair value reserve (equity instrument):				
Net change in fair value	**(5,166)**	-	**(5,166)**	-
Other comprehensive income for the year, net of tax	**3,214**	74,273	**3,531**	74,355
Total comprehensive income for the year	**597,101**	640,391	**594,059**	639,704

The notes on pages 27 to 183 are an integral part of these financial statements.

Bank Islam Malaysia Berhad
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Consolidated Statement of Changes in Equity for the financial year ended 31 December 2018

		← *Attributable to equity holders of the Bank* →				
		← **Non-distributable** →			**Distributable**	
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2017		**2,404,384**	**264,790**	**1,193,045**	**523,247**	**4,385,466**
Profit for the year		-	-	-	566,118	566,118
Currency translation difference in respect of foreign operations		-	-	45,908	-	45,908
Fair value reserve – Net change in fair value		-	-	43,480	-	43,480
– Net amount reclassified to profit or loss		-	-	(6,157)	-	(6,157)
Income tax effect relating to components of other comprehensive income		-	-	(8,958)	-	(8,958)
Total comprehensive income for the year		-	-	74,273	566,118	640,391
Transfer of share premium to share capital	23	264,790	(264,790)	-	-	-
Transfer of reserve fund to retained earnings	24	-	-	(1,392,159)	1,392,159	-
Transfer to regulatory reserve	24	-	-	64,645	(64,645)	-
Dividends paid on ordinary shares	38	-	-	-	(266,477)	(266,477)
Issue of shares pursuant to Dividend Reinvestment Plan	38	200,324	-	-	-	200,324
At 31 December 2017/1 January 2018		**2,869,498**	**-**	**(60,196)**	**2,150,402**	**4,959,704**
Adjustment on adoption of MFRS 9 (net of tax)		-	-	13,190	(143,408)	(130,218)
Adjusted total equity at 1 January 2018		2,869,498	-	(47,006)	2,006,994	4,829,486
Profit for the year		-	-	-	593,887	593,887
Currency translation difference in respect of foreign operations		-	-	(8,290)	-	(8,290)
Fair value reserve – Net change in fair value		-	-	42,581	-	42,581
– Net amount reclassified to profit or loss		-	-	(27,444)	-	(27,444)
Income tax effect relating to components of other comprehensive income		-	-	(3,633)	-	(3,633)
Total comprehensive income for the year		-	-	3,214	593,887	597,101
Transfer from regulatory reserve to retained earnings	24	-	-	(54,645)	54,645	-
Dividends paid on ordinary shares	38	-	-	-	(293,050)	(293,050)
Issue of shares pursuant to Dividend Reinvestment Plan	38	142,870	-	-	-	142,870
At 31 December 2018		**3,012,368**	**-**	**(98,437)**	**2,362,476**	**5,276,407**
				Note 24		

The notes on pages 27 to 183 are an integral part of these financial statements.

Bank Islam Malaysia Berhad
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Statement of Changes in Equity for the financial year ended 31 December 2018

		← *Attributable to equity holders of the Bank* →				
		← Non-distributable		→	Distributable	
Bank	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2017		**2,404,384**	**264,790**	**1,192,822**	**523,959**	**4,385,955**
Profit for the year		-	-	-	565,349	565,349
Currency translation difference in respect of foreign operations		-	-	45,990	-	45,990
Fair value reserve – Net change in fair value		-	-	43,480	-	43,480
– Net amount reclassified to profit or loss		-	-	(6,157)	-	(6,157)
Income tax effect relating to components of other comprehensive income		-	-	(8,958)	-	(8,958)
Total comprehensive income for the year		-	-	74,355	565,349	639,704
Transfer of share premium to share capital	23	264,790	(264,790)	-	-	-
Transfer of reserve fund to retained earnings	24	-	-	(1,392,159)	1,392,159	-
Transfer to regulatory reserve	24	-	-	64,645	(64,645)	-
Dividends paid on ordinary shares	38	-	-	-	(266,477)	(266,477)
Issue of shares pursuant to Dividend Reinvestment Plan	38	200,324	-	-	-	200,324
At 31 December 2017/1 January 2018		**2,869,498**	**-**	**(60,337)**	**2,150,345**	**4,959,506**
Adjustment on adoption of MFRS 9 (net of tax)		-	-	13,190	(143,408)	(130,218)
Adjusted total equity at 1 January 2018		2,869,498	-	(47,147)	2,006,937	4,829,288
Profit for the year		-	-	-	590,528	590,528
Currency translation difference in respect of foreign operations		-	-	(7,973)	-	(7,973)
Fair value reserve – Net change in fair value		-	-	42,581	-	42,581
– Net amount reclassified to profit or loss		-	-	(27,444)	-	(27,444)
Income tax effect relating to components of other comprehensive income		-	-	(3,633)	-	(3,633)
Total comprehensive income for the year		-	-	3,531	590,528	594,059
Transfer from regulatory reserve to retained earnings	24	-	-	(54,645)	54,645	-
Dividends paid on ordinary shares	38	-	-	-	(293,050)	(293,050)
Issue of shares pursuant to Dividend Reinvestment Plan	38	142,870	-	-	-	142,870
At 31 December 2018		**3,012,368**	**-**	**(98,261)**	**2,359,060**	**5,273,167**
				Note 24		

The notes on pages 27 to 183 are an integral part of these financial statements.

Bank Islam Malaysia Berhad

(Company No. 98127-X)
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Statements of Cash Flow
for the financial year ended 31 December 2018

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before zakat and tax	**810,258**	767,053	**808,237**	766,109
Adjustments for:				
Depreciation of property and equipment	**47,970**	54,480	**47,723**	54,220
Net (gain)/loss on disposal of property and equipment	**(372)**	71	**(372)**	71
Property and equipment written off	**332**	56	**332**	56
Allowance for impairment on financing, advances and others	**186,402**	-	**186,402**	-
Collective assessment allowance	**-**	34,706	**-**	34,706
Individual assessment allowance	**-**	71,735	**-**	71,735
Net allowance for impairment on other financial assets	**(43)**	243	**(43)**	243
Net gain on sale of financial assets at fair value through profit or loss	**(4,535)**	-	**(4,535)**	-
Net loss on sale of financial assets held-for-trading	**-**	765	**-**	765
Net gain on sale of financial assets at fair value through other comprehensive income	**(27,444)**	-	**(27,444)**	-
Net gain on sale of financial assets available-for-sale	**-**	(6,157)	**-**	(6,157)
Net gain on sale of financial assets held to maturity	**-**	(31,551)	**-**	(31,551)
Fair value gain on financial assets at fair value through profit or loss	**(206)**	-	**(206)**	-
Fair value gain on financial assets held-for-trading	**-**	(5,214)	**-**	(5,214)
Dividends from securities	**(1,763)**	(2,600)	**(1,612)**	(2,422)
Net derivative (gain)/loss	**(52)**	779	**(52)**	779
Finance cost on Subordinated Sukuk Murabahah	**56,711**	41,296	**56,711**	41,296
Operating profit before changes in assets and liabilities	**1,067,258**	925,662	**1,065,141**	924,636

Bank Islam Malaysia Berhad
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Statements of Cash Flow
for the financial year ended 31 December 2018 (continued)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Changes in assets and liabilities:				
Financing, advances and others	**(3,897,070)**	(3,030,587)	**(3,897,070)**	(3,030,587)
Statutory deposits with Bank Negara Malaysia	**(195,000)**	(32,408)	**(195,000)**	(32,408)
Bills and other receivables	**(16,603)**	31,476	**(16,535)**	30,876
Deposits from customers	**3,702,322**	252,496	**3,700,171**	259,313
Investment accounts of customers	**916,634**	447,924	**916,634**	447,924
Deposits and placements of banks and other financial institutions	**-**	(30,000)	**-**	(30,000)
Bills and acceptance payable	**(379,144)**	373,980	**(379,144)**	373,980
Other liabilities	**(131,979)**	143,352	**(133,869)**	137,981
Recourse obligations on financing sold to Cagamas	**1,501,187**	-	**1,501,187**	-
Cash generated from/(used in) operations	**2,567,605**	(918,105)	**2,561,515**	(918,285)
Zakat paid	**(12,678)**	(12,869)	**(12,628)**	(12,837)
Tax paid	**(219,087)**	(184,591)	**(218,947)**	(184,473)
Tax refund	**60**	45	**-**	-
Net cash generated from/(used in) operating activities	**2,335,900**	(1,115,520)	**2,329,940**	(1,115,595)
Cash flows from investing activities				
Purchase of property and equipment	**(65,167)**	(41,360)	**(65,020)**	(41,349)
Proceeds from disposal of property and equipment	**425**	305	**425**	305
Dividends from securities	**1,763**	2,600	**1,612**	2,422
Net proceeds from disposal/(purchase) of securities	**(2,020,930)**	1,035,696	**(2,021,098)**	1,035,872
Net cash generated from/(used in) investing activities	**(2,083,909)**	997,241	**(2,084,081)**	997,250
Cash flows from financing activities				
Subordinated Sukuk Murabahah	**300,000**	300,000	**300,000**	300,000
Dividend paid on ordinary shares	**(293,050)**	(266,477)	**(293,050)**	(266,477)
Proceeds from issuance of ordinary shares pursuant to Dividend Reinvestment Plan	**142,870**	200,324	**142,870**	200,324
Finance cost paid on Subordinated Sukuk Murabahah	**(54,563)**	(39,203)	**(54,563)**	(39,203)
Net cash generated from/(used in) financing activities*	**95,257**	194,644	**95,257**	194,644

Statements of Cash Flow
for the financial year ended 31 December 2018 (continued)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net increase in cash and cash equivalents	**347,248**	76,365	**341,116**	76,299
Cash and cash equivalents at 1 January	**4,185,697**	4,063,417	**4,185,561**	4,063,268
Exchange difference on translation	**(8,291)**	45,915	**(7,974)**	45,994
Cash and cash equivalents at 31 December	**4,524,654**	4,185,697	**4,518,703**	4,185,561
Cash and cash equivalents comprise:				
Cash and short-term funds	**2,092,654**	4,185,697	**2,086,703**	4,185,561
Deposits and placements with banks and other financial institutions	**2,432,000**	-	**2,432,000**	-
	4,524,654	4,185,697	**4,518,703**	4,185,561

* Net cash generated from/(used in) financing activities are solely attributable to changes from financing cash flows.

1. Principal activities and general information

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of its subsidiaries are as disclosed in Note 15 to the financial statements.

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Level 32, Menara Bank Islam
No. 22, Jalan Perak,
50450 Kuala Lumpur.

The immediate holding company of the Bank is BIMB Holdings Berhad, a public limited liability company incorporated in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The ultimate holding entity is Lembaga Tabung Haji ("LTH"), a *hajj* pilgrims' funds board established under the Tabung Haji Act, 1995 (Act 535).

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as the "Group").

These financial statements were approved by the Board of Directors on 27 March 2019.

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with the applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the requirements of Companies Act 2016 in Malaysia and Shariah requirements.

This is the first set of the Group's and of the Bank's annual financial statements in which MFRS 9, *Financial Instruments* has been applied. Changes to significant accounting policies are described in Note 2.1(b).

Other than as disclosed in Note 2.1(b) on adoption of MFRS 9, the adoption of other accounting standards, interpretations and amendments did not have any significant impact on the Group and the Bank.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank.

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning or after a date yet to be confirmed

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

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

- from the annual period beginning on 1 January 2020 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2020.
- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2021.

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

MFRS 16, *Leases*

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

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases. However, a lessee may elect not to apply the requirements for short-term leases which are for the term 12 months or less and leases for which the underlying asset is of low value. For such leases, lessees may elect to expense off the lease payments on a straight line basis over the lease term or using other systematic method. Upon adoption of MFRS 16, the Group and the Bank are required to account for major part of operating leases in the statement of financial position by recognising the 'right-of-use' asset and the lease liability, thus increasing the assets and liabilities of the Group and of the Bank.

The Group and the Bank have assessed the estimated impact that initial application of MFRS 16 will have on its consolidated financial statements. The recognition of the 'right-of-use' asset and the lease liability will increase the Group's and the Bank's total assets by approximately 0.4% and total liabilities by approximately 0.5% as at 1 January 2019.

In terms of capital ratio, the Group and the Bank expect a marginal decrease of capital ratio by approximately 0.3% due to higher risk-weighted assets.

(b) Changes in significant accounting policies

MFRS 9, *Financial Instruments*

The Group and the Bank have adopted the MFRS 9, *Financial Instruments* issued by the MASB which became effective on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

As permitted by the transitional provisions of MFRS 9, the Group and the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The group has also elected not to apply the hedge accounting requirements of MFRS 139 on adoption of MFRS 9.

Additionally, the Group has adopted consequential amendments to MFRS 7, *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to the comparative information.

The adoption of MFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets.

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

Group and Bank	Impact of adopting MFRS 9 on opening balance RM'000
Fair value reserve	
Remeasurement of equity investment at fair value through other comprehensive income ("FVOCI")	18,104
Reclassification of fair value gain from financial assets available-for-sale ("AFS") to fair value through profit or loss ("FVTPL")	(749)
Related tax	(4,165)
Impact at 1 January 2018	13,190
Retained earnings	
Recognition of expected credit losses under MFRS 9	(189,444)
Reclassification of fair value gain from financial assets AFS to FVTPL	749
Related tax	45,287
Impact at 1 January 2018	(143,408)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

Set out below are disclosures relating to the impact of the adoption of MFRS 9 on the Group and the Bank. Further details of the specific MFRS 9 accounting policies applied in the current period (as well as the previous MFRS 139 accounting policies applied in the comparative period) are described in more detail in Note 2.5 and Note 2.10.

(i) Classification of financial assets

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification and measurement of financial liabilities. As such, there is no change on the Group's and the Bank's accounting policies related to financial liabilities. However, the standard eliminates the previous MFRS 139 categories for financial assets of held to maturity, financing and receivables and available-for-sale.

Under MFRS 9, on initial recognition, a financial asset is classified and measured at:
- amortised cost;
- FVOCI – debt investment;
- FVOCI – equity investment; or
- FVTPL.

The classification of financial assets depends on the Group's and the Bank's business model in which a financial asset is managed and its contractual cash flow characteristics.

The impact on classification and measurement to the Group's and the Bank's financial assets on the initial application of MFRS 9 on 1 January 2018 are summarised as follows:

Group	Note	Measurement category: Original classification under MFRS 139	Measurement category: New classification under MFRS 9	Carrying amount: Original under MFRS 139 RM'000	Carrying amount: New under MFRS 9 RM'000
Financial assets					
Cash and short-term funds		Financing and receivables	Amortised cost	4,185,697	4,185,697
Deposits and placements with banks and other financial institutions		Financing and receivables	Amortised cost	-	-
Financial assets held-for-trading		FVTPL	FVTPL	380,925	380,925
Derivative financial assets		FVTPL	FVTPL	68,319	68,319

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Group	Note	Measurement category: Original classification under MFRS 139	Measurement category: New classification under MFRS 9	Carrying amount: Original under MFRS 139 RM'000	Carrying amount: New under MFRS 9 RM'000
Financial assets					
Financial assets available-for-sale (debt instruments)	(a)	AFS	FVOCI	9,215,834	9,215,834
Financial assets available-for-sale (equity instruments)	(b)	AFS	FVOCI	22,912	41,016
Financial assets available-for-sale	(c)	AFS	FVTPL	13,937	13,937
Financial assets held-to-maturity	(d)	Held-to-maturity	Amortised cost	-	-
Financing, advances and others		Financing and receivables	Amortised cost	42,113,420	41,924,321
Other financial assets		Financing and receivables	Amortised cost	123,503	123,503
Bank					
Financial assets					
Cash and short-term funds		Financing and receivables	Amortised cost	4,185,561	4,185,561
Deposits and placements with banks and other financial institutions		Financing and receivables	Amortised cost	-	-
Financial assets held-for-trading		FVTPL	FVTPL	375,664	375,664
Derivative financial assets		FVTPL	FVTPL	68,319	68,319

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Bank	Note	Measurement category: Original classification under MFRS 139	Measurement category: New classification under MFRS 9	Carrying amount: Original under MFRS 139 RM'000	Carrying amount: New under MFRS 9 RM'000
Financial assets					
Financial assets available-for-sale (debt instruments)	(a)	AFS	FVOCI	9,215,834	9,215,834
Financial assets available-for-sale (equity instruments)	(b)	AFS	FVOCI	23,369	41,473
Financial assets available-for-sale	(c)	AFS	FVTPL	13,937	13,937
Financial assets held-to-maturity	(d)	Held-to-maturity	Amortised cost	-	-
Financing, advances and others		Financing and receivables	Amortised cost	42,113,420	41,924,321
Other financial assets		Financing and receivables	Amortised cost	121,062	121,062

(a) Debt investment securities are held to meet everyday liquidity needs. The Group and the Bank seek to minimise the costs of managing those liquidity needs and therefore actively manage the return on the portfolio. The return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group and the Bank consider that under MFRS 9, these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

(b) Comprise of non-traded equity investments for which the Group and the Bank have elected to designate at FVOCI under MFRS 9. Accordingly, the assets remain to be accounted for at FVOCI with no subsequent recycling of realised gains and losses permitted. Before the adoption of MFRS 9, these securities were measured at cost because their fair value was not considered to be reliably measureable. MFRS 9 has removed this cost measurement exception.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

(c) Comprise investments in unit trust previously classified as available-for-sale under MFRS 139. These investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis.

(d) Certain debt securities are held for long term yield. These securities may be sold, but such sales are not expected to be frequent. The Group and the Bank consider that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified and measured at amortised cost under MFRS 9.

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

Group	MFRS 139 carrying amount at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
Financial assets at FVTPL				
Investment securities	380,925	-	-	380,925
Derivative financial assets	68,319	-	-	68,319
From financial assets AFS	-	13,937	-	13,937
Total financial assets at FVTPL	**449,244**	**13,937**	**-**	**463,181**
Financial assets AFS				
Opening balance	9,252,683	-	-	9,252,683
To FVOCI – debt	-	(9,215,834)	-	(9,215,834)
To FVOCI – equity	-	(22,912)	-	(22,912)
To FVTPL	-	(13,937)	-	(13,937)
Total financial assets AFS	**9,252,683**	**(9,252,683)**	**-**	**-**

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Group	MFRS 139 carrying amount at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
FVOCI – Debt				
Opening balance	-	-	-	-
From financial assets AFS	-	9,215,834	-	9,215,834
Total FVOCI - debt	**-**	**9,215,834**	**-**	**9,215,834**
FVOCI – Equity				
Opening balance	-	-	-	-
From financial assets AFS	-	22,912	18,104	41,016
Total FVOCI - equity	**-**	**22,912**	**18,104**	**41,016**
Total FVOCI	**-**	**9,238,746**	**18,104**	**9,256,850**
Financial assets held-to-maturity				
Opening balance	-	-	-	-
To amortised cost	-	-	-	-
Total financial assets held-to-maturity	**-**	**-**	**-**	**-**
Financing, advances and others				
Opening balance	42,113,420	-	-	42,113,420
Increase in expected credit losses	-	-	(189,099)	(189,099)
Total financing, advances and others	**42,113,420**	**-**	**(189,099)**	**41,924,321**

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Group	MFRS 139 carrying amount at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
Other financial assets at amortised cost				
Opening balance	123,503	-	-	123,503
From financial assets held-to-maturity	-	-	-	-
Total other financial assets at amortised cost	**123,503**	**-**	**-**	**123,503**
Total change to financial assets at 1 January 2018	**51,938,850**	**-**	**(170,995)**	**51,767,855**
Deferred tax assets				
Opening balance	37,288	-	-	37,288
Remeasurement arising from reclassifications	-	-	(4,165)	(4,165)
Total deferred tax asset	**37,288**	**-**	**(4,165)**	**33,123**
Fair value reserve				
AFS reserve				
Opening balance	(22,064)	-	-	(22,064)
AFS reclassified to FVTPL	-	(749)	-	(749)
Related tax	-	180	-	180
Debt securities reclassified from AFS to FVOCI	-	22,633	-	22,633
Non-trading equities reclassified from AFS to FVOCI	-	-	-	-
Total AFS reserve	**(22,064)**	**22,064**	**-**	**-**

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Group	MFRS 139 carrying amount at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
FVOCI reserve				
Opening balance	-	-	-	-
Debt securities reclassified from AFS to FVOCI	-	(22,633)	-	(22,633)
Non-trading equities reclassified from AFS to FVOCI	-	-	18,104	18,104
Related tax	-	-	(4,345)	(4,345)
Total FVOCI reserve	**-**	**(22,633)**	**13,759**	**(8,874)**
Retained earnings				
Opening balance	2,150,402	-	-	2,150,402
AFS investments reclassified to FVTPL (after tax)	-	569	-	569
Recognition of expected credit losses under MFRS 9 (after tax)	-	-	(143,977)	(143,977)
Total retained earnings	**2,150,402**	**569**	**(143,977)**	**2,006,994**
Total change to reserves balances at 1 January 2018	**2,128,338**	**-**	**(130,218)**	**1,998,120**

