

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018**

	Notes	The Group	
		30 September 2018 RM'000	31 December 2017 RM'000
<b>Assets</b>			
Cash and short term funds		915,523	1,226,387
Deposits and placements with banks and other financial institutions		50,305	29
Financial assets at fair value through profit or loss	A5	4,961	-
Equity instruments at fair value through other comprehensive income	A6	821	-
Financial assets held for trading	A7	-	2,524
Financial investments available-for-sale	A8	-	821
Derivative financial instruments	A19(i)	1,954	9,071
Loans, advances and financing	A9	159,712	169,646
Other assets	A10	1,495,033	2,030,591
Tax recoverable		-	1
Deferred tax assets		22,075	21,344
Amounts due from related companies		2,861	4,201
Amounts due from ultimate holding company		298	276
Statutory deposits with Bank Negara Malaysia		91	91
Investment in associates		7,995	7,753
Property, plant and equipment		39,337	48,359
Investment property		17,463	17,849
Goodwill		964	964
<b>Total assets</b>		<b>2,719,393</b>	<b>3,539,907</b>
<b>Liabilities</b>			
Deposits from customers	A11	89,387	38,637
Deposits and placements of banks and other financial institutions	A12	479,758	700,996
Derivative financial instruments	A19(i)	2,053	5,169
Other liabilities	A13	1,511,593	2,078,390
Provision for taxation		657	6,298
Amounts due to related companies		11,966	17,090
Subordinated loan		10,374	10,000
<b>Total liabilities</b>		<b>2,105,788</b>	<b>2,856,580</b>
<b>Capital and reserves attributable to equity holders of the Bank</b>			
Ordinary share capital		100,000	100,000
Redeemable preference shares		10	10
Reserves		513,595	583,317
<b>Total equity</b>		<b>613,605</b>	<b>683,327</b>
<b>Total equity and liabilities</b>		<b>2,719,393</b>	<b>3,539,907</b>
<b>Commitments and contingencies</b>	A19(ii)	<b>695,138</b>	<b>698,112</b>
<b>Net assets per ordinary share (RM)</b>		<b>6.14</b>	<b>6.83</b>

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

	Notes	The Bank	
		30 September 2018 RM'000	31 December 2017 RM'000
<b>Assets</b>			
Cash and short term funds		864,659	1,177,737
Deposits and placements with banks and other financial institutions		50,295	-
Financial assets at fair value through profit or loss	A5	4,961	-
Financial assets held for trading	A7	-	2,524
Derivative financial instruments	A19(i)	1,954	9,071
Loans, advances and financing	A9	159,712	169,646
Other assets	A10	1,491,089	2,027,910
Deferred tax assets		21,910	21,217
Amounts due from subsidiaries		39	312
Amounts due from related companies		2,861	4,200
Amounts due from ultimate holding company		298	276
Statutory deposits with Bank Negara Malaysia		91	91
Investment in subsidiaries		9,050	9,050
Property, plant and equipment		39,069	49,229
Investment property		17,463	17,849
<b>Total assets</b>		<b>2,663,451</b>	<b>3,489,112</b>
<b>Liabilities</b>			
Deposits from customers	A11	89,387	38,637
Deposits and placements of banks and other financial institutions	A12	479,758	700,996
Derivative financial instruments	A19(i)	2,053	5,169
Other liabilities	A13	1,510,223	2,076,286
Provision for taxation		105	6,242
Amounts due to related companies		11,761	17,090
<b>Total liabilities</b>		<b>2,093,287</b>	<b>2,844,420</b>
<b>Capital and reserves attributable to equity holders of the Bank</b>			
Ordinary share capital		100,000	100,000
Redeemable preference shares		10	10
Reserves		470,154	544,682
<b>Total equity</b>		<b>570,164</b>	<b>644,692</b>
<b>Total equity and liabilities</b>		<b>2,663,451</b>	<b>3,489,112</b>
<b>Commitments and contingencies</b>	A19(ii)	<b>695,138</b>	<b>698,112</b>
<b>Net assets per ordinary share (RM)</b>		<b>5.70</b>	<b>6.45</b>

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

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Notes	The Group			
		3rd quarter ended		Nine months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
		RM'000	RM'000	RM'000	RM'000
Interest income	A14	9,564	8,569	28,774	29,780
Interest expense	A15	(5,786)	(6,788)	(19,051)	(24,691)
Net interest income		3,778	1,781	9,723	5,089
Income derived from investment of shareholders' funds		5,094	14,380	27,113	28,812
Income attributable to the depositors		-	(1)	(1)	(3)
Income from Islamic Banking operations	A24b	5,094	14,379	27,112	28,809
Fee and commission income	A16	10,084	19,600	23,525	51,335
Dividend income	A16	-	-	3	2
Net gain arising from financial assets at fair value through profit or loss	A16	2,182	-	2,319	-
Net (loss)/gain arising from derivative financial instrument	A16	(915)	1,475	(1,253)	(13,369)
Net gain arising from financial assets held for trading	A16	-	749	-	6,500
Income from asset management and securities services	A16	4,677	6,389	14,205	15,278
Brokerage income	A16	30,857	39,367	99,399	105,047
Other non-interest income	A16	5,599	2,171	13,877	24,958
Non-interest income		52,484	69,751	152,075	189,751
Total income		61,356	85,911	188,910	223,649
Overheads	A17	(51,974)	(52,488)	(156,713)	(162,330)
Profit before expected credit losses/allowances		9,382	33,423	32,197	61,319
Expected credit losses written back/(made) / allowance for impairment losses on loans advances and financing	A18 (a)	8	(382)	(22)	(1,651)
Other expected credit losses written back on / write back of other impairment losses	A18 (b)	2,109	8	2,916	196
		11,499	33,049	35,091	59,864
Share of results of associates		151	16	242	262
Profit before taxation		11,650	33,065	35,333	60,126
Taxation		(2,877)	(9,804)	(14,587)	(20,443)
<b>Profit after taxation</b>		<b>8,773</b>	<b>23,261</b>	<b>20,746</b>	<b>39,683</b>
Profit for the financial period attributable to : Owners of the Group		<b>8,773</b>	<b>23,261</b>	<b>20,746</b>	<b>39,683</b>
Earnings per share attributable to ordinary equity holders (sen) -Basic	B3	<b>8.8</b>	23.3	<b>20.7</b>	39.7