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2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Bank	MFRS 139 carrying amount at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
Financial assets at FVTPL				
Investment securities	375,664	-	-	375,664
Derivative financial assets	68,319	-	-	68,319
From financial assets AFS	-	13,937	-	13,937
Total financial assets at FVTPL	**443,983**	**13,937**	**-**	**457,920**
Financial assets AFS				
Opening balance	9,253,140	-	-	9,253,140
To FVOCI - debt	-	(9,215,834)	-	(9,215,834)
To FVOCI - equity	-	(23,369)	-	(23,369)
To FVTPL	-	(13,937)	-	(13,937)
Total financial assets AFS	**9,253,140**	**(9,253,140)**	**-**	**-**
FVOCI – Debt				
Opening balance	-	-	-	-
From financial assets AFS	-	9,215,834	-	9,215,834
Total FVOCI-debt	**-**	**9,215,834**	**-**	**9,215,834**
FVOCI – Equity				
Opening balance	-	-	-	-
From financial assets AFS	-	23,369	18,104	41,473
Total FVOCI - Equity	**-**	**23,369**	**18,104**	**41,473**
Total FVOCI	**-**	**9,239,203**	**18,104**	**9,257,307**

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2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Bank	MFRS 139 carrying amount at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
Financial assets held-to-maturity				
Opening balance	-	-	-	-
To amortised cost	-	-	-	
Total financial assets held-to-maturity	**-**	**-**	**-**	**-**
Financing, advances and others				
Opening balance	42,113,420	-	-	42,113,420
Increase in expected credit losses	-	-	(189,099)	(189,099)
Total financing, advances and others	**42,113,420**	**-**	**(189,099)**	**41,924,321**
Other financial assets at amortised cost				
Opening balance	121,062	-	-	121,062
From financial assets held-to-maturity	-	-	-	-
Total other financial assets at amortised cost	**121,062**	**-**	**-**	**121,062**
Total change to financial assets at 1 January 2018	**51,931,605**	**-**	**(170,995)**	**51,760,610**
Deferred tax assets				
Opening balance	37,288	-	-	37,288
Remeasurement arising from reclassifications	-	-	(4,165)	(4,165)
Total deferred tax asset	**37,288**	**-**	**(4,165)**	**33,123**

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Bank	MFRS 139 carrying amount at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
Fair value reserve				
Available-for-sale reserve				
Opening balance	(22,064)	-	-	(22,064)
AFS reclassified to FVTPL	-	(749)	-	(749)
Related tax	-	180	-	180
Debt securities reclassified from AFS to FVOCI	-	22,633	-	22,633
Non-trading equities reclassified from AFS to FVOCI	-	-	-	-
Total available-for-sale reserve	**(22,064)**	**22,064**	**-**	**-**
FVOCI reserve				
Opening balance	-	-	-	-
Debt securities reclassified from AFS to FVOCI	-	(22,633)	-	(22,633)
Non-trading equities reclassified from AFS to FVOCI	-	-	18,104	18,104
Related tax	-	-	(4,345)	(4,345)
Total FVOCI reserve	**-**	**(22,633)**	**13,759**	**(8,874)**

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(i) Classification of financial assets (continued)

Bank	MFRS 139 carrying amount at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 January 2018 RM'000
Retained earnings				
Opening balance	2,150,345	-	-	2,150,345
AFS investments reclassified to FVTPL (after tax)	-	569	-	569
Recognition of expected credit losses under MFRS 9 (after tax)	-	-	(143,977)	(143,977)
Total retained earnings	**2,150,345**	**569**	**(143,977)**	**2,006,937**
Total change to reserves balances at 1 January 2018	**2,128,281**	**-**	**(130,218)**	**1,998,063**

(ii) Impairment of financial assets

The 'incurred loss' model under MFRS 139 is replaced with the MFRS 9 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under MFRS 9, credit losses are recognised earlier than under MFRS 139 – see Note 2.10.

The financial assets at amortised cost consist of cash and short-term funds, deposits and placements with banks and other financial institutions, financing, advances and others, other assets and statutory deposits with BNM.

For assets in the scope of the MFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group and the Bank have determined that the application of MFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows:

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Changes in significant accounting policies (continued)

MFRS 9, *Financial Instruments* (continued)

(ii) Impairment of financial assets (continued)

	Financing, advances and others RM'000	Debt securities* RM'000	Total RM'000
Allowance for impairment at 31 December 2017 under MFRS 139	572,516	-	572,516
Additional allowance - ECL recognised at 1 January 2018	189,099	345	189,444
Allowance for impairment at 1 January 2018 under MFRS 9	761,615	345	761,960

* AFS debt securities reclassified as FVOCI at 1 January 2018.

Additional information about how the Group and the Bank measure the allowance for impairment is described in Note 2.10.

The following table reconciles the closing impairment allowance in accordance with MFRS 139 to the opening ECL allowances determined in accordance with MFRS 9 as at 1 January 2018.

Group and Bank	MFRS 139 impairment allowance at 31 December 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 impairment allowance as at 1 January 2018 RM'000
Financing and advances	572,516	-	83,489	656,005
Financial guarantee contracts	-	-	67,410	67,410
Financing commitments	-	-	38,200	38,200
AFS debt securities reclassified as FVOCI	-	-	345	345
	572,516	**-**	**189,444**	**761,960**

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial assets at FVTPL and FVOCI (2017: held-for-trading and available-for-sale), which have been measured at fair value.

(d) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000), unless otherwise stated.

(e) Use of estimates and judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in the following notes:

- Note 2.5 and Note 41 – Fair value of financial instruments
- Note 2.10 – Impairment
- Note 14 – Deferred tax assets

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less impairment losses, if any. Where there is indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(c) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset at FVOCI (2017: available-for-sale) depending on the level of influence retained.

(d) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

2. Summary of significant accounting policies (continued)

2.3 Foreign currency

(a) Foreign currency transactions

In preparing the financial statements of the Group entities, transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of FVOCI (2017: available-for-sale) equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Translation Reserve in equity.

(b) Foreign operations denominated in functional currencies other than Ringgit Malaysia (“RM”)

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting date. The income and expenses of the foreign operations are translated to RM at average exchange rates for the period.

All resulting exchange differences are recognised in other comprehensive income and accumulated in the Translation Reserve in equity.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below.

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Bank change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortised cost

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

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

These assets are subsequently measured at amortised cost using effective profit rate method. These assets are stated net of unearned income and any impairment loss.

Included in financial assets measured at amortised cost are financing, advances and others which consist of sale-based contracts (namely Bai’ Bithaman Ajil, Bai Al-Inah, Murabahah, Bai Al-Dayn and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek and Ijarah Thumma Al-Bai), construction-based contract (Istisna’) and Ar-Rahnu contract.

These financing contracts are recorded in the financial statements as financial assets measured at amortised cost based on concept of ‘substance over form’ and in accordance with MFRS 9.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets - Policy applicable from 1 January 2018 (continued)

(b) Financial assets at FVOCI

(i) FVOCI – debt investment

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

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

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in OCI is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

(ii) FVOCI – equity investment

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

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c) Financial assets at FVTPL

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

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets - Business model assessment: Policy applicable from 1 January 2018

The Group and the Bank make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's and the Bank's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and profit ("SPPI"): Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group and the Bank consider:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and profit ("SPPI"): Policy applicable from 1 January 2018 (continued)

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Policy applicable before 1 January 2018

Financial assets are categorised as follows:

(a) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market and the Group does not intend to sell immediately or in the near term. The Group's and the Bank's financing and receivables consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah, Bai Al-Dayn and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek and Ijarah Thumma Al-Bai), construction-based contract (Istisna') and Ar-Rahnu contract.

These financing contracts are recorded in the financial statements as financing and receivables based on concept of 'substance over form' and in accordance with MFRS 139.

These contracts are subsequently measured at amortised cost using effective profit rate method. These contracts are stated net of unearned income and any impairment loss.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either:

(i) Held-for-trading

Financial assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets - Policy applicable before 1 January 2018 (continued)

(b) Financial assets at fair value through profit or loss (continued)

(ii) Designated under fair value option

Financial assets meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded.

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

(c) Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using the effective profit rate method, less any impairment loss.

Any sale or reclassification of more than insignificant amount of financial assets held-to-maturity would result in the reclassification of all financial assets held-to-maturity to financial assets available-for-sale and the Group would be prevented from classifying any financial assets as financial assets held-to-maturity for the current and following two financial years.

(d) Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are either designated in this category or not classified in any other category and are measured at fair value.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any impairment loss. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity into profit or loss.

Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment. See Note 2.10 Impairment.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Derivative financial instruments

The Group and the Bank hold derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group and the Bank elect not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

The financial liabilities measured at amortised cost are deposit from customers, investment accounts of customers, deposits and placement of banks and other financial institutions, derivative financial liabilities, bills and acceptance payables, Subordinated Sukuk Murabahah and other liabilities.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have quoted price in an active market for identical instruments whose fair value otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Financial liabilities (continued)

(a) Investment accounts

Investment accounts are either:

(i) Unrestricted investment accounts

An unrestricted investment account ("URIA") refers to a type of investment account where the investment account holder ("IAH") provides the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The URIA is structured under Mudharabah and Wakalah contracts.

Impairment allowances required on the assets for investment accounts are charged to and borne by the investors.

(ii) Restricted investment accounts

Restricted investment account ("RIA") refers to a type of investment account where the IAH provides a specific investment mandate to the Bank such as purpose, asset class, economic sector and period of investment.

RIA is accounted for as off balance sheet as the Bank has no risk and reward in respect of the assets related to the RIA or to the residual cash flows from those assets except for the fee income generated by the Bank for managing the RIA. The Bank also has no ability to use power over the RIA to affect the amount of the Bank's return. The RIA is structured under Wakalah contract. Under Wakalah contract, IAH appoints the Bank as the agent to invest the funds provided by IAH to finance customers with a view of earning profits and the Bank receives fees for the agency service provided.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount 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 equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.6 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

2. Summary of significant accounting policies (continued)

2.6 Property and equipment (continued)

(a) Recognition and measurement (continued)

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(b) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Bank will obtain ownership by the end of the lease term. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

* Long term leasehold land	50 years
* Building improvement and renovations	10 years
* Furniture, fixtures and fittings	2 - 10 years
* Office equipment	6 years
* Motor vehicles	5 years
* Computer equipment	
- Core Banking System	7 years
- Other hardware/software	5 years

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period, and adjusted as appropriate.

2. Summary of significant accounting policies (continued)

2.7 Leased assets – Finance lease

Leases in terms of which the Group or the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

2.8 Leased assets – Operating lease

Leases, where the Group or the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.9 Bills and other receivables

Bills and other receivables are stated at cost less any allowance for impairment.

2.10 Impairment

Impairment of financial assets - Policy applicable from 1 January 2018

(i) Impairment of financial assets

The Group's and the Bank's accounting policy for impairment of financial assets changed significantly under MFRS 9, and the expected credit loss model was applied for the financial year ended 31 December 2018.

The Group and the Bank recognise allowance for impairment or allowance for ECL on financial assets measured at amortised cost, contract assets and debt securities measured at FVOCI, but not to investments in equity instruments.

2. Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Impairment of financial assets - Policy applicable from 1 January 2018 (continued)

(i) Impairment of financial assets (continued)

At each reporting date, the Group and the Bank first assess individually whether objective evidence of impairment exists for significant financial assets and collectively for financial assets that are not individually significant. If it is determined that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial assets measured at amortised cost and FVOCI, a lifetime ECL will be recognised for impairment loss which has been incurred.

Under collective assessment, the Group and the Bank apply a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon recognition, the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) Stage 2: Lifetime ECL - not credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL - credit impaired
Financial assets are assessed as credit impaired when one or more events that have a negative impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Bank's historical experience, informed credit assessment and including forward-looking information.

The Group and the Bank assume that the credit risk on a financial asset has increased significantly when it is more than 30 days past due. The Group and the Bank also use its internal credit risk grading system and external risk rating to assess deterioration in credit quality of a financial asset.

2. Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Impairment of financial assets - Policy applicable from 1 January 2018 (continued)

(i) Impairment of financial assets (continued)

The Group and the Bank assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

(i) Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and the Bank expect to receive).

ECLs are discounted at the effective profit rate of the financial asset.

(ii) Incorporation of forward-looking information

Relevant macroeconomic factors are incorporated in the risk parameters as appropriate. The key macroeconomics variables ("MEV") that are incorporated in determining ECLs include, but not limited to, Kuala Lumpur Composite Index ("KLCI"), House Price Index ("HPI"), Consumer Price Index ("CPI"), Unemployment Rate and Industrial Production Index ("IPI").

Forward-looking macroeconomic forecasts are generated by the Group and the Bank's Economist as part of the ECL process. An economic forecast is accompanied with three economic scenarios: a base case, which is the median scenario, assigned a 60% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned 30% and 10% probability of occurring respectively.

Selected MEVs are projected over the forecast period, and they could have a material impact in determining ECLs. Forecasted MEVs are derived by Economist using time series econometrics. The data series are procured from the official source such as Department of Statistics Malaysia ("DOSM"), BNM and other government agencies. Prior to MEV forecast, Economists would gather his or her intelligence from discussion with the policy makers, institutional investors and other news flow (main stream and social media) in order to form an opinion. The opinion may cover the economic policies, business cycle and financial market condition. This will be the main input before embarking MEV forecast exercise.

The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

2. Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Impairment of financial assets - Policy applicable from 1 January 2018 (continued)

(iv) Credit impaired financial assets

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in profit or principal payments;
- the restructuring of a financing or advance by the Group and the Bank on terms that the Group and the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- based on external credit assessment institutions rating which indicates high likelihood of default.

(v) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

(vi) Restructured financing

A financing that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated financing is a substantially different instrument. Where such financing are derecognised, the renegotiated contract is a new financing and impairment is assessed in accordance with the Group's and the Bank's accounting policy.

Where the renegotiation of such financing are not derecognised, impairment continues to be assessed for significant increases in credit risk compared to the initial origination credit risk rating.

(vii) Write-off

The gross carrying amount of a financial asset is written off when the Group and the Bank have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group and the Bank have a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For commercial and corporate customers, the Group and the Bank individually make an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group and the Bank expect no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Bank's procedures for recovery of amounts due.

2. Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Impairment of financial assets - Policy applicable before 1 January 2018

The Group and the Bank assess at each reporting date whether there is any objective evidence that financing and receivables, financial assets held-to-maturity or financial assets available-for-sale are impaired as a result of one or more events having an impact on the estimated future cash flows of the asset. A financial asset or a group of financial assets are impaired and amayu losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and prior to the reporting date ("a loss event") and that loss event or events has an impact on the estimated future cash flow of the financial asset or the group of financial assets as that can be reliably estimated. The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment loss include:

i) significant financial difficulty of the issuer or obligor;
ii) a breach of contract, such as default or delinquency in profit or principal payments;
iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
iv) consecutive downgrade of two notches for external ratings.

Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, the financing exhibits indications of credit weakness, or when the financing is classified as rescheduled and restructured in Central Credit Reference Information System ("CCRIS").

For financing and receivables, the Group and the Bank first assess whether objective evidence of impairment exists individually for financing and receivables that are individually significant, and collectively for financing and receivables that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exist for an individually assessed financing and receivable, whether significant or not, it includes the assets in a group of financing and receivables with similar credit risk characteristics and collectively assesses them for impairment. Financing and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The amount of the loss is recognised using an allowance account and recognised in the profit or loss. The estimation of the amount and timing of the future cash flows requires management judgement. In estimating these cash flows, judgements are made about the realisable value of the collateral pledged and the borrower financial position. These estimations are based on assumptions and the actual results may differ from these, hence resulting in changes to impairment losses recognised.

For the purposes of a collective evaluation of impairment, financing and receivables are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

2. Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Impairment of financial assets - Policy applicable before 1 January 2018 (continued)

Future cash flows for a group of financing and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and remove the effects of conditions in the historical period that do not currently exist.

When a financing is uncollectable, it is written off against the related allowance for impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently, recoveries of amounts previously written off are credited to the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance for impairment account. The amount of reversal is recognised in the profit or loss.

In the case of available-for-sale equity securities, a significant or prolonged decline in their fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the profit or loss. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the comprehensive income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Where a financing shows evidence of credit weaknesses, the Group or the Bank may seek to renegotiate the financing rather than taking possession of the collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new financing terms and conditions via restructuring. Management monitors the renegotiated financing to ensure that all the revised terms are met and the repayments are made promptly for a continuous period. Where an impaired financing is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months before the financing is classified as non-impaired. These financing continue to be subjected to individual or collective impairment assessment.

2. Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Impairment of other assets

The carrying amount of other assets (except for current tax assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.11 Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.13 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

2. Summary of significant accounting policies (continued)

2.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.16 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Share Capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

2.17 Recognition of income

Financing income

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group and the Bank have considered all contractual terms of the financial instruments but do not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

Once a financial assets or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, brokerage fees and wakalah performance incentive fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from subsidiaries and other investments are recognised when the Bank's rights to receive payment is established.

2.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

2. Summary of significant accounting policies (continued)

2.18 Income tax (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Zakat

This represents business zakat that is paid on the Bank's portion. It is an obligatory amount payable by the Group and the Bank to comply with the rules and principles of Shariah.

2.20 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Bank's contribution to the Employees Provident Fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

2. Summary of significant accounting policies (continued)

2.21 Earnings per ordinary shares

The Group presents basic earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

2.22 Fair value measurements

‘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 or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. 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 there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. Cash and short-term funds

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Cash and balances with banks and other financial institutions	**891,697**	921,777	**886,074**	921,641
Money at call and interbank placements with remaining maturity not exceeding one month	**1,200,957**	3,263,920	**1,200,629**	3,263,920
	2,092,654	4,185,697	**2,086,703**	4,185,561

4. Deposits and placements with banks and other financial institutions

	Group and Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Bank Negara Malaysia	**2,432,000**	-

5. Financial assets held-for-trading

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
At fair value				
Malaysian Government Investment Issues	**-**	355,681	**-**	355,681
Sukuk	**-**	19,983	**-**	19,983
Unit trust	**-**	5,261	**-**	-
	-	380,925	**-**	375,664

6. Financial assets at fair value through profit and loss

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
At fair value				
Malaysian Government Investment Issues	**30,328**	-	**30,328**	-
Sukuk	**-**	-	**-**	-
Unit trust	**219,808**	-	**214,382**	-
Bank Negara Monetary Notes	**114,823**	-	**114,823**	-
	364,959	-	**359,533**	-

7. Derivative financial assets/(liabilities)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss and hedging purposes. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

	31.12.2018		
Group and Bank	**Notional amount RM'000**	**Fair value Assets RM'000**	**Fair value Liabilities RM'000**
Forward contracts	**2,869,455**	**30,653**	**(17,752)**
Profit rate swaps	**578,379**	**3,495**	**(1,768)**
	3,447,834	**34,148**	**(19,520)**

	31.12.2017		
Group and Bank	**Notional amount RM'000**	**Fair value Assets RM'000**	**Fair value Liabilities RM'000**
Forward contracts	3,218,824	63,827	(72,767)
Profit rate swaps	607,992	4,492	(1,901)
	3,826,816	68,319	(74,668)

8. Financial assets available-for-sale

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
At fair value				
Malaysian Government Investment Issues	-	1,525,094	-	1,525,094
Negotiable Islamic Debt Certificates	-	-	-	-
Sukuk	-	7,690,740	-	7,691,197
	-	9,215,834	-	9,216,291
At fair value				
Quoted shares				
- outside Malaysia	-	17,612	-	17,612
Quoted unit trust				
- in Malaysia	-	13,937	-	13,937
	-	31,549	-	31,549
At cost				
Unquoted shares in Malaysia*	-	23,520	-	23,520
Less: Accumulated impairment loss*	-	(18,239)	-	(18,239)
	-	5,281	-	5,281
At cost				
Unquoted shares outside Malaysia	-	329	-	329
Less: Impairment loss	-	(310)	-	(310)
	-	19	-	19
	-	9,252,683	-	9,253,140

* Movement in unquoted shares and accumulated impairment loss are due to translation differences.

9. Financial assets at fair value through other comprehensive income

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Financial assets at fair value through other comprehensive income:				
(a) Debt securities	**11,318,781**	-	**11,318,781**	-
(b) Equity investments	**35,518**	-	**36,308**	-
	11,354,299	-	**11,355,089**	-

(a) Debt investment securities at fair value through other comprehensive income

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Malaysian Government Investment Issues	**2,129,754**	-	**2,129,754**	-
Sukuk	**8,493,541**	-	**8,493,541**	-
Bank Negara Monetary Notes	**389,231**	-	**389,231**	-
Islamic Commercial Papers	**306,255**	-	**306,255**	-
	11,318,781	-	**11,318,781**	-

Movement of allowance for impairment on financial assets at fair value through other comprehensive income

	Group and Bank 31.12.2018 RM'000
12 months ECL	
At 1 January 2018	-
- Effects on adoption of MFRS 9	345
At 1 January 2018, as restated	345
Reversal of impairment during the year	(43)
At 31 December 2018	302

9. Financial assets at fair value through other comprehensive income (continued)

(b) Equity investments at fair value through other comprehensive income

	Group		Bank	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Quoted Shares				
- outside Malaysia	**12,446**	**-**	**12,446**	**-**
Unquoted Shares				
- in Malaysia	**23,056**	**-**	**23,846**	**-**
- outside Malaysia	**16**	**-**	**16**	**-**
	23,072	**-**	**23,862**	**-**
	35,518	**-**	**36,308**	**-**

10. Financial assets held-to-maturity

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
At amortised cost		
Unquoted securities in Malaysia: Sukuk	**-**	6,887
Less: Accumulated impairment loss	**-**	(6,887)
	-	-

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11. Financing, advances and others

(a) By type and Shariah contract

Group and Bank 31 December 2018	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek^ RM'000	Ijarah Thumma Al-Bai^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost										
Cash line	-	-	-	1,875	1,521,991	-	-	-	-	**1,523,866**
Term financing										
House financing	3,764,219	-	-	-	14,285,203	-	-	51,490	-	**18,100,912**
Syndicated financing	-	-	-	41,327	665,745	-	89,540	-	-	**796,612**
Leasing financing	-	-	-	-	-	106,520	35	-	-	**106,555**
Bridging financing	-	-	-	-	-	-	-	65,268	-	**65,268**
Personal financing	-	-	-	10,178	13,755,492	-	-	-	-	**13,765,670**
Other term financing	1,099,152	1,239,988	-	6,650	7,992,899	-	-	1,194	-	**10,339,883**
Staff financing	60,777	9,322	-	-	155,590	-	-	9,846	-	**235,535**
Credit cards	-	-	-	-	477,602	-	-	-	-	**477,602**
Trade bills discounted	-	820,833	144,827	-	-	-	-	-	-	**965,660**
Trust receipts	-	10,113	-	-	-	-	-	-	-	**10,113**
Pawn broking	-	-	-	-	-	-	-	-	73,110	**73,110**
Investment Account Platform *	-	-	-	-	9,599	-	-	-	-	**9,599**
	4,924,148	**2,080,256**	**144,827**	**60,030**	**38,864,121**	**106,520**	**89,575**	**127,798**	**73,110**	**46,470,385**
Allowance for impairment on financing, advances and others										
- collective assessment allowance - 12 months ECL										**(416,450)**
- collective assessment allowance - lifetime ECL										**(216,564)**
- individual assessment allowance - lifetime ECL										**(156,691)**
Net financing, advances and others										**45,680,680**

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11. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group and Bank 31 December 2017	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek^ RM'000	Ijarah Thumma Al-Bai^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost										
Cash line	-	-	-	29,197	1,207,519	-	-	-	-	**1,236,716**
Term financing										
House financing	4,127,474	-	-	-	11,981,534	-	-	55,733	-	**16,164,741**
Syndicated financing	-	-	-	44,968	578,156	-	108,570	-	-	**731,694**
Leasing financing	-	-	-	-	-	87,945	299	-	-	**88,244**
Bridging financing	-	-	-	-	-	-	-	76,622	-	**76,622**
Personal financing	-	-	-	20,340	12,347,365	-	-	-	-	**12,367,705**
Other term financing	1,532,421	1,130,377	-	3,429	7,558,287	-	-	1,257	-	**10,225,771**
Staff financing	71,358	7,634	-	-	134,660	-	-	11,676	-	**225,328**
Credit cards	-	-	-	-	458,138	-	-	-	-	**458,138**
Trade bills discounted	-	819,992	186,433	-	-	-	-	-	-	**1,006,425**
Trust receipts	-	2,922	-	-	-	-	-	-	-	**2,922**
Pawn broking	-	-	-	-	-	-	-	-	87,222	**87,222**
Investment Account Platform *	-	-	-	-	14,408	-	-	-	-	**14,408**
	5,731,253	**1,960,925**	**186,433**	**97,934**	**34,280,067**	**87,945**	**108,869**	**145,288**	**87,222**	42,685,936
Allowance for impairment on financing, advances and others										
- collective assessment allowance										**(446,069)**
- individual assessment allowance										**(126,447)**
Net financing, advances and others										**42,113,420**

11. Financing, advances and others (continued)

(a) By type of and Shariah contract (continued)

Included in financing, advances and others are house financing and personal financing that are used for the underlying assets of Unrestricted Investment Accounts ("UA") and financing sold to Cagamas with recourse to the Group and the Bank. The details are as follows:

		Group and Bank	
		31.12.2018	**31.12.2017**
		RM'000	**RM'000**
House financing			
Unrestricted Investment Accounts	18	**3,886,107**	3,127,603
Sold to Cagamas with recourse	19	**1,501,187**	-
		5,387,294	3,127,603
Personal financing			
Unrestricted Investment Accounts	18	**1,290,712**	1,132,582

* This represents a term financing of the Group's and the Bank's participation through Investment Account Platform ("IAP") to finance viable ventures.

^ Assets funded under *Ijarah* financing are owned by the Bank throughout the tenure of the *Ijarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *Ijarah* financing contract.

(b) By type of customer

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Domestic non-bank financial institutions	**1,637,318**	1,353,524
Domestic business enterprise	**6,924,836**	6,426,088
Small & medium enterprises	**2,092,024**	1,869,781
Government & statutory bodies	**601,285**	827,671
Individuals	**35,069,160**	32,014,038
Other domestic entities	**18,947**	7,642
Foreign entities	**126,815**	187,192
	46,470,385	42,685,936

11. Financing, advances and others (continued)

(c) By profit rate sensitivity

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Fixed rate		
House financing	**1,073,575**	1,168,200
Others	**3,102,294**	3,560,756
Floating rate		
House financing	**17,636,273**	15,625,095
Others	**24,658,243**	22,331,885
	46,470,385	42,685,936

(d) By remaining contractual maturity

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Maturity within one year	**4,774,098**	4,414,217
More than one year to three years	**1,299,229**	1,087,304
More than three years to five years	**2,921,287**	2,598,903
More than five years	**37,475,771**	34,585,512
	46,470,385	42,685,936

(e) By geographical distribution

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Central Region	**22,125,064**	20,673,380
Eastern Region	**7,646,307**	6,860,968
Northern Region	**6,640,816**	6,121,471
Southern Region	**6,723,490**	5,908,526
East Malaysia Region	**3,334,708**	3,121,591
	46,470,385	42,685,936

11. Financing, advances and others (continued)

(f) By sector

	Group and Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Primary agriculture	**754,835**	486,679
Mining and quarrying	**9,060**	8,080
Manufacturing (including agro-based)	**909,850**	835,268
Electricity, gas and water	**371,479**	337,388
Wholesale & retail trade, and hotels & restaurants	**1,098,346**	1,228,681
Construction	**2,417,262**	2,176,453
Real estate	**1,712,250**	1,582,531
Transport, storage and communications	**824,949**	655,633
Finance, insurance and business activities	**2,299,319**	2,147,118
Education, health and others	**1,000,735**	1,210,056
Household sectors	**35,072,300**	32,018,049
	46,470,385	42,685,936

(g) Movement in impaired financing and advances ("impaired financing")

	Group and Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
At 1 January 2018/1 January 2017	**398,277**	389,445
Classified as impaired during the year	**621,974**	648,281
Reclassified as not impaired during the year	**(321,635)**	(331,592)
Amount recovered	**(117,477)**	(92,432)
Amount written off	**(155,202)**	(209,231)
Exchange differences	**-**	(6,194)
At 31 December 2018 /31 December 2017	**425,937**	398,277
Gross impaired financing as a percentage of gross financing, advances and others	**0.92%**	0.93%

The contractual amount outstanding on financing and advances that were written off during the year are still subject to enforcement activity.

11. Financing, advances and others (continued)

(h) Impaired financing by geographical distribution

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Central Region	**245,531**	223,305
Eastern Region	**101,868**	107,422
Northern Region	**25,349**	28,710
Southern Region	**31,320**	22,915
East Malaysia Region	**21,869**	15,925
	425,937	398,277

(i) Impaired financing by sector

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Manufacturing (including agro-based)	**21,426**	35,448
Wholesale & retail trade, and hotels & restaurants	**56,665**	38,433
Construction	**123,007**	86,357
Transport, storage and communications	**10,936**	12,604
Finance, insurance and business activities	**3,066**	3,799
Education, health & others	**4,642**	5,106
Household sectors	**206,195**	216,530
	425,937	398,277

11. Financing, advances and others (continued)

(j) Movement of allowance for impairment on financing, advances and others

Group and Bank	Collective 12-month ECL RM'000	Collective Lifetime ECL not credit-impaired RM'000	Collective Lifetime ECL credit-impaired RM'000	Total collective RM'000	Individual RM'000	Total RM'000
At 1 January 2018				**446,069**	**126,447**	**572,516**
- effects of adoption of MFRS 9				**187,404**	**1,695**	**189,099**
Restated at 1 January 2018	**390,478**	**139,501**	**103,494**	**633,473**	**128,142**	**761,615**
Transfer to 12-month ECL	**6,841**	**(6,525)**	**(316)**	**-**	**-**	**-**
Transfer to Lifetime ECL not credit impaired	**(4,419)**	**8,639**	**(4,220)**	**-**	**-**	**-**
Transfer to Lifetime ECL credit impaired	**(523)**	**(8,454)**	**8,977**	**-**	**-**	**-**
Net allowance made during the year	**(22,326)**	**1,175**	**101,690**	**80,539**	**58,801**	**139,340**
New financial assets originated or purchased	**88,675**	**7,437**	**5,090**	**101,202**	**-**	**101,202**
Financial assets that have been derecognised	**(39,166)**	**(12,371)**	**(2,603)**	**(54,140)**	**-**	**(54,140)**
Write-offs	**-**	**-**	**(124,950)**	**(124,950)**	**(30,252)**	**(155,202)**
Exchange differences	**(3,110)**	**-**	**-**	**(3,110)**	**-**	**(3,110)**
At 31 December 2018	**416,450**	**129,402**	**87,162**	**633,014**	**156,691**	**789,705**

Group and Bank	**31.12.2017 RM'000**
Collective assessment allowance	
At 1 January 2017	554,971
Net allowance made during the year	34,706
Amount written off	(141,940)
Exchange differences	(1,668)
At 31 December 2017	446,069
Individual assessment allowance	
At 1 January 2017	128,198
Net allowance made during the year	102,059
Amount recovered	(30,324)
Amount written off	(67,291)
Exchange differences	(6,195)
At 31 December 2017	126,447

11. Financing, advances and others (continued)

(k) Effect of modifications on the measurement of allowance for impaired financing, advances and others

The following table discloses information on financing and advances that were modified but not derecognised during the year, for which the allowance for impaired financing, advances and others were measured at a lifetime ECL at the beginning of the year, and at the end of the year had changed to a 12-months ECL:

	Group and Bank 31.12.2018 RM'000
Amortised cost before the modification	15,756
Gross carrying amount at end of reporting period	15,921

12. Other financial assets at amortised cost

	Group		**Bank**	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Sukuk^	**6,887**	-	**6,887**	-
Other receivables	**97,473**	90,137	**95,680**	87,964
Deposit and prepayments	**31,458**	33,086	**30,434**	31,968
Related companies*	**586**	755	**894**	1,605
	136,404	123,978	**133,895**	121,537
Less : Accumulated impairment loss				
Individual assessment				
Sukuk^	**(6,887)**	-	**(6,887)**	-
Other receivables	**(475)**	(475)	**(475)**	(475)
	129,042	123,503	**126,533**	121,062

* This relates to amounts due from holding and related companies that are unsecured, not subject to compensation charges for late payment and repayment is neither fixed nor expected.

^ Previously classified as financial assets held-to-maturity as disclosed in Note 10. These assets are classified and measured at amortised cost under MFRS 9.

13. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.

14. Deferred tax assets

Recognised deferred tax assets
Deferred tax assets are attributable to the following:

Group	Assets 31.12.2018 RM'000	Assets 31.12.2017 RM'000	Liabilities 31.12.2018 RM'000	Liabilities 31.12.2017 RM'000	Net 31.12.2018 RM'000	Net 31.12.2017 RM'000
Property and equipment	**-**	-	**(6,568)**	(8,986)	**(6,568)**	(8,986)
Provisions	**29,787**	26,478	**-**	-	**29,787**	26,478
Impairment allowances	**26,860**	-	**-**	-	**26,860**	-
Unabsorbed capital allowances	**829**	12,829	**-**	-	**829**	12,829
Change in fair value reserve	**-**	6,967	**(831)**	-	**(831)**	6,967
Set off of tax	**(7,379)**	(8,986)	**7,379**	8,986	**-**	-
Tax losses	**1,308**	-	**-**	-	**1,308**	-
Net tax assets	**51,405**	37,288	**(20)**	-	**51,385**	37,288

Movement in temporary differences during the year:

Group	At 1.1.2017 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2017 RM'000	Remeasure-ment of expected credit loss RM'000	At 1.1.2018 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2018 RM'000
Property and equipment	(16,993)	8,007	-	(8,986)	-	(8,986)	2,418	-	(6,568)
Provisions	24,483	1,995	-	26,478	-	26,478	3,309	-	29,787
Impairment allowances	-	-	-	-	-	-	26,860	-	26,860
Unabsorbed capital allowances	24,963	(12,134)	-	12,829	-	12,829	(12,000)	-	829
Change in fair value reserve	15,925	-	(8,958)	6,967	(4,165)	2,802	-	(3,633)	(831)
Tax losses	-	-	-	-	-	-	1,308	-	1,308
Total assets	48,378	(2,132)	(8,958)	37,288	(4,165)	33,123	21,895	(3,633)	51,385

14. Deferred tax assets (continued)

Recognised deferred tax assets (continued)
Deferred tax assets are attributable to the following:

Bank	Assets 31.12.2018 RM'000	Assets 31.12.2017 RM'000	Liabilities 31.12.2018 RM'000	Liabilities 31.12.2017 RM'000	Net 31.12.2018 RM'000	Net 31.12.2017 RM'000
Property and equipment	**-**	-	**(6,548)**	(8,986)	**(6,548)**	(8,986)
Provisions	**29,532**	26,478	**-**	-	**29,532**	26,478
Impairment allowances	**26,860**	-	**-**	-	**26,860**	-
Unabsorbed capital allowances	**829**	12,829	**-**	-	**829**	12,829
Change in fair value reserve	**-**	6,967	**(831)**	-	**(831)**	6,967
Set off of tax	**(7,379)**	(8,986)	**7,379**	8,986	**-**	-
Net tax assets	**49,842**	37,288	**-**	-	**49,842**	37,288

Movement in temporary differences during the year:

Bank	At 1.1.2017 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2017 RM'000	Remeasure-ment of expected credit loss RM'000	At 1.1.2018 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2018 RM'000
Property and equipment	(16,993)	8,007	-	(8,986)	-	(8,986)	2,438	-	(6,548)
Provisions	24,483	1,995	-	26,478	-	26,478	3,054	-	29,532
Impairment allowances	-	-	-	-	-	-	26,860	-	26,860
Unabsorbed capital allowances	24,963	(12,134)	-	12,829	-	12,829	(12,000)	-	829
Change in fair value reserve	15,925	-	(8,958)	6,967	(4,165)	2,802	-	(3,633)	(831)
Total assets	48,378	(2,132)	(8,958)	37,288	(4,165)	33,123	20,352	(3,633)	49,842

14. Deferred tax assets (continued)

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Unabsorbed capital allowance	**128,475**	78,475	**128,440**	78,440
Unutilised tax losses	**1,251**	6,701	**-**	-
Deductible temporary differences	**329**	329	**-**	-
	130,055	85,505	**128,440**	78,440

The Bank's unabsorbed capital allowances of RM128,440,000 in respect of its leasing business whereby management considered it uncertain whether the Bank is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

15. Investments in subsidiaries

	Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
At cost		
Unquoted shares in Malaysia	16,447	16,447
Less: Accumulated impairment loss	(922)	(922)
	15,525	15,525

Details of subsidiaries are as follows:

		Effective ownership interest	
		31.12.2018	**31.12.2017**
Name of Company	**Principal activities**	**%**	**%**
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provides nominee services	**100**	100
BIMB Investment Management Berhad	Manages Islamic Unit Trust Funds	**100**	100
Bank Islam Trust Company (Labuan) Ltd.	Provides services as a Labuan registered trust company	**100**	100
and its subsidiary:			
BIMB Offshore Company Management Services Sdn. Bhd.	Acts as Resident Corporate Secretary and Director for Offshore Companies	**100**	100
Farihan Corporation Sdn. Bhd.	Provides manpower services to the Bank	**100**	100

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16. Property and equipment

Group ***Cost***	**Long term leasehold land RM'000**	**Building improvements and renovations RM'000**	**Furniture, fixtures and fittings RM'000**	**Office equipment RM'000**	**Computer equipment RM'000**	**Motor vehicles RM'000**	**Renovation work-in-progress RM'000**	**Management information system under development RM'000**	**Total RM'000**
At 1 January 2017	14,784	33,172	122,865	90,091	346,970	1,157	62	5,726	614,827
Additions	-	545	1,807	4,983	11,552	466	4,733	17,274	41,360
Reclassifications	-	256	1,362	686	3,159	-	(2,304)	(3,159)	-
Disposals	-	-	(3)	(209)	(1,339)	(680)	-	-	(2,231)
Written off	-	(113)	(921)	(420)	-	-	-	-	(1,454)
Exchange difference	-	(2)	(32)	(45)	(32)	-	-	-	(111)
At 31 December 2017	14,784	33,858	125,078	95,086	360,310	943	2,491	19,841	652,391
Additions	-	789	4,807	4,253	25,972	-	4,459	24,887	65,167
Reclassifications	-	89	1,694	321	7,854	-	(2,104)	(7,854)	-
Disposals	-	-	(13)	(333)	(5,479)	-	-	-	(5,825)
Written off	-	(133)	(688)	(563)	(285)	-	-	-	(1,669)
Exchange difference	-	1	6	9	7	-	-	-	23
At 31 December 2018	**14,784**	**34,604**	**130,884**	**98,773**	**388,379**	**943**	**4,846**	**36,874**	**710,087**

16. Property and equipment (continued)

Group ***Accumulated depreciation***	**Long term leasehold land RM'000**	**Building improvements and renovations RM'000**	**Furniture, fixtures and fittings RM'000**	**Office equipment RM'000**	**Computer equipment RM'000**	**Motor vehicles RM'000**	**Renovation work-in-progress RM'000**	**Management information system under development RM'000**	**Total RM'000**
At 1 January 2017	1,652	22,333	75,559	71,826	257,181	714	-	-	429,265
Depreciation for the year	174	2,004	9,128	7,065	35,991	118	-	-	54,480
Disposals	-	-	(3)	(203)	(1,332)	(317)	-	-	(1,855)
Written off	-	(104)	(898)	(396)	-	-	-	-	(1,398)
Exchange difference	-	(2)	(31)	(41)	(30)	-	-	-	(104)
At 31 December 2017	1,826	24,231	83,755	78,251	291,810	515	-	-	480,388
Depreciation for the year	174	1,965	9,451	7,012	29,275	93	-	-	47,970
Disposals	-	-	(13)	(328)	(5,431)	-	-	-	(5,772)
Written off	-	(72)	(476)	(506)	(283)	-	-	-	(1,337)
Exchange difference	-	-	6	9	7	-	-	-	22
At 31 December 2018	**2,000**	**26,124**	**92,723**	**84,438**	**315,378**	**608**	**-**	**-**	**521,271**

16. Property and equipment (continued)

Group *Carrying amounts*	**Long term leasehold land RM'000**	**Building improvements and renovations RM'000**	**Furniture, fixtures and fittings RM'000**	**Office equipment RM'000**	**Computer equipment RM'000**	**Motor vehicles RM'000**	**Renovation work-in-progress RM'000**	**Management information system under development RM'000**	**Total RM'000**
At 1 January 2017	13,132	10,839	47,306	18,265	89,789	443	62	5,726	185,562
At 31 December 2017	12,958	9,627	41,323	16,835	68,500	428	2,491	19,841	172,003
At 31 December 2018	**12,784**	**8,480**	**38,161**	**14,335**	**73,001**	**335**	**4,846**	**36,874**	**188,816**

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16. Property and equipment (continued)

Bank ***Cost***	**Long term leasehold land RM'000**	**Building improvements and renovations RM'000**	**Furniture, fixtures and fittings RM'000**	**Office equipment RM'000**	**Computer equipment RM'000**	**Motor vehicles RM'000**	**Renovation work-in-progress RM'000**	**Management information system under development RM'000**	**Total RM'000**
At 1 January 2017	14,784	32,983	122,789	89,729	344,950	1,157	62	5,726	612,180
Additions	-	545	1,807	4,980	11,544	466	4,733	17,274	41,349
Reclassifications	-	256	1,362	686	3,159	-	(2,304)	(3,159)	-
Disposals	-	-	(3)	(209)	(1,339)	(680)	-	-	(2,231)
Written off	-	(113)	(921)	(417)	-	-	-	-	(1,451)
Exchange difference	-	(2)	(32)	(31)	(6)	-	-	-	(71)
At 31 December 2017	14,784	33,669	125,002	94,738	358,308	943	2,491	19,841	649,776
Additions	-	743	4,800	4,250	25,881	-	4,459	24,887	65,020
Reclassifications	-	89	1,694	321	7,854	-	(2,104)	(7,854)	-
Disposals	-	-	(13)	(333)	(5,479)	-	-	-	(5,825)
Written off	-	(133)	(688)	(549)	(237)	-	-	-	(1,607)
Exchange difference	-	1	6	6	1	-	-	-	14
At 31 December 2018	**14,784**	**34,369**	**130,801**	**98,433**	**386,328**	**943**	**4,846**	**36,874**	**707,378**