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

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	The Group			
	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b>Profit for the period</b>	<b>8,773</b>	23,261	<b>20,746</b>	39,683
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Revaluation reserve - financial investments available-for-sale	-	-	-	130
- Gain from change in fair value	-	-	-	130
Other comprehensive income for the financial period, net of tax	<b>8,773</b>	23,261	<b>20,746</b>	39,813
<b>Total comprehensive income attributable to:</b>				
Owners of the Group	<b>8,773</b>	23,261	<b>20,746</b>	39,813

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**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Notes	The Bank			
		3rd quarter ended		Nine months ended	
		30 September		30 September	
		2018	30 September 2017	2018	30 September 2017
		RM'000	RM'000	RM'000	RM'000
Interest income	A14	7,355	7,089	22,828	25,218
Interest expense	A15	(5,659)	(6,660)	(18,669)	(24,303)
Net interest income		1,696	429	4,159	915
Income derived from investment of shareholders' funds		5,094	14,380	27,113	28,812
Income attributable to the depositors		-	(1)	(1)	(3)
Income from Islamic Banking operations	A24b	5,094	14,379	27,112	28,809
Fee and commission income	A16	10,084	19,600	23,525	51,335
Dividend income	A16	-	-	3	2
Net gain arising from financial assets at fair value through profit or loss	A16	2,182	-	2,319	-
Net (loss)/gain arising from derivative financial instrument	A16	(915)	1,475	(1,253)	(13,369)
Net gain arising from financial assets held for trading	A16	-	749	-	6,500
Income from asset management and securities services	A16	4,677	6,389	14,205	15,278
Brokerage income	A16	29,638	38,098	95,468	101,661
Other non-interest income	A16	5,593	2,130	13,861	24,933
Non-interest income		51,259	68,441	148,128	186,340
Total income		58,049	83,249	179,399	216,064
Overheads	A17	(51,364)	(51,044)	(153,048)	(158,293)
Profit before expected credit losses/allowances		6,685	32,205	26,351	57,771
Expected credit losses written back/(made) / allowance for impairment losses on loans advances and financing	A18 (a)	8	(382)	(22)	(1,651)
Other expected credit losses written back on / write back of other impairment losses	A18 (b)	2,098	8	2,905	196
Profit before taxation		8,791	31,831	29,234	56,316
Taxation		(2,519)	(9,511)	(13,294)	(19,452)
<b>Profit after taxation</b>		<b>6,272</b>	<b>22,320</b>	<b>15,940</b>	<b>36,864</b>
Profit for the financial period attributable to : Owners of the Bank		<b>6,272</b>	<b>22,320</b>	<b>15,940</b>	<b>36,864</b>
Earnings per share attributable to ordinary equity holders (sen) -Basic	B3	6.3	22.3	15.9	36.9

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**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	The Bank			
	3rd quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	6,272	22,320	15,940	36,864
<b>Other comprehensive income:</b>				
Other comprehensive income for the financial period, net of tax	6,272	22,320	15,940	36,864
<b>Total comprehensive income attributable to:</b>				
Owners of the Bank	6,272	22,320	15,940	36,864

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

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	← Attributable to owners of Parent →								
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Group</b>									
<b>30 September 2018</b>									
<b>At 1 January 2018</b>									
- as previously reported	100,000	10	-	-	317	4,119	1,952	576,929	683,327
-effect of adopting MFRS 9 (Note A25)	-	-	-	(6,014)	(317)	-	5,419	1,838	926
<b>Adjusted at 1 January 2018</b>	<b>100,000</b>	<b>10</b>	<b>-</b>	<b>(6,014)</b>	<b>-</b>	<b>4,119</b>	<b>7,371</b>	<b>578,767</b>	<b>684,253</b>
Net profit for the financial period	-	-	-	-	-	-	-	20,746	20,746
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,746</b>	<b>20,746</b>
Share-based payment expense	-	-	-	-	-	4,282	-	-	4,282
Shares released under Equity Ownership Plan	-	-	-	-	-	(3,676)	-	-	(3,676)
Transfer from regulatory reserve	-	-	-	-	-	-	228	(228)	-
Interim dividend paid in respect of the financial year ended 31 December 2017	-	-	-	-	-	-	-	(92,000)	(92,000)
<b>At 30 September 2018</b>	<b>100,000</b>	<b>10</b>	<b>-</b>	<b>(6,014)</b>	<b>-</b>	<b>4,725</b>	<b>7,599</b>	<b>507,285</b>	<b>613,605</b>