16. Property and equipment (continued)

Bank ***Accumulated depreciation***	**Long term leasehold land RM'000**	**Building improvements and renovations RM'000**	**Furniture, fixtures and fittings RM'000**	**Office equipment RM'000**	**Computer equipment RM'000**	**Motor vehicles RM'000**	**Renovation work-in-progress RM'000**	**Management information system under development RM'000**	**Total RM'000**
At 1 January 2017	1,652	22,208	75,521	71,484	256,054	714	-	-	427,633
Depreciation for the year	174	1,971	9,118	7,059	35,780	118	-	-	54,220
Disposals	-	-	(3)	(203)	(1,332)	(317)	-	-	(1,855)
Written off	-	(104)	(898)	(393)	-	-	-	-	(1,395)
Exchange difference	-	(2)	(31)	(28)	(6)	-	-	-	(67)
At 31 December 2017	1,826	24,073	83,707	77,919	290,496	515	-	-	478,536
Depreciation for the year	174	1,935	9,442	7,010	29,069	93	-	-	47,723
Disposals	-	-	(13)	(328)	(5,431)	-	-	-	(5,772)
Written off	-	(72)	(476)	(492)	(235)	-	-	-	(1,275)
Exchange difference	-	-	6	6	1	-	-	-	13
At 31 December 2018	**2,000**	**25,936**	**92,666**	**84,115**	**313,900**	**608**	**-**	**-**	**519,225**

16. Property and equipment (continued)

Bank *Carrying amounts*	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
At 1 January 2017	13,132	10,775	47,268	18,245	88,896	443	62	5,726	184,547
At 31 December 2017	12,958	9,596	41,295	16,819	67,812	428	2,491	19,841	171,240
At 31 December 2018	**12,784**	**8,433**	**38,135**	**14,318**	**72,428**	**335**	**4,846**	**36,874**	**188,153**

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17. Deposits from customers

(a) By type of deposit

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Savings Deposit				
Wadiah	**4,410,537**	4,138,519	**4,410,537**	4,138,519
Demand Deposit				
Wadiah	**10,663,456**	11,333,608	**10,670,826**	11,343,024
Term Deposit	**34,727,635**	30,617,889	**34,734,232**	30,624,591
Special Investment Deposit				
Mudharabah	**6,252**	6,182	**6,252**	6,182
General Investment Deposit				
Mudharabah	**287,013**	322,561	**287,013**	322,561
Term Deposit-i				
Tawarruq	**30,751,990**	26,728,087	**30,758,587**	26,734,789
Negotiable Islamic Debt Certificates (NIDC)	**3,682,380**	3,561,059	**3,682,380**	3,561,059
Others	**93,604**	102,894	**93,604**	102,894
Total Deposits	**49,895,232**	46,192,910	**49,909,199**	46,209,028

(b) Maturity structure of term deposits are as follows :

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Due within six months	**16,428,971**	18,565,407	**16,429,087**	18,571,396
More than six months to one year	**9,685,966**	8,742,154	**9,691,736**	8,742,867
More than one year to three years	**6,484,593**	1,618,691	**6,485,304**	1,618,691
More than three years to five years	**2,128,105**	1,691,637	**2,128,105**	1,691,637
	34,727,635	30,617,889	**34,734,232**	30,624,591

17. Deposits from customers (continued)

(c) By type of customers

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Domestic non-bank financial institutions	**12,385,381**	14,063,475	**12,399,348**	14,079,593
Business enterprises	**16,725,704**	12,406,686	**16,725,704**	12,406,686
Government and statutory bodies	**12,049,184**	8,847,454	**12,049,184**	8,847,454
Individuals	**5,199,550**	4,810,541	**5,199,550**	4,810,541
Domestic banking institutions	**1,634,224**	3,395,740	**1,634,224**	3,395,740
Others	**1,901,189**	2,669,014	**1,901,189**	2,669,014
	49,895,232	46,192,910	**49,909,199**	46,209,028

18. Investment accounts of customers

(a) By type and Shariah contract

	Group and Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Unrestricted investment accounts		
Without maturity		
Mudharabah	**2,594,846**	1,994,491
- Savings	***2,413,645***	*1,986,005*
- Demand	***181,201***	*8,486*
With maturity		
Wakalah	**2,581,973**	2,265,694
	5,176,819	4,260,185
Restricted investment accounts ("RIA") managed by the Bank^		
With maturity		
Wakalah	**78,717**	124,384

^ Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity where the Bank acts as an investment agent to manage and administer the RIA, with underlying assets amounting to RM78,285,000 (2017: RM123,962,000).

18. Investment accounts of customers (continued)

(b) By type of customers

	Group and Bank 31.12.2018 RM'000	Group and Bank 31.12.2017 RM'000
Individuals	**2,674,428**	2,212,239
Government and statutory bodies	**767,996**	400,709
Business Enterprises	**507,160**	474,464
Non-bank financial institutions	**1,175,273**	1,077,298
International Islamic Bank	**2,400**	-
Others	**49,562**	95,475
	5,176,819	4,260,185

(c) Movement of investment accounts of customers

Group and Bank	Unrestricted investment accounts Mudharabah RM'000	Unrestricted investment accounts Wakalah RM'000	Unrestricted investment accounts Total RM'000	Restricted investment accounts Wakalah RM'000
As at 1 January 2017	1,516,844	2,295,417	3,812,261	141,343
Funding inflows/ outflows:				
Net movement	475,709	-	475,709	-
New placement	-	6,536,170	6,536,170	19,939
Redemption/Principal repayment	-	(6,669,256)	(6,669,256)	(46,150)
Income from investment	94,386	152,660	247,046	11,847
Bank's share of profit:				
Profit distributed to Mudharib	(92,448)	-	(92,448)	-
Wakalah fees	-	(49,297)	(49,297)	(2,595)
As at 31 December 2017/1 January 2018	1,994,491	2,265,694	4,260,185	124,384
Funding inflows/ outflows:				
Net movement	594,825	-	594,825	-
New placement	-	5,477,624	5,477,624	6,000
Redemption /Principal repayment	-	(5,250,374)	(5,250,374)	(60,080)
Income from investment	122,522	135,393	257,915	8,898
Bank's share of profit:				
Profit distributed to Mudharib	(116,992)	-	(116,992)	-
Wakalah fees	-	(46,364)	(46,364)	(485)
As at 31 December 2018	**2,594,846**	**2,581,973**	**5,176,819**	**78,717**

18. Investment accounts of customers (continued)

(c) Movement of investment accounts of customers (continued)

Group and Bank	Unrestricted investment accounts Mudharabah RM'000	Wakalah RM'000	Total RM'000	Restricted investment accounts Wakalah RM'000
Investment portfolio:				
2018				
House financing	2,594,846	1,291,261	3,886,107	-
Personal financing	-	1,290,712	1,290,712	-
Other term financing	-	-	-	78,717
	2,594,846	**2,581,973**	**5,176,819**	**78,717**
2017				
House financing	1,994,491	1,133,112	3,127,603	-
Personal financing	-	1,132,582	1,132,582	-
Other term financing	-	-	-	124,384
	1,994,491	2,265,694	4,260,185	124,384

(d) By maturity structures, profit sharing ratio and rate of return

	Investment account holders Total amount RM'000	Average profit sharing ratio (%)	Average rate of return (%)	Bank's wakalah fee (%)
2018				
Unrestricted investment accounts:				
Less than 3 months				
- Mudharabah	2,594,846	2	0.24	-
- Wakalah	1,112,699	-	3.81	1.63
	3,707,545			
Between 3 to 12 months				
- Wakalah	1,469,274	-	3.72	1.72
	5,176,819			
Restricted investment accounts:				
Less than 2 years	87	-	6.30	0.30
Between 2 to 5 years	78,630	-	1.85	0.46
	78,717			

18. Investment accounts of customers (continued)

(d) By maturity structures, profit sharing ratio and rate of return (continued)

	Investment account holders			
	Total amount RM'000	**Average profit sharing ratio (%)**	**Average rate of return (%)**	**Bank's wakalah fee (%)**
2017				
Unrestricted investment accounts:				
Less than 3 months				
- *Mudharabah*	1,994,491	2	0.11	-
- *Wakalah*	1,228,421	-	3.69	1.45
	3,222,912			
Between 3 to 12 months				
- *Wakalah*	1,037,273	-	3.72	1.42
	4,260,185			
Restricted investment accounts:				
Less than 2 years	429	-	6.30	0.30
Between 2 to 5 years	123,955	-	3.52	1.88
	124,384			

19. Recourse obligations on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas represents house financing accounts that are sold to Cagamas with recourse. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing are not de-recognised and are analysed in Note 11.

20. Subordinated Sukuk Murabahah

	Note	Group and Bank 31.12.2018 RM'000	31.12.2017 RM'000
Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme			
First tranche	(a)	**303,450**	303,355
Second tranche	(b)	**400,851**	401,085
Third tranche	(c)	**302,005**	302,046
		1,006,306	1,006,486
Issued under the RM10.0 billion Sukuk Murabahah Programme			
First tranche	(d)	**302,328**	-
		1,308,634	1,006,486
Finance cost on Subordinated Sukuk Murabahah		**56,711**	41,296

The details of the issued subordinated Sukuk are as follows:

Note	Nominal value RM'000	Issue date	First call date*	Maturity date	Profit rate (% p.a.)#
(a)	300,000	22 April 2015	22 April 2020	22 April 2025	5.75
(b)	400,000	15 December 2015	15 December 2020	15 December 2025	5.50
(c)	300,000	13 November 2017	12 December 2022	12 November 2027	5.08
(d)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15

* Optional redemption date or any periodic payment date thereafter.
# Accrued and payable semi-annually in arrears.

The Subordinated Sukuk Murabahah qualifies as Tier II capital for the computation of the regulatory capital of the Bank in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

20. Subordinated Sukuk Murabahah (continued)

Reconcillation of movement of Subordinated Sukuk Murabahah to cash flows arising from financing activities is as follows:

Group and Bank	At 1.1.2018 RM'000	Changes from financing cash flows RM'000	Finance cost for the year RM'000	At 31.12.2018 RM'000
Nominal value	1,000,000	300,000	-	1,300,000
Finance cost payable	6,486	(54,563)	56,711	8,634
	1,006,486	**245,437**	**56,711**	**1,308,634**

21. Other liabilities

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Other payables	**574,073**	651,703	**566,321**	644,664
Accruals	**132,060**	130,596	**129,393**	129,105
	706,133	782,299	**695,714**	773,769

Included in other payables is undistributed charity fund amounting to RMNil (2017: RMNil) for the Group and the Bank respectively. Movement of sources and uses of charity fund are disclosed in Note 25.

22. Zakat and taxation

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Zakat	**13,685**	13,385	**13,539**	13,323
Taxation	**2**	33,019	**-**	33,017
	13,687	46,404	**13,539**	46,340

23. Share capital

Group and Bank	Number of shares 31.12.2018 ’000	Number of shares 31.12.2017 ’000	Amount 31.12.2018 RM’000	Amount 31.12.2017 RM’000
Issued and fully paid				
Ordinary shares				
At 1 January	**2,466,022**	2,404,384	**2,869,498**	2,404,384
Transfer from share premium	**-**	-	**-**	264,790
Allotment of new ordinary shares	**43,960**	61,638	**142,870**	200,324
At 31 December	**2,509,982**	2,466,022	**3,012,368**	2,869,498

The Bank increased its share capital on 20 September 2018 by RM142,870,000 via the issuance of 43,960,000 new ordinary shares at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan of one hundred percent of the final dividend of approximately 5.79 sen in respect of financial year ended 31 December 2018, as disclosed in Note 38.

During the financial year ended 31 December 2017, the Bank transferred RM264,790,400 share premium to its share capital pursuant to the transition provisions set out in Section 618(2) of the Companies Act 2016.

The Bank further increased its share capital during the financial year ended 31 December 2017 by RM200,323,500 via the issuance of 41,282,000 and 20,356,000 new ordinary shares at a consideration of RM3.25 per share respectively arising from the Dividend Reinvestment Plan of one hundred percent and fifty percent respectively of dividends declared and paid, as disclosed in Note 38.

24. Other reserves

Group	Statutory reserve (a) RM'000	Fair value reserve (b) RM'000	FVOCI reserve (c) RM'000	Translation reserve (d) RM'000	Regulatory reserve (e) RM'000	Total RM'000
At 1 January 2017	1,392,159	(50,429)	-	(148,685)	-	1,193,045
Foreign exchange translation differences	-	-	-	45,908	-	45,908
Fair value reserve						
- Net change in fair value	-	43,480	-	-	-	43,480
- Net amount reclassified to profit or loss	-	(6,157)	-	-	-	(6,157)
Income tax expense relating to components of other comprehensive income	-	(8,958)	-	-	-	(8,958)
Transfer of reserve fund to retained earnings	(1,392,159)	-	-	-	-	(1,392,159)
Transfer of retained earnings to regulatory reserve	-	-	-	-	64,645	64,645
At 31 December 2017/1 January 2018	-	(22,064)	-	(102,777)	64,645	(60,196)
Adjustment on adoption of MFRS 9 (net of tax)	-	22,064	(8,874)	-	-	13,190
Restated total equity at 1 January 2018	-	-	(8,874)	(102,777)	64,645	(47,006)
Foreign exchange translation differences	-	-	-	(8,290)	-	(8,290)
Fair value reserve						
- Net change in fair value	-	-	42,581	-	-	42,581
- Net amount reclassified to profit or loss	-	-	(27,444)	-	-	(27,444)
Income tax expense relating to components of other comprehensive income	-	-	(3,633)	-	-	(3,633)
Transfer from regulatory reserve to retained earnings	-	-	-	-	(54,645)	(54,645)
At 31 December 2018	**-**	**-**	**2,630**	**(111,067)**	**10,000**	**(98,437)**

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24. Other reserves (continued)

Bank	Statutory reserve (a) RM'000	Fair value reserve (b) RM'000	FVOCI reserve (c) RM'000	Translation reserve (d) RM'000	Regulatory reserve (e) RM'000	Total RM'000
At 1 January 2017	1,392,159	(50,429)	-	(148,908)	-	1,192,822
Foreign exchange translation differences	-	-	-	45,990	-	45,990
Fair value reserve						
- Net change in fair value	-	43,480	-	-	-	43,480
- Net amount reclassified to profit or loss	-	(6,157)	-	-	-	(6,157)
Income tax effect relating to components of other comprehensive income	-	(8,958)	-	-	-	(8,958)
Transfer of reserve fund to retained earnings	(1,392,159)	-	-	-	-	(1,392,159)
Transfer of retained earnings to regulatory reserve	-	-	-	-	64,645	64,645
At 31 December 2017/1 January 2018	-	(22,064)	-	(102,918)	64,645	(60,337)
Adjustment on adoption of MFRS 9 (net of tax)	-	22,064	(8,874)	-	-	13,190
Restated total equity at 1 January 2018	-	-	(8,874)	(102,918)	64,645	(47,147)
Foreign exchange translation differences	-	-	-	(7,973)	-	(7,973)
Fair value reserve						
- Net change in fair value	-	-	42,581	-	-	42,581
- Net amount reclassified to profit or loss	-	-	(27,444)	-	-	(27,444)
Income tax effect relating to components of other comprehensive income	-	-	(3,633)	-	-	(3,633)
Transfer from regulatory reserve to retained earnings	-	-	-	-	(54,645)	(54,645)
At 31 December 2018	**-**	**-**	**2,630**	**(110,891)**	**10,000**	**(98,261)**

24. Other reserves (continued)

(a) The statutory reserve was previously maintained in compliance with the requirements of Bank Negara Malaysia and was not distributable as cash dividends. During the financial year ended 31 December 2017, the Bank has transferred RM1,392,158,939 from statutory reserve fund to its retained earnings pursuant to the Revised Policy Document issued by BNM on 3 May 2017.

(b) The fair value reserve includes the cumulative net change in the fair value of financial assets available-for-sale until the financial asset is derecognised.

(c) The FVOCI reserve includes the cumulative net change in the fair value of financial assets FVOCI until the financial asset is derecognised.

(d) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the offshore banking operations in the Federal Territory of Labuan.

(e) The regulatory reserve represents the Bank's compliance with BNM's Guideline on Financial Reporting for Islamic Banking Institution 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.

25. Sources and uses of charity funds

Group and Bank	Charity funds RM'000	Shariah Non-compliance income RM'000	Total RM'000
Undistributed funds as at 1 January 2017	-	5	5
Funds collected/received during the year	-	8	8
Uses of funds during the year	-	(11)	(11)
Contribution to Non-profit Organisation	-	(4)	(4)
Contribution for Da'wah activities	-	(5)	(5)
Contribution to Institution	-	(2)	(2)
Undistributed funds as at 31 December 2017/1 January 2018	-	2	2
Funds collected/received during the year	-	9	9
Uses of funds during the year			
Contribution to Education Fund	-	(4)	(4)
Undistributed funds as at 31 December 2018	**-**	**7**	**7**

26. Income derived from investment of depositors' funds

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Income derived from investment of:		
(i) General investment deposits	**19,074**	22,296
(ii) Term deposit-i	**1,596,723**	1,370,064
(iii) Savings and demand deposits	**790,472**	739,255
(iv) Other deposits	**195,556**	192,572
	2,601,825	2,324,187

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Finance income and hibah		
Financing, advances and others	**16,802**	19,305
Financial assets:		
- fair value through profit and loss	**110**	-
- fair value through other comprehensive income	**1,473**	-
- other financial assets at amortised cost	**4**	-
- held-for-trading	**-**	142
- available-for-sale	**-**	2,136
- held-to-maturity	**-**	60
Money at call and deposits with financial institutions	**473**	296
	18,862	21,939
Other dealing income		
Net gain from sale of financial assets at fair value through profit or loss	**30**	-
Net gain on revaluation of financial assets at fair value through profit or loss	**3**	-
Net loss from sale of financial assets held-for-trading	**-**	(10)
Net gain on revaluation of financial assets held-for-trading	**-**	46
	33	36

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

(i) Income derived from investment of general investment deposits (continued)

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	**179**	-
Net gain from sale of financial assets available-for-sale	**-**	51
Net gain from sale of financial assets held-to-maturity	**-**	270
	179	321
	19,074	22,296
of which		
Financing income earned on impaired financing	**240**	322

(ii) Income derived from investment of term deposit-i

	Group and Bank 2018 RM'000	Group and Bank 2017 RM'000
Finance income and hibah		
Financing, advances and others	**1,390,942**	1,170,411
Financial assets:		
- fair value through profit and loss	**9,977**	-
- fair value through other comprehensive income	**136,410**	-
- other financial assets at amortised cost	**368**	-
- held-for-trading	**-**	9,643
- available-for-sale	**-**	144,803
- held-to-maturity	**-**	4,085
Money at call and deposits with financial institutions	**38,924**	16,156
	1,576,621	1,345,098
Other dealing income		
Net gain from sale of financial assets at fair value through profit or loss	**2,799**	-
Net gain on revaluation of financial assets at fair value through profit or loss	**94**	-
Net loss from sale of financial assets held-for-trading	**-**	(442)
Net gain on revaluation of financial assets held-for-trading	**-**	3,084
	2,893	2,642

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

(ii) Income derived from investment of term deposit-i (continued)

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	**17,209**	-
Net gain from sale of financial assets available-for-sale	**-**	3,480
Net gain from sale of financial assets held-to-maturity	**-**	18,844
	17,209	22,324
	1,596,723	1,370,064
of which		
Financing income earned on impaired financing	**21,904**	18,818

(iii) Income derived from investment of savings and demand deposits

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Finance income and hibah		
Financing, advances and others	**688,992**	630,634
Financial assets:		
- fair value through profit and loss	**4,984**	-
- fair value through other comprehensive income	**67,395**	-
- other financial assets at amortised cost	**175**	-
- held-for-trading	**-**	5,192
- available-for-sale	**-**	78,063
- held-to-maturity	**-**	2,202
Money at call and deposits with financial institutions	**19,142**	10,077
	780,688	726,168

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

(iii) Income derived from investment of savings and demand deposits (continued)

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Other dealing income		
Net gain from sale of financial assets at fair value through profit or loss	**1,394**	-
Net gain on revaluation of financial assets at fair value through profit or loss	**114**	-
Net loss from sale of financial assets held-for-trading	**-**	(275)
Net gain on revaluation of financial assets held-for-trading	**-**	1,649
	1,508	1,374
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	**8,276**	-
Net gain from sale of financial assets available-for-sale	**-**	1,866
Net gain from sale of financial assets held-to-maturity	**-**	9,847
	8,276	11,713
	790,472	739,255
of which		
Financing income earned on impaired financing	**10,924**	10,288