	← Attributable to owners of the Parent →								
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Group</b>									
<b>30 September 2017</b>									
<b>At 1 January 2017</b>	100,000	10	155,805	-	188	3,188	2,104	381,206	642,501
Net profit for the financial period	-	-	-	-	-	-	-	39,683	39,683
Other comprehensive expense (net of tax)	-	-	-	-	130	-	-	-	130
- financial investments available-for-sales	-	-	-	-	130	-	-	-	130
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>39,683</b>	<b>39,813</b>
Share-based payment expense	-	-	-	-	-	2,418	-	-	2,418
Shares released under Equity Ownership Plan	-	-	-	-	-	(1,982)	-	-	(1,982)
Transfer from statutory reserve	-	-	(155,805)	-	-	-	-	155,805	-
Transfer from regulatory reserve	-	-	-	-	-	-	(89)	89	-
Interim dividend paid in respect of the financial year ended 31 December 2016	-	-	-	-	-	-	-	(57,000)	(57,000)
<b>At 30 September 2017</b>	<b>100,000</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>318</b>	<b>3,624</b>	<b>2,015</b>	<b>519,783</b>	<b>625,750</b>

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**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	← Non-distributable →						← Distributable →				Total
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Equity instruments at fair value through other comprehensive income RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000		
<b>The Bank</b>											
<b>30 September 2018</b>											
<b>At 1 January 2018</b>											
- as previously reported	100,000	10	-	(272,007)	4,119	-	271,377	1,952	539,241	644,692	
-effect of adopting MFRS 9 (Note A25)	-	-	-	-	-	(6,331)	-	5,419	1,838	926	
<b>Adjusted at 1 January 2018</b>	<b>100,000</b>	<b>10</b>	<b>-</b>	<b>(272,007)</b>	<b>4,119</b>	<b>(6,331)</b>	<b>271,377</b>	<b>7,371</b>	<b>541,079</b>	<b>645,618</b>	
Net profit for the financial period	-	-	-	-	-	-	-	-	15,940	15,940	
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,940</b>	<b>15,940</b>	
Share-based payment expense	-	-	-	-	4,282	-	-	-	-	4,282	
Shares released under Equity Ownership Plan	-	-	-	-	(3,676)	-	-	-	-	(3,676)	
Transfer from regulatory reserve	-	-	-	-	-	-	228	-	(228)	-	
Interim dividend paid in respect of the financial year ended 31 December 2017	-	-	-	-	-	-	-	-	(92,000)	(92,000)	
<b>At 30 September 2018</b>	<b>100,000</b>	<b>10</b>	<b>-</b>	<b>(272,007)</b>	<b>4,725</b>	<b>(6,331)</b>	<b>271,377</b>	<b>7,599</b>	<b>464,791</b>	<b>570,164</b>	

	← Non-distributable →						← Distributable →				Total
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Equity instruments at fair value through other comprehensive income RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000		
<b>The Bank</b>											
<b>30 September 2017</b>											
<b>At 1 January 2017</b>											
Net profit for the financial period	-	-	-	-	-	-	-	-	36,864	36,864	
<b>Total comprehensive income for the financial period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,864</b>	<b>36,864</b>	
Share-based payment expense	-	-	-	-	2,418	-	-	-	-	2,418	
Share released under Equity Ownership Plan	-	-	-	-	(1,982)	-	-	-	-	(1,982)	
Transfer from statutory reserve	-	-	(155,805)	-	-	-	-	-	155,805	-	
Transfer from regulatory reserve	-	-	-	-	-	-	(89)	-	89	-	
Interim dividend paid in respect of the financial year ended 31 December 2016	-	-	-	-	-	-	-	-	(57,000)	(57,000)	
<b>At 30 September 2017</b>	<b>100,000</b>	<b>10</b>	<b>-</b>	<b>(272,007)</b>	<b>3,624</b>	<b>-</b>	<b>271,377</b>	<b>2,015</b>	<b>483,997</b>	<b>589,016</b>	

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



**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	The Group		The Bank	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit before taxation	35,333	60,126	29,234	56,316
Adjustments for non-operating and non-cash items	10,123	7,257	11,558	7,399
Operating profit before changes in working capital	45,456	67,383	40,792	63,715
Net changes in operating assets	497,378	(458,481)	498,872	(458,871)
Net changes in operating liabilities	(601,498)	89,645	(742,019)	89,130
Cash used in operating activities	(58,664)	(301,453)	(202,355)	(306,026)
Taxation paid	(20,919)	(17,164)	(20,122)	(16,329)
Net cash used in operating activities	(79,583)	(318,617)	(222,477)	(322,355)
Net cash generated from investing activities	1,259	683	1,261	683
Net cash used in financing activities	(91,626)	(56,626)	(92,000)	(57,000)
	(90,367)	(55,943)	(90,739)	(56,317)
Net decrease in cash and cash equivalents during the financial period	(169,950)	(374,560)	(313,216)	(378,672)
Cash and cash equivalents at beginning of the financial period	1,059,473	1,391,206	1,151,875	1,346,620
<b>Cash and cash equivalents at end of the financial period</b>	<b>889,523</b>	<b>1,016,646</b>	<b>838,659</b>	<b>967,948</b>
<b>Cash and cash equivalents comprise the following:</b>				
Cash and short term funds	915,523	1,044,400	864,659	995,702
Adjustment for monies held in trust:				
Remisiers' balances	(26,000)	(27,754)	(26,000)	(27,754)
<b>Cash and cash equivalents at end of the financial period</b>	<b>889,523</b>	<b>1,016,646</b>	<b>838,659</b>	<b>967,948</b>

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

## **PART A - EXPLANATORY NOTES**

### **A1. Basis of preparation**

The unaudited condensed interim financial statements for the financial period ended 30 September 2018 have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, equity instruments at fair value through other comprehensive income and derivative financial instruments that have been measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board.

The unaudited condensed interim financial statements should be read in conjunction with the Group's and the Bank's audited financial statements for the financial year ended 31 December 2017. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2017.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2017, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers" and "Clarifications to MFRS 15"
- Amendments to MFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to MFRS 140 "Transfers of Investment Property"
- Annual improvement to MFRSs 2014 - 2016 Cycle:
  - Amendments to MFRS 1 "First-time adoption of Malaysian Financial Reporting Standards"
  - Amendments to MFRS 128 "Investments in Associates and Joint Ventures"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

With the effect from the financial year beginning on/after 1 January 2018, the Group and the Bank apply MFRS 9 "Financial Instruments", replacing MFRS 139 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedging relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. Comparatives for 2017 will not be restated. The impact of adoption of MFRS 9 to the Group and the Bank are disclosed in Note 25.

The adoption of the above new standards, amendments to published standards and interpretation are not expected to give rise to significant impact on the financial results of the Group and the Bank, except for the cumulative impact on the adoption of MFRS 9 which is recognised in the retained earnings as at 1 January 2018.

The unaudited condensed interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

The preparation of unaudited condensed interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A2. Changes in estimates**

There were no material changes to financial estimates made in respect of the current financial period that had previously been announced or disclosed.

### **A3. Dividends paid and proposed**

A single tier interim dividend of 92sen per ordinary share, amounting to RM92,000,000 in respect of the financial year ended 31 December 2017, which was approved by the Board of Directors on 26 January 2018, was paid on 22 March 2018.

No dividend has been proposed during the financial period ended 30 September 2018.

### **A4. Significant events during the financial period**

On 6 September 2017, CIMB Group Sdn Bhd ("CIMBG"), holding company of CIMB Investment Bank Berhad, signed a conditional Share Purchase Agreement to acquire 100% equity interest in Jupiter Securities Sdn Bhd ("Jupiter Securities") for a cash consideration of RM55 million ("Proposed Acquisition"). The proposed acquisition is in connection with the proposed partnership with China Galaxy International Financial Holdings Limited, a wholly-owned subsidiary of China Galaxy Securities Co. Ltd., with respect to a potential strategic partnership in the cash equities business in the region ("Proposed Partnership") wherein Jupiter Securities shall be the platform for the partnership's operations in Malaysia.

The Securities Commission has on 2 April 2018 approved the Proposed Acquisition and the proposed sale of CIMBG's Malaysia cash equities business including the sale of 100% equity interest in CIMB Futures Sdn Bhd to Jupiter Securities in connection with the Proposed Partnership. On 10 August 2018, the Group announced that approval from BNM has been received. On 28 September 2018, the Proposed Acquisition has been completed.

### **A5. Financial assets at fair value through profit or loss**

	<b>The Group and the Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>At fair value</u></b>		
<b>Quoted securities :</b>		
<i>In Malaysia</i>		
Shares	<b>208</b>	-
<i>Outside Malaysia</i>		
Shares	<b>1,800</b>	-
<b>Unquoted securities :</b>		
<i>In Malaysia</i>		
Bonds	<b>2,953</b>	-
Total financial assets at fair value through profit or loss	<b>4,961</b>	-

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A6. Equity instruments at fair value through other comprehensive income**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 September 2018</b>	<b>31 December 2017</b>	<b>30 September 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>At fair value</u></b>				
<b>Unquoted securities :</b>				
<i>Outside Malaysia</i>				
Shares	<b>821</b>	-	-	-
Total equity instruments at fair value through other comprehensive income	<b>821</b>	-	-	-

**A7. Financial assets held for trading**

	<b>The Group and the Bank</b>
	<b>31 December 2017</b>
	<b>RM'000</b>
<b><u>At fair value</u></b>	
<b>Quoted securities :</b>	
<i>In Malaysia</i>	
Shares	686
<i>Outside Malaysia</i>	
Shares	71
<b>Unquoted securities :</b>	
<i>In Malaysia</i>	
Bonds	1,767
Total financial assets held for trading	<b>2,524</b>

**A8. Financial investments available-for-sale**

	<b>The Group</b>	<b>The Bank</b>
	<b>31 December 2017</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>At fair value</u></b>		
<b>Unquoted securities :</b>		
<i>Outside Malaysia</i>		
Shares	7,152	6,331
	<b>7,152</b>	<b>6,331</b>
<b>Allowance for impairment losses :</b>		
Unquoted shares outside Malaysia	(6,331)	(6,331)
	<b>(6,331)</b>	<b>(6,331)</b>
Total financial investments available-for-sale	<b>821</b>	-

**PART A - EXPLANATORY NOTES (CONTINUED)****A9. Loans, advances and financing**

	<b>The Group and the Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type of financing</b>		
<b>At amortised cost</b>		
Staff loans *	<b>157,816</b>	169,731
Other loans	<b>2,788</b>	1,905
Gross loans, advances and financing, at amortised cost	<b>160,604</b>	171,636
Less: Expected credit losses/allowance for impairment losses		
- Individual impairment allowance	-	(1,905)
- Portfolio impairment allowance	<b>(892)</b>	(85)
<b>Total net loans, advances and financing</b>	<b>159,712</b>	169,646
<b>(ii) By type of customers</b>		
Individuals	<b>160,604</b>	171,636
<b>(iii) By interest rate sensitivity</b>		
Fixed rate		
- Other fixed rate loan	<b>14,134</b>	16,838
Variable rate		
- BLR plus	<b>146,470</b>	154,798
	<b>160,604</b>	171,636
<b>(iv) By economic purpose:</b>		
Personal use	<b>2,112</b>	2,162
Purchase of residential property (housing)	<b>156,602</b>	166,404
Purchase of transport vehicles	<b>1,890</b>	3,070
Gross loans, advances and financing	<b>160,604</b>	171,636
<b>(v) By geographical distribution</b>		
Malaysia	<b>160,604</b>	171,636
<b>(vi) By economic sector:</b>		
Household	<b>160,604</b>	171,636

\* There were no loans to directors included in staff loans of the Group and the Bank as at 30 September 2018.  
(31 December 2017: RM Nil).