(iv) Income derived from investment of other deposits

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Finance income and hibah		
Financing, advances and others	**170,760**	164,014
Financial assets:		
- fair value through profit and loss	**1,247**	-
- fair value through other comprehensive income	**16,620**	-
- other financial assets at amortised cost	**38**	-
- held-for-trading	**-**	1,371
- available-for-sale	**-**	20,574
- held-to-maturity	**-**	578
Money at call and deposits with financial institutions	**4,806**	2,560
	193,471	189,097

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

(iv) Income derived from investment of other deposits (continued)

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Other dealing income		
Net gain from sale of financial assets at fair value through profit or loss	**312**	-
Net loss on revaluation of financial assets at fair value through profit or loss	**(7)**	-
Net loss from sale of financial assets held-for-trading	**-**	(38)
Net gain on revaluation of financial assets held-for-trading	**-**	435
	305	397
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	**1,780**	-
Net gain from sale of financial assets available-for-sale	**-**	488
Net gain from sale of financial assets held-to-maturity	**-**	2,590
	1,780	3,078
	195,556	192,572
of which		
Financing income earned on impaired financing	**2,736**	2,738

27. Income derived from investment account funds

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Finance income		
Unrestricted investment accounts		
- *Mudharabah*	**122,522**	94,386
- *Wakalah*	**135,393**	152,660
	257,915	247,046

28. Income derived from investment of shareholders' funds

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance income and hibah				
Financing, advances and others	**7,345**	6,951	**7,345**	6,951
Financial assets:				
- fair value through other comprehensive income	**184,280**	-	**184,280**	-
- available-for-sale	**-**	147,372	**-**	147,372
Money at call and deposits with financial institutions	**6**	4	**4**	4
	191,631	154,327	**191,629**	154,327
Other dealing income				
Net gain from foreign exchange transactions	**54,716**	66,396	**54,739**	66,396
Net derivatives loss	**52**	(779)	**52**	(779)
Net gain on revaluation of financial assets at fair value through profit or loss	**2**	-	**-**	-
	54,770	65,617	**54,791**	65,617
Other operating income				
Net gain from sale of financial assets available-for-sale	**-**	272	**-**	272
Gross dividend income from unit trust in Malaysia	**1,763**	2,600	**1,612**	2,422
	1,763	2,872	**1,612**	2,694

28. Income derived from investment of shareholders' funds (continued)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fees and commission				
Card fees and commission	**70,627**	70,751	**70,627**	70,751
Takaful service fees and commission	**29,791**	28,436	**29,791**	28,436
Financing fees	**18,976**	22,810	**18,976**	22,810
Sales charges on unit trust	**24,210**	8,450	**-**	-
Unit trust management fees	**15,254**	10,158	**-**	-
Commission on MEPS	**13,444**	13,184	**13,444**	13,184
Ar-Rahnu fees	**10,863**	11,984	**10,863**	11,984
Mobile banking fees	**6,630**	6,808	**6,630**	6,808
Corporate advisory fees	**6,549**	5,877	**6,549**	5,877
Deposit and payment service fees	**5,959**	6,677	**5,959**	6,677
Processing fees	**2,212**	4,202	**2,188**	4,200
Commission on bills payment system	**3,006**	2,831	**3,006**	2,831
Commission from wealth management services	**31**	58	**6,579**	6,787
Ta'widh Charges	**975**	698	**975**	698
Others	**16,754**	15,842	**15,610**	14,633
	225,281	208,766	**191,197**	195,676
Other income				
Rental income	**2,266**	2,446	**2,638**	2,788
Net gain/(loss) on disposal of property and equipment	**372**	(71)	**372**	(71)
Other income	**194**	396	**92**	254
	2,832	2,771	**3,102**	2,971
	476,277	434,353	**442,331**	421,285

29. Net allowance for impairment on financing and advances

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Net allowance for impairment on financing, advances and others:		
- collective assessment allowance	**127,601**	34,706
- individual assessment allowance	**58,801**	71,735
Bad debts and financing recovered	**(104,948)**	(122,054)
	81,454	(15,613)

30. Income attributable to depositors

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits from customers:				
- Mudharabah fund	**9,730**	11,445	**9,730**	11,445
- Non-Mudharabah fund	**1,236,386**	1,088,245	**1,236,653**	1,088,484
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	**409**	3,346	**409**	3,346
Recourse obligation on financing sold to Cagamas	**42,750**	-	**42,750**	-
	1,289,275	1,103,036	**1,289,542**	1,103,275

31. Income attributable to investment account holders

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Unrestricted investment accounts		
- *Mudharabah*	**5,530**	1,938
- *Wakalah*	**89,029**	103,363
	94,559	105,301

32. Personnel expenses

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and wages	**315,500**	291,285	**309,152**	286,154
Allowances and bonuses	**159,001**	149,181	**156,754**	147,529
Employees' Provident Fund	**57,338**	54,226	**56,170**	53,273
Directors and Shariah Supervisory Council Members' remuneration	**7,312**	11,875	**6,362**	11,182
Medical benefits	**21,032**	28,420	**20,537**	28,209
Staff sales commission	**14,104**	14,645	**14,104**	14,645
Others	**21,032**	19,711	**20,381**	19,455
	595,319	569,343	**583,460**	560,447

33. Other overhead expenses

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Promotion				
Credit and debit card expenses	**30,802**	31,114	**30,802**	31,114
Advertisement and publicity	**9,692**	9,608	**9,336**	9,454
Others	**30,030**	13,915	**9,319**	10,111
	70,524	54,637	**49,457**	50,679
Establishment				
Depreciation of property and equipment	**47,970**	54,480	**47,723**	54,220
Information technology expenses	**50,842**	59,535	**50,842**	59,535
Office rental	**54,207**	54,314	**54,152**	54,254
Security services	**9,954**	16,267	**9,954**	16,267
Utilities	**14,306**	14,068	**14,235**	13,992
Office maintenance	**11,324**	11,522	**11,107**	11,169
Takaful	**8,335**	8,069	**8,329**	8,037
Rental of equipment	**4,700**	4,504	**4,619**	4,429
Others	**320**	320	**320**	320
	201,958	223,079	**201,281**	222,223

33. Other overhead expenses (continued)

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
General expenses				
Indirect tax expenses	**11,848**	23,318	**11,847**	23,317
Outsourcing fees				
- Management of self-service terminal	**12,608**	12,128	**12,608**	12,128
- Credit recovery	**2,417**	2,516	**2,417**	2,516
- Others	**2,674**	4,169	**2,674**	4,169
Office supplies	**8,202**	9,593	**8,067**	9,462
Licenses	**8,246**	9,500	**8,246**	9,500
Travelling and transportation	**8,135**	7,893	**7,947**	7,813
Bank and service charges	**6,984**	7,615	**6,958**	7,601
Security services for cash in transit	**6,523**	6,419	**6,523**	6,419
Postage and delivery charges	**6,418**	4,979	**6,387**	4,963
Management fees	**-**	-	**8,589**	4,633
Subscription fees	**3,739**	4,061	**3,739**	4,061
Professional fees	**6,245**	4,379	**6,078**	4,203
Mobile banking expenses	**1,602**	1,359	**1,602**	1,359
Auditors' remuneration				
- statutory audit fees	**925**	775	**848**	700
- others	**1,365**	642	**1,365**	642
Processing charges	**980**	655	**980**	655
Property and equipment written off	**332**	56	**332**	56
Others	**29,374**	41,328	**22,821**	38,535
	118,617	141,385	**120,028**	142,732
	391,099	419,101	**370,766**	415,634

34. Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors of the Bank				
Executive Director:				
Salaries and other remuneration, including meeting allowances	**-**	7,366	**-**	7,366
Benefits-in-kind	**-**	113	**-**	113
	-	7,479	**-**	7,479
Chief Executive Officer:				
Salaries and other remuneration, including meeting allowances	**2,745**	677	**2,744**	671
Benefits-in-kind	**31**	16	**31**	16
	2,776	693	**2,775**	687
Non-Executive Directors:				
Fees	**1,663**	1,376	**1,627**	1,356
Other emoluments	**1,424**	1,234	**1,406**	1,217
Benefits-in-kind	**234**	219	**234**	219
	3,321	2,829	**3,267**	2,792
Directors of subsidiaries				
Executive Director:				
Salaries and other remuneration, including meeting allowances	**742**	502	-	-
	742	502	-	-
Non-Executive Directors:				
Fees	**72**	72	-	-
Other emoluments	**65**	67	-	-
	137	139	-	-
Total	**6,976**	11,642	**6,042**	10,958
Members of Shariah Supervisory Council (SSC)				
- SSC of the Bank	**592**	575	**585**	572
- SSC of a subsidiary	**9**	6	-	-
Total	**601**	581	**585**	572
Grand total (excluding benefits-in-kind) (Note 32)	**7,312**	11,875	**6,362**	11,182

34. Chief Executive Officer, Directors and Shariah Supervisory Council Member's remuneration (continued)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer, Directors of the Bank is as follows:

	← Remuneration received from the Bank →				Bank	Remuneration received from subsidiaries		Group
	Salary and Bonus	**Fees**	**Other Emoluments**	**Benefits-in-kind**	**Total**	**Fees**	**Other Emoluments**	**Total**
31 December 2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Chief executive officer:								
Mohd Muazzam Mohamed (appointed on 5 December 2018)	61	-	14	2	77	-	-	77
Khairul Kamarudin (resigned on 20 July 2018)	1,908	-	761	29	2,698	-	1	2,699
	1,969	**-**	**775**	**31**	**2,775**	**-**	**1**	**2,776**
Non-Executive Directors:								
Datuk Zamani Abdul Ghani	-	240	228	89	557	-	-	557
Tan Sri Dato' Dr. Abdul Shukor Husin	-	156	127	-	283	-	-	283
Dato' Sri Khazali Ahmad (appointed on 2 January 2018)	-	105	63	25	193	-	-	193
Datuk Zaiton Mohd Hassan (resigned on 18 February 2019)	-	213	171	-	384	-	-	384
Zahari @ Mohd Zin Idris	-	216	225	20	461	12	7	480
Mohamed Ridza Mohamed Abdulla	-	108	121	-	229	-	-	229
Nik Mohd Hasyudeen Yusoff	-	226	196	25	447	24	11	482
Noraini Che Dan	-	209	191	50	450	-	-	450
Azizan Ahmad (appointed on 2 January 2018)	-	154	84	25	263	-	-	263
	-	**1,627**	**1,406**	**234**	**3,267**	**36**	**18**	**3,321**
	1,969	**1,627**	**2,181**	**265**	**6,042**	**36**	**19**	**6,097**

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34. Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration (continued)

The total remuneration (including benefits-in-kind) of the Directors of the Bank is as follows (continued):

	← Remuneration received from the Bank →				Bank	Remuneration received from subsidiaries		Group
	Salary and Bonus	Fees	Other Emoluments	Benefits-in-kind	Total	Fees	Other Emoluments	Total
31 December 2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Executive Director:								
Dato' Sri Zukri Samat (retired on 9 June 2017)	5,637	-	1,729	113	7,479	-	-	7,479
Chief executive officer:								
Khairul Kamarudin (appointed on 14 June 2017)	509	-	162	16	687	-	6	693
Non-Executive Directors:								
Datuk Zamani Abdul Ghani	-	240	226	88	554	-	-	554
Tan Sri Dato' Dr. Abdul Shukor Husin	-	156	130	50	336	-	-	336
Datuk Zaiton Mohd Hassan	-	240	215	25	480	-	-	480
Zahari @ Mohd Zin Idris	-	216	239	6	461	12	12	485
Mohamed Ridza Mohamed Abdulla	-	108	94	25	227	-	-	227
Nik Mohd Hasyudeen Yusoff	-	198	148	25	371	8	5	384
Noraini Che Dan	-	198	165	-	363	-	-	363
	-	1,356	1,217	219	2,792	20	17	2,829
	6,146	1,356	3,108	348	10,958	20	23	11,001

34. Chief Executive Officer, Directors and Shariah Supervisory Council Member's remuneration (continued)

The total remuneration of the members of the Shariah Supervisory Council of the Bank is as follows:

	Remuneration received from the Bank		Bank	Remuneration received from subsidiary	Group
	Fees	Other Emoluments	Total	Fees	Total
31 December 2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Professor Dato' Dr. Ahmad Hidayat Buang	72	84	156	-	156
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	66	36	102	7	109
Sahibus Samahah Dato' Dr. Haji Anhar Haji Opir	66	36	102	-	102
Assistant Professor Dr. Uzaimah Ibrahim	66	45	111	-	111
Ustazah Dr. Yasmin Hanani Mohd Safian	66	48	114	-	114
	336	**249**	**585**	**7**	**592**

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34. Chief Executive Officer, Directors and Shariah Supervisory Council Member's remuneration (continued)

The total remuneration of the members of the Shariah Supervisory Council of the Bank is as follows (continued):

	Remuneration received from the Bank		Bank	Remuneration received from subsidiary	Group
	Fees	Other Emoluments	Total	Fees	Total
31 December 2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Professor Dato' Dr. Ahmad Hidayat Buang	72	75	147	-	147
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	66	36	102	3	105
Sahibus Samahah Dato' Dr. Haji Anhar Haji Opir (appointed on 1 April 2017)	49	10	59	-	59
Assistant Professor Dr. Uzaimah Ibrahim	66	42	108	-	108
Ustazah Dr. Yasmin Hanani Mohd Safian	66	49	115	-	115
Ustaz Dr. Muhammad Syafii Antonio (resigned on 31 March 2017)	17	24	41	-	41
	336	236	572	3	575

35. Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group.

The compensation for key management personnel other than the Directors' remuneration is as follows:

	Group and Bank	
	2018	**2017**
	RM'000	**RM'000**
Other key management personnel:		
- Short-term employee benefits	**21,275**	21,425

Number of employees categorised as key management personnel as at 31 December 2018 was 23 (2017: 23).

36. Tax expense

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax:				
Current year	**231,420**	191,736	**231,287**	191,620
Over provision in prior years	**(6,818)**	(6,306)	**(6,756)**	(6,298)
	224,602	185,430	**224,531**	185,322
Deferred tax expense relating to origination and reversal of temporary differences arising from:				
Current year	**(22,070)**	2,024	**(20,527)**	2,024
Under provision in prior years	**175**	108	**175**	108
	(21,895)	2,132	**(20,352)**	2,132
	202,707	187,562	**204,179**	187,454

36. Tax expense (continued)

A reconciliation of effective tax expense for the Group and the Bank are as follows:

	Group		Bank	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	**810,258**	767,053	**808,237**	766,109
Income tax calculated using Malaysian tax rate of 24%	**194,462**	184,093	**193,977**	183,866
Income not subject to tax	**(394)**	(11,924)	**(352)**	(11,924)
Non-deductible expenses	**4,967**	9,591	**5,135**	9,702
	199,035	181,760	**198,760**	181,644
Derecognition of deferred tax assets	**10,315**	12,000	**12,000**	12,000
(Over)/Under provision in prior years				
- Income tax	**(6,818)**	(6,306)	**(6,756)**	(6,298)
- Deferred tax	**175**	108	**175**	108
	202,707	187,562	**204,179**	187,454

37. Earnings per share

Basic earnings per share are calculated based on the net profit attributable to equity holders of the Group of RM593,887,000 (2017: RM566,118,000) and the weighted average number of ordinary shares outstanding during the year of 2,478,307,000 (2017: 2,432,580,000).

38. Dividends

Dividends paid by the Bank:

	Sen per share	Total amount RM'000	Date of payment
2018			
Final 2017	6.09	150,180	4 June 2018
Interim 2018	5.79	142,870	20 September 2018
		293,050	
2017			
Final 2016	5.58	134,167	15 June 2017
Interim 2017	5.41	132,310	20 September 2017
		266,477	

On 4 June 2018, the Bank paid a final dividend of approximately 6.09 sen per ordinary share totalling RM150.2 million for the financial year ended 31 December 2017. The total dividend amounting to RM150.2 million was paid wholly in cash.

From the total dividend amount paid of RM142.9 million on 20 September 2018, 100% or RM142.9 million was reinvested to subscribe for 43,960,000 new ordinary shares at RM3.25 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM134.2 million on 15 June 2017, 100% or RM134.2 million was reinvested to subscribe for 41,282,000 new ordinary shares at RM3.25 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM132.3 million on 20 September 2017, approximately 50% or RM66.1 million was distributed as cash dividend whilst the remaining 50% amounting to RM66.2 million was reinvested to subscribe for 20,356,000 new ordinary shares at RM3.25 each via the Dividend Reinvestment Plan.

The dividend was reinvested by the sole shareholder, BIMB Holdings Berhad to strengthen the Bank's capital position to fund the business growth of the Bank.

38. Dividends (continued)

After the end of the financial year, the following dividend was proposed by the Directors. This dividend will be recognised in the subsequent financial year upon approval by the shareholder.

	Sen per share	Total amount RM'000
Final 2018 ordinary dividend	6.07	**152,310**

39. Operating Segments

The Group's reportable segments, as described below, can be classified into four segments. Each segment offers different products and services. The following summary describes the operations in each of the segments:

• Consumer Banking	Includes financing, deposits and other transactions and balances with retail customers
• Corporate and Commercial Banking	Includes corporate finance activities, financing, deposits and other transactions and balances with corporate customers, commercial customers and small & medium enterprises
• Treasury	Undertakes funding activities through borrowings and investing in liquid assets such as short-term placements and corporate and government debt securities
• Shareholders unit	Operates shareholders' funds

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before allocation of overheads and income tax.

39. Operating Segments (continued)

2018	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Group Total RM'000
Total Revenue	**2,087,356**	**628,548**	**574,513**	**60,165**	**(14,080)**	**3,336,502**
Net fund based income	978,022	388,978	(19,242)	287,632	**-**	**1,635,390**
Non-fund based income	153,893	36,459	88,224	52,515	(13,813)	**317,278**
Net income	**1,131,915**	**425,437**	**68,982**	**340,147**	**(13,813)**	**1,952,668**
Net allowance for impairment on financial assets	(24,420)	(57,034)	-	43	-	**(81,411)**
Profit before overheads, zakat and tax	**1,107,495**	**368,403**	**68,982**	**340,190**	**(13,813)**	**1,871,257**
Operating expenses						**(1,060,999)**
Profit before zakat and tax						**810,258**
Segment assets	34,711,553	10,969,128	15,381,399	46,194	(30,829)	**61,077,445**
Unallocated assets						**2,861,288**
Total assets						**63,938,733**

39. Operating Segments (continued)

2017	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Group Total RM'000
Total Revenue	1,839,686	588,196	554,546	37,153	(11,400)	3,008,181
Net fund based income	858,386	360,774	(27,177)	283,355	-	1,475,338
Non-fund based income	155,474	40,997	109,233	29,963	(11,161)	324,506
Net income	1,013,860	401,771	82,056	313,318	(11,161)	1,799,844
Net allowance for impairment on financial assets	(14,849)	30,219	-	-	-	15,370
Profit before overheads, zakat and tax	999,011	431,990	82,056	313,318	(11,161)	1,815,214
Operating expenses						(1,048,161)
Profit before zakat and tax						767,053
Segment assets	31,693,272	10,420,148	12,961,042	41,366	(33,167)	55,082,661
Unallocated assets						2,660,253
Total assets						57,742,914

40. Financial Risk Management

Overview

The Bank's business activities involve the use of financial instruments which expose the Bank to various financial risks, namely credit risk, market risk and liquidity risk.

The Bank's financial risk management is guided by the Bank's Risk Appetite Statement and Risk Management Policies/Guidelines and subject to the oversight by the Board of Directors ("Board") via the Board Risk Committee ("BRC").

The BRC is assisted by the specific Risk Management Committees namely the Management Risk Control Committee ("MRCC") and the Asset & Liability Management Committee ("ALCO").