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A9. Loans, advances and financing (continued)**

**The Group and the Bank**  
**30 September 2018**    31 December 2017  
**RM'000**                      **RM'000**

**(vii) By residual contractual maturity**

Within one year	<b>341</b>	270
One year to less than three years	<b>1,487</b>	1,914
Three years to less than five years	<b>1,242</b>	2,058
Five years and more	<b>157,534</b>	167,394
	<b>160,604</b>	171,636

**(viii) Credit impaired / impaired loans, advances and financing by economic purpose**

Purchase of residential property (housing)	<b>2,336</b>	1,401
Purchase of transport vehicles	<b>452</b>	504
Gross impaired loans, advances and financing	<b>2,788</b>	1,905

**(ix) Credit impaired / impaired loans, advances and financing by geographical distribution**

Malaysia	<b>2,788</b>	1,905
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**(x) Credit impaired / impaired loans, advances and financing by economic sector**

Household	<b>2,788</b>	1,905
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## A9. Loans, advances and financing (continued)

(xi) Movements in the expected credit losses/allowance for impaired loans, advances and financing are as follows:

Expected credit losses movement of loans, advances and financing at amortised cost:

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - credit impaired (Stage 3) RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
<b>The Group and the Bank</b>						
<b>Loans, advances and financing to customers at amortised cost</b>						
As at 1 January 2018	-	-	-	1,905	85	1,990
Effect of adopting MFRS 9	132	19	621	(1,905)	(85)	(1,218)
<b>Adjusted 1 Jan 2018</b>	<b>132</b>	<b>19</b>	<b>621</b>	<b>-</b>	<b>-</b>	<b>772</b>
Changes in expected credit losses due to transferred within stages:						
Transferred to Stage 1	44	(36)	(8)	-	-	-
Transferred to Stage 2	(10)	43	(33)	-	-	-
Transferred to Stage 3	-	(99)	99	-	-	-
<b>Total charge to Income Statement:</b>	<b>(118)</b>	<b>125</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>120</b>
Change in credit risk:	(118)	125	113	-	-	120
<b>At 30 September 2018</b>	<b>48</b>	<b>52</b>	<b>792</b>	<b>-</b>	<b>-</b>	<b>892</b>

Loss allowance for non-credit-impaired exposures and regulatory reserve

1.0%

**Movement in allowances on loans, advances and financing:**Individual impairment allowance

	<b>The Group and the Bank RM'000</b>
At 1 January 2017	2,075
Allowance made during the year	2,034
Amounts written back during the year	(2,204)
At 31 December 2017	1,905

Portfolio impairment allowance

At 1 January 2017	99
Net amount written back during the year	(14)
At 31 December 2017	85

Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance

1.2%

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A9. Loans, advances and financing (continued)**

**(xii) Movements in credit impaired/impaired loans, advances and financing (continued)**

**Gross carrying amount movement of loans, advances and financing at amortised cost as credit impaired:**

	<b>The Group and the Bank</b>		
	<b>Lifetime expected credit losses - credit impaired (Stage 3) RM'000</b>	<b>Impaired loans under MFRS 139 RM'000</b>	<b>Total RM'000</b>
<b>As at 1 January 2018</b>	-	1,905	1,905
Effect of adopting MFRS 9	1,905	(1,905)	-
<b>Adjusted 1 January 2018</b>	<b>1,905</b>	<b>-</b>	<b>1,905</b>
Transfer within stages:	831	-	831
Amount recovered	(4)	-	(4)
Other changes in loans, advances and financing	56	-	56
<b>At 30 September 2018</b>	<b>2,788</b>	<b>-</b>	<b>2,788</b>

	<b>The Group and the Bank 30 September 2018</b>
<b>Ratio of credit impaired loans to total loans, advances and financing</b>	<b>1.7%</b>

	<b>The Group and the Bank 31 December 2017 RM'000</b>
<b>Impaired loans under MFRS 139:</b>	
At 1 January 2017	2,075
Classified as impaired during the financial year	2,034
Amount written back in respect of recoveries	(2,204)
At 31 December 2017	1,905

<b>Ratio of gross impaired loans to total loans, advances and financing</b>	<b>1.1%</b>
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**PART A - EXPLANATORY NOTES (CONTINUED)**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>A10. Other assets</b>				
Due from brokers and clients, net of expected credit losses/allowance	<b>1,274,255</b>	1,194,813	<b>1,271,252</b>	1,193,066
Collateral pledged for derivative transactions	<b>137,803</b>	139,353	<b>137,803</b>	139,353
Other debtors, deposits and prepayments, net of expected credit losses / allowance	<b>82,975</b>	696,425	<b>82,034</b>	695,491
	<b>1,495,033</b>	2,030,591	<b>1,491,089</b>	2,027,910

	<b>The Group and the Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A11. Deposits from customers</b>		
<u>(i) By type of deposits</u>		
Short term money market deposits	<b>89,387</b>	38,637
 <u>(ii) By type of customers</u>		
Business enterprises	<b>89,387</b>	38,637
	<b>89,387</b>	38,637