(a) Financial instruments by categories

The table in subsequent pages provides an analysis of financial instruments categorised as follows:

- Fair value through profit or loss ("FVTPL")
- Financial assets available-for-sale ("AFS")
- Financial assets at fair value through other comprehensive income ("FVOCI")
- Financial assets held-to-maturity ("HTM")
- Financing, advances and receivables ("F&R")
- Other financial assets at amortised cost ("FA")
- Financial liabilities measured at amortised cost ("FL")

40. Financial Risk Management (continued)

(a) Financial instruments by categories (continued)

Bank 31 December 2018	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	4,518,703	-	-	4,518,703
Financial assets at FVTPL	359,533	359,533	-	-
Derivative financial assets	34,148	34,148	-	-
Financial assets at FVOCI	11,355,089	-	11,355,089	-
Financing, advances and others	45,680,680	-	-	45,680,680
Other financial assets at amortised cost	126,533	-	-	126,533
Statutory deposits with Bank Negara Malaysia	1,602,284	-	-	1,602,284
	63,676,970	**393,681**	**11,355,089**	**51,928,200**
Financial liabilities				
Deposits from customers	49,909,199	-	-	49,909,199
Investment accounts of customers	5,176,819	-	-	5,176,819
Derivative financial liabilities	19,520	19,520	-	-
Bills and acceptance payable	41,114	-	-	41,114
Recourse obligations on financing sold to Cagamas	1,501,187	-	-	1,501,187
Subordinated Sukuk Murabahah	1,308,634	-	-	1,308,634
Other liabilities	695,714	-	-	695,714
	58,652,187	**19,520**	**-**	**58,632,667**

40. Financial Risk Management (continued)

(a) Financial instruments by categories (continued)

Bank 31 December 2017	Carrying amount RM'000	F&R/(FL) RM'000	FVTPL RM'000	AFS RM'000	HTM RM'000
Financial assets					
Cash and short-term funds and deposits and placements with financial institutions	4,185,561	4,185,561	-	-	-
Financial assets held-for-trading	375,664	-	375,664	-	-
Derivative financial assets	68,319	-	68,319	-	-
Financial assets available-for-sale	9,253,140	-	-	9,253,140	-
Financial assets held-to-maturity	-	-	-	-	-
Financing, advances and others	42,113,420	42,113,420	-	-	-
Other financial assets at amortised cost	121,062	121,062	-	-	-
Statutory deposits with Bank Negara Malaysia	1,407,284	1,407,284	-	-	-
	57,524,450	47,827,327	443,983	9,253,140	-
Financial liabilities					
Deposits from customers	46,209,028	46,209,028	-	-	-
Investment accounts of customers	4,260,185	4,260,185	-	-	-
Derivative financial liabilities	74,668	-	74,668	-	-
Bills and acceptance payable	420,258	420,258	-	-	-
Subordinated Sukuk Murabahah	1,006,486	1,006,486	-	-	-
Other liabilities	773,769	773,769	-	-	-
	52,744,394	52,669,726	74,668	-	-

There is no disclosure for the Group as the Group's financial instruments are not materially different from the Bank's financial instruments.

40. Financial Risk Management (continued)

(b) Credit risk

Overview

Credit risk is the risk of a customer or counterparty failing to perform its obligations. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor. The types of credit risks that the Bank considers to be material include: Default Risk, Counterparty Risk, Pre-Settlement Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.

Credit risk governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the MRCC and/or BRC, guided by the Board of Directors' approved Risk Appetite Statement.

The Bank has instituted several levels of Financing Committees, which assess and approve credits at their specified authority levels.

The MRCC is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Bank's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Bank's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

Management of credit risk

The management of credit risk is being performed by Credit Management Division ("CMD") and Risk Management Division ("RMD"), and two other units outside of the CMD and RMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Bank's overall strategy and risk appetite;
- To ensure that the Bank is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Bank monitors its credit exposures either on a portfolio or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain parts of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

40. Financial Risk Management (continued)

(b) Credit risk (continued)

Management of Credit Risk (continued)

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, Shariah contract, etc..

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private debt securities, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

Maximum exposure to credit risk

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

		Bank	
		31.12.2018 RM'000	**31.12.2017 RM'000**
Cash and short-term funds and deposits and placements with financial institutions		**4,518,703**	4,185,561
Financial assets at FVTPL		**359,533**	-
Financial assets held-for-trading		**-**	375,664
Derivative financial assets	(a)	**34,148**	68,319
Financial assets at FVOCI		**11,355,089**	-
Financial assets available-for-sale		**-**	9,253,140
Financial assets held-to-maturity		**-**	-
Financing, advances and others	(b)	**45,680,680**	42,113,420
Other financial assets at amortised cost		**126,533**	121,062
Sub-total		**62,074,686**	56,117,166
Credit related obligation:			
Financial guarantee contracts	(c)	**1,750,185**	1,881,438
Financing commitments	(d)	**8,964,336**	8,059,908
Sub-total		**10,714,521**	9,941,346
Total credit exposures		**72,789,207**	66,058,512

There is no disclosure for the Group as the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments are not materially different from the Bank.

40. Financial Risk Management (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(a) Derivative financial assets

In mitigating the counterparty credit risks from foreign exchange and derivatives transactions, the Group and the Bank enter into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

(b) Financing, advances and others

Business and retail

Financing, advances and others will have levels of collateralisation depending on the nature of the product. The general creditworthiness of a corporate and commercial customer tends to be the most relevant indicator of credit quality of a financing extended to it.

The Group and the Bank manage its exposures to these customers by completing a credit evaluation to assess the customer's character, industry, business model and capacity to meet their commitments in a timely manner. The Group and the Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

The Group and the Bank routinely update the valuation of collateral held against all financing as it adopts an annual internal valuation policy and a 2 years external valuation policy.

At 31 December 2018, the net carrying amount of credit-impaired financing and advances to corporate and commercial customers amounted to RM219,737,000 (2017: RM181,816,000) and the value of collateral held against those financing and advances amounted to RM132,080,000 (2017: RM176,225,000).

House financing

The following table presents credit exposures from financing and advances that are credit impaired by ranges of financing-to-value (“FTV”) ratio. FTV is calculated as the ratio of the gross amount of the financing, or the amount committed for financing commitments - to the value of the collateral.

40. Financial Risk Management (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(b) Financing, advances and others (continued)

House financing (continued)

	Group and Bank	
	31.12.2018	**31.12.2017**
FTV ratio	**RM'000**	**RM'000**
Credit-impaired financing		
Less than 50%	**4,562**	5,532
51-70%	**14,033**	31,391
More than 70%	**85,089**	81,278
Total	**103,684**	118,201

(c) Financial guarantee contracts ("FGC")

FGCs comprise mainly of guarantees to customers, and to controlled entities of the Group and the Bank under the deed of cross guarantee, standby or documentary letters of credit and performance related contingencies. The Group and the Bank will typically have recourse to specific assets pledged as collateral in the event of a default by a party for which the Group and the Bank have guaranteed its obligations to a third party.

(d) Financing commitments

Financing commitments mainly comprise of irrevocable financing commitments to finance a customer provided there is no breach of any condition established in the contract. If such financing commitments are drawn down by the customer there will typically be specific collateral requirements that will need to be satisfied by the customer in order to access to credit facilities.

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank

Group As at 31 December 2018	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financing, advances and others RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	19,736	736,860	756,596	9,028	130,909
Mining and quarrying	-	-	-	-	8,383	8,383	6,700	12,578
Manufacturing (including agro-based)	-	-	1	-	880,341	880,342	154,734	436,190
Electricity, gas and water	-	-	-	1,804,882	360,208	2,165,090	82,046	33,285
Wholesale & retail trade, and hotels & restaurants	-	-	3,221	61,391	1,037,141	1,101,753	170,353	391,024
Construction	-	-	3	724,487	2,241,403	2,965,893	334,191	1,160,442
Real estate	-	-	-	535,965	1,674,983	2,210,948	4,596	779,439
Transport, storage and communications	-	-	-	1,287,410	799,778	2,087,188	126,107	421,043
Finance, insurance and business activities	3,632,957	364,959	3,215	6,097,992	2,248,011	12,347,134	143,400	1,105,952
Education, health and others	-	-	27,654	45,786	982,759	1,056,199	119,302	1,666,612
Household sectors	-	-	-	-	34,710,813	34,710,813	-	649,761
Other sectors	891,697	-	54	776,650	-	1,668,401	599,728	2,177,101
	4,524,654	**364,959**	**34,148**	**11,354,299**	**45,680,680**	**61,958,740**	**1,750,185**	**8,964,336**

* Financing commitments excluding derivative financial assets

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Group As at 31 December 2017	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets held-for-trading RM'000	Derivative financial assets RM'000	Financial assets available-for-sale RM'000	Financing, advances and others RM'000	On-Balance Sheet Total RM'000	Commitments and contingencies* RM'000
Primary agriculture	-	-	-	-	481,879	481,879	111,992
Mining and quarrying	-	-	-	-	7,906	7,906	383,585
Manufacturing (including agro-based)	-	-	22	-	800,040	800,062	1,094,810
Electricity, gas and water	-	-	-	2,129,021	330,767	2,459,788	442,008
Wholesale & retail trade, and hotels & restaurants	-	-	-	81,146	1,187,262	1,268,408	611,688
Construction	-	1	65	702,282	2,089,099	2,791,447	1,615,417
Real estate	-	-	1,535	508,410	1,569,501	2,079,446	7,910
Transport, storage and communications	-	15,041	1	925,993	637,669	1,578,704	486,025
Finance, insurance and business activities	3,263,920	365,883	66,696	4,905,831	2,112,629	10,714,959	1,680,118
Education, health and others	-	-	-	-	1,197,840	1,197,840	1,787,146
Household sectors	-	-	-	-	31,698,828	31,698,828	479,715
Other sectors	921,777	-	-	-	-	921,777	1,240,932
	4,185,697	380,925	68,319	9,252,683	42,113,420	56,001,044	9,941,346

* Commitments and contingencies excluding derivative financial assets

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Bank As at 31 December 2018	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financing, advances and others RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	19,736	736,860	756,596	9,028	130,909
Mining and quarrying	-	-	-	-	8,383	8,383	6,700	12,578
Manufacturing (including agro-based)	-	-	1	-	880,341	880,342	154,734	436,190
Electricity, gas and water	-	-	-	1,804,882	360,208	2,165,090	82,046	33,285
Wholesale & retail trade, and hotels & restaurants	-	-	3,221	61,391	1,037,141	1,101,753	170,353	391,024
Construction	-	-	3	724,487	2,241,403	2,965,893	334,191	1,160,442
Real estate	-	-	-	535,965	1,674,983	2,210,948	4,596	779,439
Transport, storage and communications	-	-	-	1,287,410	799,778	2,087,188	126,107	421,043
Finance, insurance and business activities	3,632,629	359,533	3,215	6,098,782	2,248,011	12,342,170	143,400	1,105,952
Education, health and others	-	-	27,654	45,786	982,759	1,056,199	119,302	1,666,612
Household sectors	-	-	-	-	34,710,813	34,710,813	-	649,761
Other sectors	886,074	-	54	776,650	-	1,662,778	599,729	2,177,102
	4,518,703	**359,533**	**34,148**	**11,355,089**	**45,680,680**	**61,948,153**	**1,750,186**	**8,964,337**

* Financing commitments excluding derivative financial assets

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Bank **As at 31 December 2017**	**Cash and short-term funds and deposits and placements with financial institutions** **RM'000**	**Financial assets held-for-trading** **RM'000**	**Derivative financial assets** **RM'000**	**Financial assets available-for-sale** **RM'000**	**Financing, advances and others** **RM'000**	**On-Balance Sheet Total** **RM'000**	**Commitments and contingencies*** **RM'000**
Primary agriculture	-	-	-	-	481,879	481,879	111,992
Mining and quarrying	-	-	-	-	7,906	7,906	383,585
Manufacturing (including agro-based)	-	-	22	-	800,040	800,062	1,094,810
Electricity, gas and water	-	-	-	2,129,021	330,767	2,459,788	442,008
Wholesale & retail trade, and hotels & restaurants	-	-	-	81,146	1,187,262	1,268,408	611,688
Construction	-	1	65	702,282	2,089,099	2,791,447	1,615,417
Real estate	-	-	1,535	508,410	1,569,501	2,079,446	7,910
Transport, storage and communications	-	15,041	1	925,993	637,669	1,578,704	486,025
Finance, insurance and business activities	3,263,920	360,622	66,696	4,906,288	2,112,629	10,710,155	1,680,118
Education, health and others	-	-	-	-	1,197,840	1,197,840	1,787,146
Household sectors	-	-	-	-	31,698,828	31,698,828	479,715
Other sectors	921,641	-	-	-	-	921,641	1,240,932
	4,185,561	375,664	68,319	9,253,140	42,113,420	55,996,104	9,941,346

* Commitments and contingencies excluding derivative financial assets

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate the credit risk are as follows:

- For residential mortgages – charges over residential properties
- For commercial property financing – charges over the properties being financed
- For vehicle financing under Ijarah Thumma Al-Bai – ownership claims over the vehicles financed
- For other financing and advances – charges over business assets such as premises, inventories, trade receivables and/or cash deposits

As at 31 December 2018 and 31 December 2017, there were no assets repossessed by the Group and the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

(iii) Credit quality of gross financing and advances

The credit quality of the Group's and the Bank's gross financing are summarised as follows:

Group and Bank **31.12.2018**	**12-month ECL RM'000**	**Lifetime ECL not credit-impaired RM'000**	**Lifetime ECL credit-impaired RM'000**	**Total RM'000**
Financing, advances and others				
Neither past due nor impaired ("NPDNI"):				
- Excellent	**41,801,620**	**293,750**	**-**	**42,095,370**
- Satisfactory	**2,734,627**	**347,516**	**-**	**3,082,143**
- Fair	**242,626**	**32,800**	**-**	**275,426**
	44,778,873	**674,066**	**-**	**45,452,939**
Past due but not impaired ("PDNI")	**-**	**591,509**	**-**	**591,509**
Impaired	**-**	**-**	**425,937**	**425,937**
	44,778,873	**1,265,575**	**425,937**	**46,470,385**
Allowance for impairment on financing, advances and others:				
- collective assessment	**(326,702)**	**(125,183)**	**(83,722)**	**(535,607)**
- indvidual assessment	**-**	**-**	**(156,691)**	**(156,691)**
	44,452,171	**1,140,392**	**185,524**	**45,778,087**

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit quality of gross financing and advances (continued)

The credit quality of the Group's and the Bank's gross financing are summarised as follows:

Group and Bank 31.12.2018	12-month ECL RM'000	Lifetime ECL not credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total RM'000
Financing commitments				
NPDNI				
- Excellent	8,234,213	28,251	-	8,262,464
- Satisfactory	583,981	72,491	-	656,472
- Fair	14,424	104	-	14,528
	8,832,618	100,846	-	8,933,464
PDNI	-	10,520	-	10,520
Impaired	-	-	20,352	20,352
	8,832,618	111,366	20,352	8,964,336
Allowance for impairment on financing, advances and others				
- collective assessment	(54,238)	(3,177)	(3,440)	(60,855)
	8,778,380	108,189	16,912	8,903,481
Financial guarantee contracts				
NPDNI				
- Excellent	1,692,780	3,138	-	1,695,918
- Satisfactory	49,235	3,262	-	52,497
- Fair	-	-	-	-
	1,742,015	6,400	-	1,748,415
PDNI	-	942	-	942
Impaired	-	-	828	828
	1,742,015	7,342	828	1,750,185
Allowance for impairment on financing, advances and others				
- collective assessment	(35,510)	(1,042)	-	(36,552)
	1,706,505	6,300	828	1,713,633

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit quality of gross financing and advances (continued)

Group and Bank 31.12.2017	**Consumer RM'000**	**Business RM'000**	**Total RM'000**
NPDNI	31,276,065	10,460,497	41,736,562
Excellent to good	*26,212,600*	*8,931,557*	*35,144,157*
Satisfactory	*4,564,174*	*1,528,175*	*6,092,349*
Fair	*499,291*	*765*	*500,056*
PDNI	362,240	188,857	551,097
Impaired	216,461	181,816	398,277
	31,854,766	10,831,170	42,685,936
Allowance for impairment on financing, advances and others			
- collective assessment allowance			(446,069)
- individual assessment allowance			(126,447)
			42,113,420

No significant changes to estimation techniques or assumptions were made during the year.

Internal rating definition:-

Excellent to Good: Sound financial position with no difficulty in meeting its obligations.

Satisfactory: Adequate safety of meeting its current obligations but more time is required to meet the entire obligation in full.

Fair: Higher risks on payment obligations. Financial performance may continue to deteriorate.

Classification of gross financing and advances:-

- **Neither past due nor impaired financing**
  Financing for which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment.

- **Past due but not impaired financing**
  Financing for which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit quality of gross financing and advances (continued)

- **Impaired financing**
  Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness, or when the financing is classified as rescheduled and restructured in Central Credit Reference Information System ("CCRIS").

Past due but not impaired financing

	Group and Bank			
	31.12.2018		**31.12.2017**	
	RM'000	**% to gross financing**	**RM'000**	**% to gross financing**
By ageing				
Month-in-arrears 1	**357,420**	**0.77**	362,240	0.85
Month-in-arrears 2	**234,089**	**0.50**	188,857	0.44
	591,509	**1.27**	551,097	1.29

Impaired financing

	Group and Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Individually assessed	**251,694**	217,209
of which:		
Month-in-arrears 0	***21,789***	*20,060*
Month-in-arrears 1	***6,433***	*69,204*
Month-in-arrears 2	***5,247***	*3,317*
Month-in-arrears 3 and above	***218,225***	*124,628*
Collectively assessed	**174,243**	181,068
	425,937	398,277

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit quality of gross financing and advances (continued)

Impaired financing of which rescheduled and restructured financing

	Group and Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Consumer	**16,855**	21,264
Business	**6,859**	8,117
	23,714	29,381

Rescheduled or restructured financings are financings that have been rescheduled or restructured due to deterioration in the customers' financial positions and the Bank has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to performing.

Key macroeconomic variables

The following table shows certain key macroeconomic variables used in modelling the allowance for credit losses for Stages 1 and 2. For the base, upside and downside scenarios, the projections are provided for the next 12 months and for the remaining forecast period, which represents a medium-term view.

	Base scenario		**Upside scenario**		**Downside scenario**	
	Next 12 months	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**
Kuala Lumpur Composite Index ("KLCI")	1,650.0	1,850.0	1,750.0	1,950.0	1,542.5	1,742.5
House Price Index ("HPI")	2.3%	1.8%	5.8%	5.3%	-1.2%	-0.2%
Consumer Price Index ("CPI")	2.4%	2.7%	1.9%	2.2%	3.4%	3.7%
Unemployment Rate	3.3%	3.3%	3.0%	3.0%	3.6%	3.7%
Industrial Production Index ("IPI")	3.3	2.2	6.0	4.9	(2.1)	(0.7)

An increase in unemployment rate or CPI will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors (KLCI, HPI and IPI) will generally correlate with lower allowances for credit losses.

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets

Credit quality of other financial assets by external rating is as follows:

Bank **As at 31 December 2018**	**12-month ECL** **RM'000**	**Lifetime ECL credit-impaired** **RM'000**	**Total** **RM'000**
Financial assets at FVOCI			
Debt investment securities			
Government bonds and treasury bills	2,630,367	-	2,630,367
Sukuk			
Rated AAA	2,387,886	-	2,387,886
Rated AA1 to AA3	1,407,024	-	1,407,024
Lower than A	-	20,000	20,000
Unrated – Government guaranteed bonds	4,873,504	-	4,873,504
Other unrated financial assets	-	-	-
	11,298,781	**20,000**	**11,318,781**
Financial assets at FVOCI			
Equity investment			
Other unrated financial assets			**36,308**
Derivative financial assets			
Bank and financial institution counterparties			5,250
Corporate			28,898
			34,148
Financial assets at FVTPL			
Government bonds and treasury bills			145,151
Other unrated financial assets			214,382
			359,533

There is no disclosure for Group as the Group's financial assets are not materially different from the Bank's financial assets.

40. Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets (continued)

Credit quality of other financial assets by external rating is as follows (continued):

Bank **As at 31 December 2017**	**Financial assets held-for -trading** **RM'000**	**Derivative financial assets** **RM'000**	**Financial assets available -for-sale** **RM'000**	**Financial assets held-to-maturity** **RM'000**	**Total** **RM'000**
Government bonds and treasury bills	355,681	-	1,757,129	-	2,112,810
Sukuk					
Rated AAA	1	-	2,004,390	-	2,004,391
Rated AA1 to AA3	-	-	1,046,033	-	1,046,033
Rated A1 to A3	9	-	-	-	9
Lower than A	-	-	20,000	-	20,000
Unrated – Government guaranteed bonds	19,973	-	4,388,282	-	4,408,255
Other unrated financial assets	-	-	37,306	-	37,306
Derivative financial assets					
Bank and financial institution counterparties	-	66,694	-	-	66,694
Corporate	-	1,625	-	-	1,625
	375,664	68,319	9,253,140	-	9,697,123

There is no disclosure for Group as the Group's financial assets are not materially different from the Bank's financial assets.

40. Financial Risk Management (continued)

(c) Market risk

Overview

All the Bank's financial instruments are subject to the risk that market prices and rates will move, resulting in profits or losses to the Bank. The following are the main market risk factors that the Bank is exposed to:

- **Profit Rate Risk**: also known as the Rate of Return Risk, is the potential impact on the Bank's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer/customer specific reasons;
- **Foreign Exchange Risk**: the impact of exchange rate movements on the Bank's currency positions; and
- **Equity Investment Risk**: the profitability impact on the Bank's equity positions or investments caused by changes in equity prices or values.

The Bank separates the market risk exposures into either trading or non-trading portfolios. Trading portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions so designated as per the Board-approved Trading Book Policy Statements. Non-trading portfolios primarily arise from the Bank's profit rate management of the Bank's assets and liabilities and investment portfolio mainly for liquidity management.

Market risk governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by the ALCO and/or BRC, guided by the Board-approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the BRC for managing market risk at strategic level.