	<b>The Group and the Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A12. Deposits and placements of banks and other financial institutions</b>		
Licensed banks	<b>270,677</b>	250,705
Other financial institutions	<b>209,081</b>	450,291
	<b>479,758</b>	700,996

The maturity structure of deposits and placements of banks and other financial institutions is as follows:

Due within six months	<b>479,758</b>	700,996
	<b>479,758</b>	700,996

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>A13. Other liabilities</b>				
Due to brokers and clients	<b>1,200,385</b>	1,136,062	<b>1,200,385</b>	1,136,062
Structured deposits	<b>137,000</b>	138,550	<b>137,000</b>	138,550
Others	<b>174,208</b>	803,778	<b>172,838</b>	801,674
	<b>1,511,593</b>	2,078,390	<b>1,510,223</b>	2,076,286

**PART A - EXPLANATORY NOTES (CONTINUED)**

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b>A14. Interest income</b>				
<b><u>Group</u></b>				
Loans, advances and financing	1,347	1,385	4,037	4,130
Money at call and deposits placements with banks and other financial institutions	7,747	6,836	23,402	24,474
Financial assets at fair value through profit or loss	17	-	60	-
Financial assets held for trading	-	9	-	45
Others	452	338	1,275	1,127
	<b>9,563</b>	<b>8,568</b>	<b>28,774</b>	<b>29,776</b>
Amortisation of premium less accretion of discount	1	1	-	4
	<b>9,564</b>	<b>8,569</b>	<b>28,774</b>	<b>29,780</b>
<b><u>Bank</u></b>				
Loans, advances and financing	1,347	1,385	4,037	4,130
Money at call and deposits placements with banks and other financial institutions	5,619	5,356	17,557	19,912
Financial assets at fair value through profit or loss	17	-	60	-
Financial assets held for trading	-	9	-	45
Others	371	338	1,174	1,127
	<b>7,354</b>	<b>7,088</b>	<b>22,828</b>	<b>25,214</b>
Amortisation of premium less accretion of discount	1	1	-	4
	<b>7,355</b>	<b>7,089</b>	<b>22,828</b>	<b>25,218</b>
<b>A15. Interest expense</b>				
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	4,578	5,909	15,455	21,793
Deposits from customers	1,081	751	3,214	2,510
Subordinated loans	126	128	374	388
Others	1	-	8	-
	<b>5,786</b>	<b>6,788</b>	<b>19,051</b>	<b>24,691</b>
<b><u>Bank</u></b>				
Deposits and placements of banks and other financial institutions	4,578	5,909	15,455	21,793
Deposits from customers	1,081	751	3,214	2,510
	<b>5,659</b>	<b>6,660</b>	<b>18,669</b>	<b>24,303</b>

**PART A - EXPLANATORY NOTES (CONTINUED)**

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b>A16. Non interest income</b>				
<b><u>Group</u></b>				
a) <b>Fee income and commission income:</b>				
Commissions	369	1,170	1,768	2,571
Advisory and arrangement fees	5,518	13,225	15,505	28,967
Underwriting commissions	-	2,444	10	4,639
Placement fees	1,802	51	2,029	8,260
Other fee income	2,395	2,710	4,213	6,898
	<b>10,084</b>	<b>19,600</b>	<b>23,525</b>	<b>51,335</b>
b) <b>Net gain arising from financial assets at fair value through profit or loss :</b>				
- realised gain	1,593	-	2,012	-
- unrealised gain	589	-	307	-
	<b>2,182</b>	<b>-</b>	<b>2,319</b>	<b>-</b>
c) <b>Net (loss)/gain arising from derivative financial instrument :</b>				
- realised loss	(915)	(131)	(1,253)	(15,162)
- unrealised gain	-	1,606	-	1,793
	<b>(915)</b>	<b>1,475</b>	<b>(1,253)</b>	<b>(13,369)</b>
d) <b>Net gain arising from financial assets held for trading:</b>				
- realised gain	-	939	-	6,221
- unrealised (loss)/gain	-	(190)	-	279
	<b>-</b>	<b>749</b>	<b>-</b>	<b>6,500</b>
e) <b>Dividend income from:</b>				
Financial assets at fair value through profit or loss	-	-	3	-
Financial assets held for trading	-	-	-	2
	<b>-</b>	<b>-</b>	<b>3</b>	<b>2</b>
f) <b>Other income:</b>				
Foreign exchange gain	3,847	524	8,573	20,493
Gain on disposal of property, plant and equipment	596	391	1,869	1,129
Other non-operating income	1,156	1,256	3,435	3,336
	<b>5,599</b>	<b>2,171</b>	<b>13,877</b>	<b>24,958</b>
g) <b>Income from asset management and securities services</b>	<b>4,677</b>	<b>6,389</b>	<b>14,205</b>	<b>15,278</b>
h) <b>Brokerage Income</b>	<b>30,857</b>	<b>39,367</b>	<b>99,399</b>	<b>105,047</b>
<b>Total non interest income</b>	<b>52,484</b>	<b>69,751</b>	<b>152,075</b>	<b>189,751</b>