Management of market risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Bank's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

40. Financial Risk Management (continued)

(c) Market risk (continued)

Management of market risk (continued)

The Market Risk Management Department ("MRMD") is the independent risk control function that is responsible for the implementation of market risk management policies. MRMD is also responsible for developing the Bank's market risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC. In addition, the market risk exposures and limits are reported to the ALCO and the BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include stress testing, rigorous new product approval procedures and a list of permissible instruments that can be traded. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Bank's profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

(i) Profit rate risk

The table below summarises the Group's and the Bank's exposure to profit rate risk. The table indicates average profit rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group As at 31 December 2018	← Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000 →	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds and deposits and placements with financial institutions	3,632,629	-	328	-	-	891,697	-	4,524,654	2.15
Financial assets at FVTPL	-	-	-	-	-	-	364,959	364,959	3.40
Derivative financial assets	-	-	-	-	-	-	34,148	34,148	0.99
Financial assets at FVOCI	500,513	316,389	718,753	5,796,612	4,022,032	-	-	11,354,299	4.29
Financing, advances and others									
- non-impaired	41,478,399	497,224	66,576	1,308,965	2,693,284	-	-	46,044,448	5.81
- impaired net of allowances *	-	-	-	-	-	(363,768)	-	(363,768)	
Other financial assets at amortised cost	-	-	-	-	-	1,979,993	-	1,979,993	
Total assets	45,611,541	813,613	785,657	7,105,577	6,715,316	2,507,922	399,107	63,938,733	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group As at 31 December 2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Liabilities									
Deposits from customers	9,565,065	9,989,364	9,558,386	5,614,820	-	15,167,597	-	49,895,232	2.69
Investment accounts of customers	983,713	689,013	908,904	343	-	2,594,846	-	5,176,819	1.20
Derivative financial liabilities	-	-	-	-	-	-	19,520	19,520	0.57
Bills and acceptance payable	-	-	-	-	-	41,114	-	41,114	
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,187	-	1,501,187	4.75
Subordinated Sukuk Murabahah	-	-	-	1,300,000	-	8,634	-	1,308,634	5.33
Other liabilities	-	-	-	-	-	719,820	-	719,820	
Total liabilities	10,548,778	10,678,377	10,467,290	8,415,163	-	18,533,198	19,520	58,662,326	
Equity									
Equity attributable to equity holders of the Bank	-	-	-	-	-	5,276,407	-	5,276,407	
Total equity	-	-	-	-	-	5,276,407	-	5,276,407	
Total liabilities and shareholders' equity	10,548,778	10,678,377	10,467,290	8,415,163	-	23,809,605	19,520	63,938,733	

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group As at 31 December 2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
On-balance sheet profit sensitivity gap	**35,062,763**	**(9,864,764)**	**(9,681,633)**	**(1,309,586)**	**6,715,316**	**(21,301,683)**	**379,587**	**-**
Off-balance sheet profit sensitivity gap (profit rate swaps)	**100,000**	**300,000**	**(400,000)**	**-**	**-**	**-**	**-**	**-**
Total profit sensitivity gap	**35,162,763**	**(9,564,764)**	**(10,081,633)**	**(1,309,586)**	**6,715,316**	**(21,301,683)**	**379,587**	**-**

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group As at 31 December 2017	← Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive → RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds and deposits and placements with financial institutions	3,263,920	-	-	-	-	921,777	-	4,185,697	1.57
Financial assets held-for-trading	-	-	-	-	-	-	380,925	380,925	4.40
Derivative financial assets	-	-	-	-	-	-	68,319	68,319	1.79
Financial assets available-for-sale	209,960	147,227	732,806	5,140,778	3,021,912	-	-	9,252,683	4.08
Financial assets held-to-maturity	-	-	-	-	-	-	-	-	
Financing, advances and others									
- non-impaired	37,200,376	559,077	73,727	1,474,789	2,979,690	-	-	42,287,659	5.56
- impaired net of allowances *	-	-	-	-	-	(174,239)	-	(174,239)	
Other assets	-	-	-	-	-	1,741,870	-	1,741,870	
Total assets	40,674,256	706,304	806,533	6,615,567	6,001,602	2,489,408	449,244	57,742,914	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group As at 31 December 2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Liabilities									
Deposits from customers	8,164,490	13,367,794	7,370,928	1,714,677	-	15,575,021	-	46,192,910	2.54
Investment accounts of customers	711,299	1,171,831	382,564	-	-	1,994,491	-	4,260,185	1.01
Derivative financial liabilities	-	-	-	-	-	-	74,668	74,668	1.95
Bills and acceptance payable	130,846	35,636	-	-	-	253,776	-	420,258	
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	-	-	
Subordinated Sukuk Murabahah	-	-	-	1,000,000	-	6,486	-	1,006,486	5.43
Other liabilities	-	-	-	-	-	828,703	-	828,703	
Total liabilities	9,006,635	14,575,261	7,753,492	2,714,677	-	18,658,477	74,668	52,783,210	
Equity									
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,959,704	-	4,959,704	
Total equity	-	-	-	-	-	4,959,704	-	4,959,704	
Total liabilities and shareholders' equity	9,006,635	14,575,261	7,753,492	2,714,677	-	23,618,181	74,668	57,742,914	

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group As at 31 December 2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
On-balance sheet profit sensitivity gap	31,667,621	(13,868,957)	(6,946,959)	3,900,890	6,001,602	(21,128,773)	374,576	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	100,000	300,000	-	(400,000)	-	-	-	-
Total profit sensitivity gap	31,767,621	(13,568,957)	(6,946,959)	3,500,890	6,001,602	(21,128,773)	374,576	-

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank As at 31 December 2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective Profit rate %
Assets									
Cash and short-term funds and deposits and placements with financial institutions	3,632,629	-	-	-	-	886,074	-	4,518,703	2.16
Financial assets at FVTPL	-	-	-	-	-	-	359,533	359,533	3.40
Derivative financial assets	-	-	-	-	-	-	34,148	34,148	0.99
Financial assets at FVOCI	501,303	316,389	718,753	5,796,612	4,022,032	-	-	11,355,089	4.29
Financing, advances and others									
- non-impaired	41,478,399	497,224	66,576	1,308,965	2,693,284	-	-	46,044,448	5.81
- impaired net of allowances*	-	-	-	-	-	(363,768)	-	(363,768)	
Other financial assets at amortised cost	-	-	-	-	-	1,990,740	-	1,990,740	
Total assets	45,612,331	813,613	785,329	7,105,577	6,715,316	2,513,046	393,681	63,938,893	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank As at 31 December 2018	← Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000 →	Trading book RM'000	Total RM'000	Effective profit rate %
Liabilities									
Deposits from customers	**9,566,129**	**9,991,092**	**9,561,480**	**5,615,531**	**-**	**15,174,967**	**-**	**49,909,199**	**2.69**
Investment accounts of customers	**983,713**	**689,013**	**908,904**	**343**	**-**	**2,594,846**	**-**	**5,176,819**	**1.20**
Deposits and placements of banks and other financial institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**19,520**	**19,520**	**0.57**
Bills and acceptance payable	**-**	**-**	**-**	**-**	**-**	**41,114**	**-**	**41,114**	
Recourse obligations on financing sold to Cagamas	**-**	**-**	**-**	**1,500,000**	**-**	**1,187**	**-**	**1,501,187**	**4.75**
Subordinated Sukuk Murabahah	**-**	**-**	**-**	**1,300,000**	**-**	**8,634**	**-**	**1,308,634**	**5.33**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**709,253**	**-**	**709,253**	
Total liabilities	**10,549,842**	**10,680,105**	**10,470,384**	**8,415,874**	**-**	**18,530,001**	**19,520**	**58,665,726**	
Equity									
Equity attributable to equity holders of the Bank	**-**	**-**	**-**	**-**	**-**	**5,273,167**	**-**	**5,273,167**	
Total equity	**-**	**-**	**-**	**-**	**-**	**5,273,167**	**-**	**5,273,167**	
Total liabilities and shareholders' equity	**10,549,842**	**10,680,105**	**10,470,384**	**8,415,874**	**-**	**23,803,168**	**19,520**	**63,938,893**	

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank As at 31 December 2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
On-balance sheet profit sensitivity gap	**35,062,489**	**(9,866,492)**	**(9,685,055)**	**(1,310,297)**	**6,715,316**	**(21,290,122)**	**374,161**	**-**
Off-balance sheet profit sensitivity gap (profit rate swaps)	**100,000**	**300,000**	**(400,000)**	**-**	**-**	**-**	**-**	**-**
Total profit sensitivity gap	**35,162,489**	**(9,566,492)**	**(10,085,055)**	**(1,310,297)**	**6,715,316**	**(21,290,122)**	**374,161**	**-**

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40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank **As at 31 December 2017**	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**1-5 years RM'000**	**Over 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**Effective Profit rate %**
	← Non-trading book					**→**			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	3,263,920	-	-	-	-	921,641	-	4,185,561	1.56
Financial assets held-for-trading	-	-	-	-	-	-	375,664	375,664	4.41
Derivative financial assets	-	-	-	-	-	-	68,319	68,319	1.79
Financial assets available-for-sale	210,417	147,227	732,806	5,140,778	3,021,912	-	-	9,253,140	4.08
Financial assets held-to-maturity	-	-	-	-	-	-	-	-	-
Financing, advances and others									
- non-impaired	37,200,376	559,077	73,727	1,474,789	2,979,690	-	-	42,287,659	5.56
- impaired net of allowances*	-	-	-	-	-	(174,239)	-	(174,239)	
Other assets	-	-	-	-	-	1,754,136	-	1,754,136	
Total assets	40,674,713	706,304	806,533	6,615,567	6,001,602	2,501,538	443,983	57,750,240	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank As at 31 December 2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Liabilities									
Deposits from customers	8,166,979	13,370,765	7,372,170	1,714,677	-	15,584,437	-	46,209,028	2.54
Investment accounts of customers	711,299	1,171,831	382,564	-	-	1,994,491	-	4,260,185	1.01
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	8.03
Derivative financial liabilities	-	-	-	-	-	-	74,668	74,668	1.95
Bills and acceptance payable	130,846	35,636	-	-	-	253,776	-	420,258	
Subordinated Sukuk Murabahah	-	-	-	1,000,000	-	6,486	-	1,006,486	5.43
Other liabilities	-	-	-	-	-	820,109	-	820,109	
Total liabilities	9,009,124	14,578,232	7,754,734	2,714,677	-	18,659,299	74,668	52,790,734	
Equity									
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,959,506	-	4,959,506	
Total equity	-	-	-	-	-	4,959,506	-	4,959,506	
Total liabilities and shareholders' equity	9,009,124	14,578,232	7,754,734	2,714,677	-	23,618,805	74,668	57,750,240	

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40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank As at 31 December 2017	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
On-balance sheet profit sensitivity gap	31,665,589	(13,871,928)	(6,948,201)	3,900,890	6,001,602	(21,117,267)	369,315	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	100,000	300,000	-	(400,000)	-	-	-	-
Total profit sensitivity gap	31,765,589	(13,571,928)	(6,948,201)	3,500,890	6,001,602	(21,117,267)	369,315	-

40. Financial Risk Management (continued)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Profit rate risk in the non-trading portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement tools known as earnings-at-risk ("EaR").

The Bank monitors the sensitivity of EaR under varying profit rate scenarios (i.e. simulation modeling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively seek to change the profit rate exposure profile to minimise losses and to optimise net revenues. The nature of the hedging and risk mitigation strategies correspond to the market instruments available. These strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Bank's profit rate sensitivity to a 100 basis points parallel shift as at reporting date.

	2018		2017	
	-100bps	**+100bps**	**-100bps**	**+100bps**
		Increase/(Decrease)		
	RM million	**RM million**	**RM million**	**RM million**
Bank				
Impact on EaR	**(129.46)**	**129.46**	(85.41)	85.41
Impact on EVE	**133.41**	**(133.41)**	168.00	(168.00)

Another control to manage the profit rate risk in the non-trading portfolio includes present value of 1 basis point change ("PV01") which measures the portfolio's sensitivity to market rates movement.

40. Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Market risk in the Trading Portfolio

Market risk in the trading portfolio is monitored and controlled using Value-at-Risk (“VaR”). It is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on historical simulation which derives plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationship between different markets and rates such as profit rates and foreign exchange rates. The historical simulation model used by the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank’s trading portfolios at the reporting date is as follows:

Bank	As at 31.12.2018 RM million	1.1.2018 to 31.12.2018 Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	**0.05**	**1.96**	**4.08**	**0.05**
Foreign exchange risk	**0.26**	**0.48**	**1.00**	**0.15**
Overall	**0.31**	**2.44**	**4.62**	**0.29**

	As at 31.12.2017 RM million	1.1.2017 to 31.12.2017 Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	1.74	1.88	3.29	0.59
Foreign exchange risk	0.43	0.29	0.86	0.01
Overall	2.17	2.17	3.67	0.62

40. Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Market risk in the Trading Portfolio (continued)

In addition to VaR, the Bank has put in place the maximum loss limits, position limits, tenor limits and PV01 limits in monitoring the trading portfolio.

(iii) Foreign exchange risk

The Bank manages and controls the trading portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. The Bank also has in place the sensitivity limit. For the Bank-wide (trading and non-trading portfolios) foreign exchange risk, the Bank manages and controls by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

Assuming that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	2018		**2017**	
	-1% Depreciation RM'000	**+1% Appreciation RM'000**	**-1% Depreciation RM'000**	**+1% Appreciation RM'000**
Group and Bank				
US Dollar	**11,830**	**(11,830)**	9,331	(9,331)
Euro	**4,938**	**(4,938)**	5,197	(5,197)
Others	**(112)**	**112**	826	(826)

(d) Liquidity risk

Overview

Liquidity risk is the potential inability of the Bank to meet its funding needs and regulatory obligation when they fall due, or will have to do it at excessive cost. This risk can arise from mismatches in the timing of cash flows.

The Bank maintains a diversified and stable funding base comprising core retail, commercial, corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets.

The objective of the Bank's liquidity management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Overview (continued)

Current accounts and savings deposits payable on demand form a critical part of the Bank's funding profile, and the Bank places considerable importance on maintaining their stability. For deposits, stability depends upon preserving depositor confidence in the Bank and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

The Bank's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and limits approved by the ALCO and/or BRC. These limits and triggers vary to take account of the depth and liquidity of the local market in which the Bank operates. The Bank maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/or BRC, guided by the Board's approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the BRC for managing liquidity risk at strategic level.

Management of liquidity risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up;
- Not over-extending financing activities relative to the deposit base; and
- Not over-relying on non-Ringgit liabilities to fund Ringgit assets.

MRMD is also responsible for the implementation of liquidity risk management. It develops the Bank's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC, with proper authorities to ratify or approve any excess. In addition, the liquidity risk exposures and limits are reported to the ALCO and the BRC.

Stress testing and scenario analysis are important tools used by the Bank to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Bank.

40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Management of liquidity risk (continued)

Another key control feature of the Bank's liquidity risk management is the approved and documented liquidity contingency management plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications to the Bank.

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40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis

The table below summarises the Group's and the Bank's assets and liabilities based on remaining contractual maturities.

Group As at 31 December 2018	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	891,697	3,632,629	-	328	-	-	4,524,654
Securities portfolio	-	835,145	316,389	211,427	507,326	9,848,971	11,719,258
Derivative financial assets	-	2,231	13,682	16,448	-	1,787	34,148
Financing, advances and others	-	1,215,358	2,343,527	525,783	536,695	41,059,317	45,680,680
Other assets	-	-	-	-	-	1,979,993	1,979,993
Total assets	**891,697**	**5,685,363**	**2,673,598**	**753,986**	**1,044,021**	**52,890,068**	**63,938,733**
Liabilities							
Deposits from customers	15,167,597	9,565,065	9,989,364	5,539,651	4,018,736	5,614,819	49,895,232
Investment accounts of customers	2,594,846	983,713	689,013	743,623	165,281	343	5,176,819
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-
Derivative financial liabilities	-	1,123	6,219	9,413	2,316	449	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,187	1,500,000	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	8,634	1,300,000	1,308,634
Other liabilities	-	-	-	-	-	760,934	760,934
Total liabilities	**17,762,443**	**10,549,901**	**10,684,596**	**6,292,687**	**4,196,154**	**9,176,545**	**58,662,326**

40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Group **As at 31 December 2018**	**On demand** **RM'000**	**Up to** **1 month** **RM'000**	**>1 to 3** **months** **RM'000**	**>3 to 6** **months** **RM'000**	**>6 to 12** **months** **RM'000**	**Over** **1 year** **RM'000**	**Total** **RM'000**
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	5,276,407	5,276,407
Net liquidity gap on statement of financial position	(16,870,746)	(4,864,538)	(8,010,998)	(5,538,701)	(3,152,133)	38,437,116	-
Commitments and contingencies	-	3,012,887	2,161,831	2,083,943	4,012,304	2,891,390	14,162,355
Net liquidity gap	(16,870,746)	(7,877,425)	(10,172,829)	(7,622,644)	(7,164,437)	35,545,726	(14,162,355)

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40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Group As at 31 December 2017	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	921,777	3,263,920	-	-	-	-	4,185,697
Securities portfolio	-	215,221	147,227	351,798	381,008	8,538,354	9,633,608
Derivative financial assets	-	1,658	31,572	15,940	14,657	4,492	68,319
Financing, advances and others	-	1,275,604	2,132,544	430,257	453,015	37,822,000	42,113,420
Other assets	-	-	-	-	-	1,741,870	1,741,870
Total assets	921,777	4,756,403	2,311,343	797,995	848,680	48,106,716	57,742,914
Liabilities							
Deposits from customers	15,575,021	8,164,490	13,367,794	5,377,330	1,993,598	1,714,677	46,192,910
Investment accounts of customers	1,994,491	711,299	1,171,831	379,555	3,009	-	4,260,185
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-
Derivative financial liabilities	-	3,958	29,334	27,218	12,257	1,901	74,668
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	-
Subordinated Sukuk Murabahah	-	-	-	-	6,486	1,000,000	1,006,486
Other liabilities	-	130,846	35,636	-	-	1,082,479	1,248,961
Total liabilities	17,569,512	9,010,593	14,604,595	5,784,103	2,015,350	3,799,057	52,783,210

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40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Group As at 31 December 2017	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,959,704	4,959,704
Net liquidity gap on statement of financial position	(16,647,735)	(4,254,190)	(12,293,252)	(4,986,108)	(1,166,670)	39,347,955	-
Commitments and contingencies	-	3,187,616	1,941,359	1,526,040	3,270,632	3,842,515	13,768,162
Net liquidity gap	(16,647,735)	(7,441,806)	(14,234,611)	(6,512,148)	(4,437,302)	35,505,440	(13,768,162)

40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank **As at 31 December 2018**	**On demand** **RM'000**	**Up to 1 month** **RM'000**	**>1 to 3 months** **RM'000**	**>3 to 6 months** **RM'000**	**>6 to 12 months** **RM'000**	**Over 1 year** **RM'000**	**Total** **RM'000**
Assets							
Cash and short-term funds and deposits and placements with financial institutions	886,074	3,632,629	-	-	-	-	4,518,703
Securities portfolio	-	830,509	316,389	211,427	507,326	9,848,971	11,714,622
Derivative financial assets	-	2,231	13,682	16,448	-	1,787	34,148
Financing, advances and others	-	1,215,358	2,343,527	525,783	536,695	41,059,317	45,680,680
Other assets	-	-	-	-	-	1,990,740	1,990,740
Total assets	**886,074**	**5,680,727**	**2,673,598**	**753,658**	**1,044,021**	**52,900,815**	**63,938,893**
Liabilities							
Deposits from customers	15,174,967	9,566,129	9,991,092	5,542,430	4,019,051	5,615,530	49,909,199
Investment accounts of customers	2,594,846	983,713	689,013	743,623	165,281	343	5,176,819
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-
Derivative financial liabilities	-	1,123	6,219	9,413	2,316	449	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,187	1,500,000	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	8,634	1,300,000	1,308,634
Other liabilities	-	-	-	-	-	750,367	750,367
Total liabilities	**17,769,813**	**10,550,965**	**10,686,324**	**6,295,466**	**4,196,469**	**9,166,689**	**58,665,726**

40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank **As at 31 December 2018**	**On demand** **RM'000**	**Up to** **1 month** **RM'000**	**>1 to 3** **months** **RM'000**	**>3 to 6** **months** **RM'000**	**>6 to 12** **months** **RM'000**	**Over** **1 year** **RM'000**	**Total** **RM'000**
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	5,273,167	5,273,167
Net liquidity gap on statement of financial position	(16,883,739)	(4,870,238)	(8,012,726)	(5,541,808)	(3,152,448)	38,460,959	-
Commitments and contingencies	-	3,012,887	2,161,831	2,083,943	4,012,304	2,891,390	14,162,355
Net liquidity gap	(16,883,739)	(7,883,125)	(10,174,557)	(7,625,751)	(7,164,752)	35,569,569	(14,162,355)