**PART A - EXPLANATORY NOTES (CONTINUED)**

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b>A16. Non interest income (Continued)</b>				
<b><u>Bank</u></b>				
a) <b>Fee income and commission income:</b>				
Commissions	369	1,170	1,768	2,571
Advisory and arrangement fees	5,518	13,225	15,505	28,967
Underwriting commissions	-	2,444	10	4,639
Placement fees	1,802	51	2,029	8,260
Other fee income	2,395	2,710	4,213	6,898
	<b>10,084</b>	<b>19,600</b>	<b>23,525</b>	<b>51,335</b>
b) <b>Net gain arising from financial assets at fair value through profit or loss :</b>				
- realised gain	1,593	-	2,012	-
- unrealised loss	589	-	307	-
	<b>2,182</b>	<b>-</b>	<b>2,319</b>	<b>-</b>
c) <b>Net (loss)/gain arising from derivative financial instrument :</b>				
- realised loss	(915)	(131)	(1,253)	(15,162)
- unrealised gain	-	1,606	-	1,793
	<b>(915)</b>	<b>1,475</b>	<b>(1,253)</b>	<b>(13,369)</b>
d) <b>Net gain arising from financial assets held for trading:</b>				
- realised gain	-	939	-	6,221
- unrealised (loss)/gain	-	(190)	-	279
	<b>-</b>	<b>749</b>	<b>-</b>	<b>6,500</b>
e) <b>Dividend income from:</b>				
Financial assets at fair value through profit or loss	-	-	3	-
Financial assets held for trading	-	-	-	2
	<b>-</b>	<b>-</b>	<b>3</b>	<b>2</b>
f) <b>Other income:</b>				
Foreign exchange gain	3,841	516	8,578	20,499
Gain on disposal of property, plant and equipment	596	391	1,851	1,129
Other non-operating income	1,156	1,223	3,432	3,305
	<b>5,593</b>	<b>2,130</b>	<b>13,861</b>	<b>24,933</b>
g) <b>Income from asset management and securities services</b>	<b>4,677</b>	<b>6,389</b>	<b>14,205</b>	<b>15,278</b>
h) <b>Brokerage Income</b>	<b>29,638</b>	<b>38,098</b>	<b>95,468</b>	<b>101,661</b>
<b>Total non interest income</b>	<b>51,259</b>	<b>68,441</b>	<b>148,128</b>	<b>186,340</b>

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A17. Overheads**

<b>Group</b>	<b>3rd quarter ended</b>		<b>Nine months ended</b>	
	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	<b>35,859</b>	34,920	<b>105,943</b>	105,807
- Pension cost (defined contribution plan)	<b>4,085</b>	3,750	<b>12,370</b>	11,339
- Overtime, meal and transport claims	<b>123</b>	119	<b>370</b>	292
- Others	<b>2,153</b>	2,712	<b>6,000</b>	6,185
	<b>42,220</b>	41,501	<b>124,683</b>	123,623
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	<b>2,518</b>	5,620	<b>9,594</b>	16,086
- Depreciation of investment property	<b>129</b>	129	<b>386</b>	386
- Rental	<b>6,773</b>	6,320	<b>19,532</b>	20,135
- Others	<b>2,437</b>	2,551	<b>8,809</b>	8,275
	<b>11,857</b>	14,620	<b>38,321</b>	44,882
<b>Marketing expenses</b>				
- Advertisement	<b>745</b>	902	<b>1,088</b>	2,181
- Entertainment expenses	<b>844</b>	1,085	<b>2,605</b>	3,618
- Others	<b>612</b>	458	<b>1,897</b>	1,205
	<b>2,201</b>	2,445	<b>5,590</b>	7,004
<b>Administration and general expenses</b>				
- Legal and professional fees	<b>235</b>	2,088	<b>118</b>	3,533
- Communication	<b>237</b>	207	<b>673</b>	663
- Printing and stationery	<b>182</b>	294	<b>1,025</b>	1,242
- Administrative vehicle, travelling and insurance	<b>431</b>	884	<b>1,935</b>	2,748
- Others	<b>371</b>	3,543	<b>10,555</b>	8,908
	<b>1,456</b>	7,016	<b>14,306</b>	17,094
Shared services cost #	<b>(5,760)</b>	(13,094)	<b>(26,187)</b>	(30,273)
Total overhead expenses	<b>51,974</b>	52,488	<b>156,713</b>	162,330

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A17. Overheads (Continued)**

	<b>3rd quarter ended</b>		<b>Nine months ended</b>	
	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	<b>35,293</b>	34,423	<b>104,239</b>	104,352
- Pension cost (defined contribution plan)	<b>4,017</b>	3,690	<b>12,167</b>	11,168
- Overtime, meal and transport claims	<b>123</b>	119	<b>370</b>	292
- Others	<b>2,128</b>	2,673	<b>5,859</b>	6,103
	<b>41,561</b>	40,905	<b>122,635</b>	121,915
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	<b>3,727</b>	5,586	<b>10,752</b>	15,981
- Depreciation of investment property	<b>129</b>	129	<b>386</b>	386
- Rental	<b>6,117</b>	5,781	<b>17,808</b>	18,848
- Others	<b>2,404</b>	2,540	<b>8,747</b>	8,242
	<b>12,377</b>	14,036	<b>37,693</b>	43,457
<b>Marketing expenses</b>				
- Advertisement	<b>646</b>	902	<b>989</b>	2,181
- Entertainment expenses	<b>830</b>	1,092	<b>2,519</b>	3,573
- Others	<b>562</b>	436	<b>1,773</b>	1,152
	<b>2,038</b>	2,430	<b>5,281</b>	6,906
<b>Administration and general expenses</b>				
- Legal and professional fees	<b>223</b>	2,016	<b>90</b>	3,120
- Communication	<b>233</b>	204	<b>665</b>	656
- Printing and stationery	<b>182</b>	294	<b>1,025</b>	1,242
- Administrative vehicle, travelling and insurance	<b>424</b>	879	<b>1,911</b>	2,717
- Others	<b>86</b>	3,374	<b>9,935</b>	8,553
	<b>1,148</b>	6,767	<b>13,626</b>	16,288
Shared services cost #	<b>(5,760)</b>	(13,094)	<b>(26,187)</b>	(30,273)
Total overhead expenses	<b>51,364</b>	51,044	<b>153,048</b>	158,293