40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank **As at 31 December 2017**	**On demand** **RM'000**	**Up to 1 month** **RM'000**	**>1 to 3 months** **RM'000**	**>3 to 6 months** **RM'000**	**>6 to 12 months** **RM'000**	**Over 1 year** **RM'000**	**Total** **RM'000**
Assets							
Cash and short-term funds and deposits and placements with financial institutions	921,641	3,263,920	-	-	-	-	4,185,561
Securities portfolio	-	210,417	147,227	351,798	381,008	8,538,354	9,628,804
Derivative financial assets	-	1,658	31,572	15,940	14,657	4,492	68,319
Financing, advances and others	-	1,275,604	2,132,544	430,257	453,015	37,822,000	42,113,420
Other assets	-	-	-	-	-	1,754,136	1,754,136
Total assets	921,641	4,751,599	2,311,343	797,995	848,680	48,118,982	57,750,240
Liabilities							
Deposits from customers	15,584,437	8,166,979	13,370,765	5,377,859	1,994,311	1,714,677	46,209,028
Investment accounts of customers	1,994,491	711,299	1,171,831	379,555	3,009	-	4,260,185
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-
Derivative financial liabilities	-	3,958	29,334	27,218	12,257	1,901	74,668
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	-
Subordinated Sukuk Murabahah	-	-	-	-	6,486	1,000,000	1,006,486
Other liabilities	-	130,846	35,636	-	-	1,073,885	1,240,367
Total liabilities	17,578,928	9,013,082	14,607,566	5,784,632	2,016,063	3,790,463	52,790,734

40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank **As at 31 December 2017**	**On demand** **RM'000**	**Up to** **1 month** **RM'000**	**>1 to 3** **months** **RM'000**	**>3 to 6** **months** **RM'000**	**>6 to 12** **months** **RM'000**	**Over** **1 year** **RM'000**	**Total** **RM'000**
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,959,506	4,959,506
Net liquidity gap on statement of financial position	(16,657,287)	(4,261,483)	(12,296,223)	(4,986,637)	(1,167,383)	39,369,013	-
Commitments and contingencies	-	3,187,616	1,941,359	1,526,040	3,270,632	3,842,515	13,768,162
Net liquidity gap	(16,657,287)	(7,449,099)	(14,237,582)	(6,512,677)	(4,438,015)	35,526,498	(13,768,162)

40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows:

Bank **As at 31 December 2018**	**Up to 1 month RM'000**	**>1 to 3 months RM'000**	**>3 to 6 months RM'000**	**>6 to 12 months RM'000**	**Over 1 year RM'000**	**Total RM'000**
Financial Liabilities						
Deposits from customers	24,658,959	10,055,235	5,620,072	4,144,531	6,120,762	50,599,559
Investment accounts of customers	3,558,107	699,197	770,056	171,526	369	5,199,255
Derivative financial liabilities	2,817	11,555	23,305	40,713	1,283,082	1,361,472
Forward contract	*1,112*	*6,230*	*8,094*	*2,316*	-	*17,752*
Islamic Profit Rate Swap	*1,705*	*5,325*	*15,211*	*38,397*	*1,283,082*	*1,343,720*
Bills and acceptance payable	41,114	-	-	-	-	41,114
Recourse obligations on financing sold to Cagamas	8,814	17,627	26,441	35,625	1,743,437	1,831,944
Subordinated Sukuk Murabahah	-	-	27,233	27,407	1,366,183	1,420,823
Other liabilities	709,253	-	-	-	-	709,253
	28,979,064	**10,783,614**	**6,467,107**	**4,419,802**	**10,513,833**	**61,163,420**
Commitments and Contingencies						
Direct credit substitutes	26,173	166,731	50,317	93,158	151,141	487,520
Transaction related contingent items	97,100	40,620	57,367	347,303	472,809	1,015,199
Short-term self liquidating trade related contingencies	88,331	106,716	32,448	2,568	17,645	247,708
	211,604	**314,067**	**140,132**	**443,029**	**641,595**	**1,750,427**

There is no disclosure for the Group as the Group's figures are not materially different from the Bank's figures.

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40. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank **As at 31 December 2017**	**Up to 1 month RM'000**	**>1 to 3 months RM'000**	**>3 to 6 months RM'000**	**>6 to 12 months RM'000**	**Over 1 year RM'000**	**Total RM'000**
Financial Liabilities						
Deposits from customers	23,584,211	13,441,816	5,408,437	1,919,920	1,924,218	46,278,602
Investment accounts of customers	2,805,598	1,172,136	360,269	24,049	523	4,362,575
Derivative financial liabilities	5,347	29,846	27,218	12,257	-	74,668
Forward contract	*3,958*	*29,334*	*27,218*	*12,257*	-	*72,767*
Islamic Profit Rate Swap	*1,389*	*512*	-	-	-	*1,901*
Bills and acceptance payable	420,258	-	-	-	-	420,258
Subordinated Sukuk Murabahah	-	-	10,970	28,353	966,196	1,005,519
Other liabilities	817,113	-	-	-	-	817,113
	27,632,527	14,643,798	5,806,894	1,984,579	2,890,937	52,958,735
Commitments and Contingencies						
Direct credit substitutes	32,823	66,569	27,583	96,056	214,424	437,455
Transaction related contingent items	105,664	111,197	102,293	271,506	476,445	1,067,105
Short-term self liquidating trade related contingencies	210,585	57,984	21,956	27,528	42,684	360,737
	349,072	235,750	151,832	395,090	733,553	1,865,297

There is no disclosure for the Group as the Group's figures are not materially different from the Bank's figures.

40. Financial Risk Management (continued)

(e) Operational Risk

Overview
Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk.

Management of operational risk
The Bank recognises and emphasises the importance of operational risk management ("ORM") and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits.

The Bank's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

- **1st line of defence** – The risk owner or risk taking unit i.e. Business or Support Unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. To reinforce accountability and ownership of risk and control, a Risk Controller for each risk taking unit is appointed to assist in driving the risk and control programme for the Bank.

  In addition, an Embedded Risk & Compliance Unit ("ERU") has been established within the significant business and support units ("BU/SU"). The ERU would assist in implementing and monitoring the ORM activities within the BU/SU. The ERU's relationship and knowledge of the business allow for a more focused implementation and effective oversight of ORM within the BU/SU.

- **2nd line of defence** – Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Framework, developing various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, assessing operational risk issues from the risk owner and escalating the issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Bank.

  Shariah Risk Management Department ("SRM"), Compliance Division and Chief Information Security Officer ("CISO") Office complement the role of ORMD as the second line of defence. SRM is responsible for managing the Shariah compliance risk ("SCR") by establishing and maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling and monitoring SCR and promoting SCR awareness.

  Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and develops, reviews and enhances compliance-related training programmes as well as conducts training that promotes awareness creation.

  CISO Office is responsible in managing technology risk by establishing, maintaining and enforcing technology risk policies and guidelines, as well as promoting Bank-wide awareness on technology risk. It also works closely with Information Technology Division ("ITD") in identifying, assessing, mitigating and monitoring of technology risk in the Bank.

40. Financial Risk Management (continued)

(e) Operational Risk (continued)

Management of operational risk (continued)

- **3rd line of defence** – Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

41. Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices where available, are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

Fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7, *Financial Instruments: Disclosure and Presentation* which requires the fair value information to be disclosed.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with banks and other financial institutions

For deposits and placements with financial instruments with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining period to maturity.

Financial assets measured at FVTPL, FVOCI, held-for-trading, available-for-sale and held-to-maturity

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

The fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities. The fair values are represented by their carrying value, net of impairment loss, being the recoverable amount.

Deposits from customers and investment accounts of customers

The fair values of deposits and investment accounts are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

41. Fair value of financial instruments (continued)

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

The fair values are based on the following methodologies and assumptions (continued):

Bills and acceptance payable

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profiles.

Fair value hierarchy

MFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- 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). This level includes profit rate swaps and structured debt. The sources of input parameters include BNM indicative yields or counterparty credit risk.
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The table does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

41. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Group 31 December 2018 RM'000	**Fair value of financial instruments carried at fair value**				**Fair value of financial instruments not carried at fair value**		
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 3**	**Total fair value**	**Carrying amount**
Financial assets							
Financial assets at fair value through profit or loss	-	364,959	-	364,959	-	364,959	364,959
Derivative financial assets	-	34,148	-	34,148	-	34,148	34,148
Financial assets at fair value through other comprehensive income	12,446	11,318,781	23,072	11,354,299	-	11,354,299	11,354,299
Financing, advances and others	-	-	-	-	46,594,025	46,594,025	45,680,680
Financial liabilities							
Derivative financial liabilities	-	19,520	-	19,520	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,517,235	1,517,235	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,361,535	1,361,535	1,308,634

41. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Group 31 December 2017 RM'000	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total	Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
Financial assets							
Financial assets held-for-trading	-	380,925	-	380,925	-	380,925	380,925
Derivative financial assets	-	68,319	-	68,319	-	68,319	68,319
Financial assets available-for-sale	17,612	9,229,771	-	9,247,383	5,300	9,252,683	9,252,683
Financial assets held-to-maturity	-	-	-	-	-	-	-
Financing, advances and others	-	-	-	-	42,299,796	42,299,796	42,113,420
Financial liabilities							
Derivative financial liabilities	-	74,668	-	74,668	-	74,668	74,668
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	-
Subordinated Sukuk Murabahah	-	-	-	-	1,050,750	1,050,750	1,006,486

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41. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Bank 31 December 2018 RM'000	**Fair value of financial instruments carried at fair value** Level 1	Level 2	Level 3	Total	**Fair value of financial instruments not carried at fair value** Level 3	**Total fair value**	**Carrying amount**
Financial assets							
Financial assets at fair value through profit or loss	-	359,533	-	359,533	-	359,533	359,533
Derivative financial assets	-	34,148	-	34,148	-	34,148	34,148
Financial assets at fair value through other comprehensive income	12,446	11,318,781	23,862	11,355,089	-	11,355,089	11,355,089
Financing, advances and others	-	-	-	-	46,594,025	46,594,025	45,680,680
Financial liabilities							
Derivative financial liabilities	-	19,520	-	19,520	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,517,235	1,517,235	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,361,535	1,361,535	1,308,634

41. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

Bank 31 December 2017 RM'000	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total	Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
Financial assets							
Financial assets held-for-trading	-	375,664	-	375,664	-	375,664	375,664
Derivative financial assets	-	68,319	-	68,319	-	68,319	68,319
Financial assets available-for-sale	17,612	9,230,228	-	9,247,840	5,300	9,253,140	9,253,140
Financial assets held-to-maturity	-	-	-	-	-	-	-
Financing, advances and others	-	-	-	-	42,299,796	42,299,796	42,113,420
Financial liabilities							
Derivative financial liabilities	-	74,668	-	74,668	-	74,668	74,668
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	-
Subordinated Sukuk Murabahah	-	-	-	-	1,050,750	1,050,750	1,006,486

41. Fair value of financial instruments (continued)

Unobservable inputs used in measuring fair value

The following tables show the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at FVOCI/available-for-sale	Valued at cost less impairment	Not applicable	Not applicable

(b) Financial instruments not carried at fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Other financial assets at amortised cost

The fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, the fair values are valued at cost less impairment or estimated using discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Financing and advances

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Subordinated Sukuk Murabahah and Recourse obligations on financing sold to Cagamas

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risk profiles.

42. Lease commitments

The Group and the Bank have lease commitments in respect of equipment on hire and rental of premises, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments are as follows:

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Within one year	**17,333**	17,333
Between one and five years	**95,351**	92,475
More than five years	**268,624**	288,833
	381,308	398,641

The lease commitment above represents lease rentals with the ultimate holding entity.

43. Capital commitments

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Property and equipment		
Contracted but not provided for in the financial statements	**98,094**	88,459

44. Commitments and contingencies

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows:

31 December 2018

Nature of item	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit related exposures			
Direct credit substitutes	487,980	487,980	488,189
Transaction related contingent items	1,015,198	507,599	471,867
Short-term self-liquidating trade related contingencies	247,008	49,402	43,608
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- not exceeding one year	-	-	-
- exceeding one year	1,627,618	813,809	630,266
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,336,717	-	-
	10,714,521	1,858,790	1,633,930

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	2,869,455	30,653	65,839	50,495
Profit rate related contracts				
- less than one year	400,000	1,708	810	162
- one year to less than five years	-	-	-	-
- five years and above	178,379	1,787	10,264	6,419
	3,447,834	34,148	76,913	57,076
Total	14,162,355	34,148	1,935,703	1,691,006

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44. Commitments and contingencies (continued)

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows (continued):

31 December 2017

Nature of item	Principal Amount RM'000		Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit related exposures				
Direct credit substitutes	2,871,511		2,871,511	2,167,427
Transaction related contingent items	1,066,956		533,478	499,771
Short-term self-liquidating trade related contingencies	373,328		74,666	71,836
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	318		64	32
- exceeding one year	1,226,538		613,269	445,326
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	4,402,695		-	-
	9,941,346		4,092,988	3,184,392

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	3,218,824	63,827	112,875	41,796
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	400,000	2,132	4,921	984
- five years and above	207,992	2,360	14,351	8,895
	3,826,816	68,319	132,147	51,675
Total	13,768,162	68,319	4,225,135	3,236,067

45. Capital adequacy

Total capital and capital adequacy ratios of the Bank have been computed based on Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 2 February 2018 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 2 March 2017. The Bank is required to meet minimum Common Equity Tier I ("CET I"), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively in 2018. To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer ("CCB") of 2.5% above the minimum capital adequacy was introduced by BNM. The CCB is maintained in the form of CET I capital at 1.875% on 1 January 2018 and increases by 0.625% to reach 2.5% on 1 January 2019.

As a result, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 6.375%, 7.875% and 9.875% respectively for year 2018 (2017: 5.750%, 7.250% and 9.250%). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and the Bank are set out below:

	Group		**Bank**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Common Equity Tier I ("CET I") Capital Ratio	**13.317%**	12.729%	**13.287%**	12.701%
Total Capital Ratio	**17.767%**	16.435%	**17.741%**	16.411%

The components of CET I, Tier I and Tier II capital:

	Group		**Bank**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Paid-up share capital	**3,012,368**	2,869,498	**3,012,368**	2,869,498
Retained earnings	**2,362,476**	2,150,402	**2,359,060**	2,150,345
Other reserves	**(98,437)**	(60,196)	**(98,261)**	(60,337)
Less:				
Deferred tax assets	**(51,385)**	(37,288)	**(49,842)**	(37,288)
Gain on financial instruments classified as fair value through other comprehensive income	**(1,446)**	-	**(1,446)**	-
Regulatory reserve	**(10,000)**	(64,645)	**(10,000)**	(64,645)
Investment in subsidiaries	**-**	-	**(15,525)**	(15,525)
Total CET I and Tier I Capital	**5,213,576**	4,857,771	**5,196,354**	4,842,048
Sukuk Murabahah	**1,300,000**	1,000,000	**1,300,000**	1,000,000
Collective assessment allowance and regulatory reserve ^	**441,938**	414,193	**441,788**	414,193
Total Tier II Capital	**1,741,938**	1,414,193	**1,741,788**	1,414,193
Total Capital	**6,955,514**	6,271,964	**6,938,142**	6,256,241

45. Capital adequacy (continued)

^ Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets less credit absorbed by unrestricted investment accounts.

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

	Group		Bank	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Credit risk	**38,963,775**	37,442,256	**38,951,812**	37,437,855
Less: Credit risk absorbed by unrestricted investment accounts	**(3,608,741)**	(3,034,004)	**(3,608,741)**	(3,034,004)
	35,355,034	34,408,252	**35,343,071**	34,403,851
Market risk	**422,763**	602,089	**422,763**	586,043
Operational risk	**3,370,712**	3,152,951	**3,342,947**	3,132,745
	39,148,509	38,163,292	**39,108,781**	38,122,639

46. Related party transactions

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 15), holding company and substantial shareholders of the holding company.

(a) The related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows:

	Group Transaction amounts for		Bank Transaction amounts for	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Ultimate holding entity				
<u>*Income*</u>				
Wakalah fee	**485**	2,595	**485**	2,595
Office rental	**74**	78	**74**	78
Fees and commission	**17**	156	**17**	156

46. Related party transactions (continued)

(a) The related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows (continued):

	Group		Bank	
	Transaction amounts for		Transaction amounts for	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Ultimate holding entity (continued)				
Expenses				
Income attributable to depositors	**76,230**	21,170	**76,230**	21,170
Finance cost on Subordinated Sukuk Murabahah	**5,750**	5,750	**5,750**	5,750
Office rental	**24,785**	23,947	**24,785**	23,947
Other rental	**450**	415	**450**	415
Holding company				
Income				
Office rental	**964**	1,009	**964**	1,009
Others	**158**	200	**158**	200
Expenses				
Income attributable to depositors	**11**	7	**11**	7
Income attributable to investment account holders	**13,486**	8,294	**13,486**	8,294
Subsidiaries				
Income				
Fees and commission	**-**	-	**6,547**	6,725
Office rental	**-**	-	**356**	363
Others	**-**	-	**106**	168
Expenses				
Fees and commission	**-**	-	**6,937**	4,140
Income attributable to depositors	**-**	-	**267**	239
Other related companies				
Income				
Income from financing, advances and others	**209**	101	**209**	101
Fees and commission income	**106**	204	**106**	204
Bancatakaful service fee	**27,555**	24, 592	**27,555**	24,592
Others	**2,748**	81	**2,745**	81

46. Related party transactions (continued)

(a) The related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows (continued):

	Group Transaction amounts for		Bank Transaction amounts for	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other related companies (continued)				
Expenses				
Income attributable to depositors	**13,805**	13,787	**13,805**	13,787
Income attributable to investment account holders	**1,646**	1,559	**1,646**	1,559
Finance cost on Subordinated Sukuk Murabahah	**2,750**	2,750	**2,750**	2,750
Office rental	**3,486**	3,272	**3,486**	3,272
Other rental	**24**	42	**24**	42
Takaful fee	**7,207**	6,093	**7,207**	6,063
Co-operative society in which the employees have interest				
Income				
Income from financing, advances and others	**2,373**	2,379	**2,373**	2,379
Expenses				
Income attributable to depositors	**4**	6	**4**	6
Other rental	**47**	463	**47**	463
Others	**179**	193	**179**	193

The inter-company charges of the Group and the Bank with related parties were mainly transacted in Central region.

46. Related party transactions (continued)

(b) The outstanding balances of the Group and the Bank with related parties, are as follows:

	Group Net balance outstanding as at		Bank Net balance outstanding as at	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Ultimate holding entity				
Amount due from				
Other receivables	**10**	17	**10**	17
Amount due to				
Deposits from customers	**4,020,634**	1,505,971	**4,020,634**	1,505,971
Income payable to depositors	**18,104**	873	**18,104**	873
Subordinated Sukuk Murabahah	**100,000**	100,000	**100,000**	100,000
Finance cost payable on Subordinated Sukuk Murabahah	**1,118**	1,118	**1,118**	1,118
Commitments and contingencies	**2,576**	2,380	**2,576**	2,380
Other payables	**17**	14	**17**	14
Holding company				
Amount due from				
Other receivables	**30**	161	**30**	161
Amount due to				
Deposits from customers	**189**	414	**189**	414
Investment account of customers	**88,280**	240,656	**88,280**	240,656
Income payable to investment account holders	**464**	1,160	**464**	1,160
Other payables	**157**	219	**157**	219
Subsidiaries				
Amount due from				
Redeemable non-cumulative preference shares	**-**	-	**2,344**	2,011
Others	**-**	-	**297**	843
Amount due to				
Deposits from customers	-	-	**12,542**	12,247
Income payable to depositors	-	-	**72**	47
Other payables	-	-	**10**	10

46. Related party transactions (continued)

(b) The outstanding balances of the Group and the Bank with related parties, are as follows (continued):

	Group Net balance outstanding as at		Bank Net balance outstanding as at	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Other related companies				
Amount due from				
Financing, advances and others	**6,895**	782	**6,895**	782
Other receivables	**46**	76	**46**	76
Amount due to				
Deposits from customers	**631,207**	552,419	**631,207**	552,419
Investment account of customers	**83,786**	50,185	**83,786**	50,185
Income payable to depositors	**1,861**	1,722	**1,861**	1,722
Income payable to investment account holders	**25**	19	**25**	19
Subordinated Sukuk Murabahah	**50,000**	50,000	**50,000**	50,000
Finance cost payable on Subordinated Sukuk Murabahah	**121**	136	**121**	136
Commitments and contingencies	**11,647**	8,152	**11,647**	8,152
Co-operative society in which the employees have interest				
Amount due from				
Financing, advances and others	**42,946**	39,351	**42,946**	39,351
Amount due to				
Deposits from customers	**3,000**	87	**3,000**	87
Income payable to depositors	**1**	-	**1**	-

47. Credit transactions and exposures with Connected Parties

	Group and Bank	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Outstanding credit exposures with connected parties	**1,490,169**	1,243,758
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**3.21%**	2.91%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.001%**	0.001%

The above disclosure on Credit Transaction and Exposures with Connected Parties is presented in accordance with Para 9.1 of Bank Negara Malaysia's Revised Guidelines on Credit Transaction and Exposures with Connected Parties.

48. Subsequent event

There were no material events subsequent to the end of the financial year that require disclosure or imadjustments to the financial statements.