# The allocation basis of support units cost and shared services cost was reviewed and refined on a regular basis.

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A18 (a). Expected credit losses /allowance for impairment losses on loans advances and financing**

	3rd quarter ended		Nine months ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b>The Group and the Bank</b>				
<b>Expected credit losses/allowance for impairment losses on loans, advances and financing at amortised cost:</b>				
- Expected credit losses written back/ (made) on loans, advances and financing	8	-	(120)	-
- Individual impairment allowance	-	(384)	-	(1,665)
- Portfolio impairment allowance	-	2	-	14
Credit impaired/impaired loans and advances :				
- recovered	-	-	98	-
	<b>8</b>	<b>(382)</b>	<b>(22)</b>	<b>(1,651)</b>

**A18 (b). Other Expected credit losses written back on / write back of other impairment losses**

**Group**

Expected credit losses written back on:

- Other receivables	2,109	-	2,916	-
Net allowance written back on:				
- Other receivables	-	8	-	196
	<b>2,109</b>	<b>8</b>	<b>2,916</b>	<b>196</b>

**Bank**

Expected credit losses written back on:

- Other receivables	2,098	-	2,905	-
Net allowance written back on:				
- Other receivables	-	8	-	196
	<b>2,098</b>	<b>8</b>	<b>2,905</b>	<b>196</b>

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A19. Derivative financial instruments and commitment and contingencies**

**i) Derivative financial instruments**

The following tables summarise the contractual or underlying principal amounts of trading derivative. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the end of reporting period, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

	<b>The Group and The Bank</b>		
	<b>Principal amount</b>	<b>Fair values</b>	
	<b>RM'000</b>	<b>Assets</b>	<b>Liabilities</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>At 30 September 2018</b>			
<b>Trading derivatives</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	137,000	673	(290)
<u>Equity derivatives</u>			
Equity options			
- Less than 1 year	80,397	-	-
- 1 year to 3 years	203,192	-	-
<u>Credit related contract</u>			
Total return swap			
- More than 3 years	274,000	1,281	(1,763)
<b>Total derivative assets/(liabilities)</b>	<b>694,589</b>	<b>1,954</b>	<b>(2,053)</b>
<b>At 31 December 2017</b>			
<b>Trading derivatives</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	138,550	4,519	-
<u>Equity derivatives</u>			
Equity options			
- More than 3 years	281,108	-	-
<u>Credit related contract</u>			
Total return swap			
- More than 3 years	277,100	4,552	(5,169)
<b>Total derivative assets/(liabilities)</b>	<b>696,758</b>	<b>9,071</b>	<b>(5,169)</b>



## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A19. Derivative financial instruments and commitment and contingencies (Continued)**

#### **i) Derivative financial instruments (Continued)**

The Group's derivative financial instruments are subject to market and credit risk, as follows:

##### Market Risk

Market risk is defined as any fluctuation in the value arising from changes in value of market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. The Group's risk management department monitors and manages market risk exposure via stress testing of the Group's Value-at-Risk (VaR) model, in addition to reviewing and analysing its treasury trading strategy, positions and activities vis-à-vis changes in the financial market, monitoring limit usage, assessing limit adequacy, and verifying transaction prices.

##### Credit Risk

Credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfill their obligation to pay the Group and the Bank the positive fair value or receivable resulting from the execution of contract terms. As at 30 September 2018, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM1,954,000 (31 December 2017: RM9,017,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

##### Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

##### Cash requirements of the derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 September 2018, the Group and the Bank has posted cash collateral of RM138 million (31 December 2017: RM139 million) on their derivative contracts.

There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are disclosed in the audited annual financial statements for the financial year ended 31 December 2017.

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A19. Derivative financial instruments and commitment and contingencies (Continued)**

**ii) Commitment and contingencies**

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

These commitments and contingencies are not secured over the Group and the Bank.

**The notional or principal amount of the commitments and contingencies constitute the following :**

	<b>The Group and the Bank</b>	
	<b>30 September 2018</b>	<b>31 December 2017</b>
	<b>Principal amount RM'000</b>	<b>Principal amount RM'000</b>
<u>Credit-related</u>		
Irrevocable commitments to extend credit:		
- Maturity exceeding 1 year	<b>549</b>	1,354
Total credit-related commitments and contingencies	<b>549</b>	1,354
<u>Treasury-related</u>		
Interest rate related contracts		
- Five years and above	<b>137,000</b>	138,550
Equity related contracts		
- Less than one year	<b>80,397</b>	-
- One year to less than 5 years	<b>203,192</b>	281,108
Credit related contracts		
- Five years and above	<b>274,000</b>	277,100
Total treasury-related commitments and contingencies	<b>694,589</b>	696,758
	<b>695,138</b>	698,112

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A20. Capital Adequacy**

The capital adequacy framework applicable is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which was revised on 13 October 2015 and then subsequently on 4 August 2017. The revised guidelines took effect for all banking institutions on 1 January 2016 and 4 August 2017 respectively and will take effect for all financial holding companies on 1 January 2019. The revised guidelines set out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Group and Bank are computed in accordance with the BNM Capital Adequacy Framework (Basel II - RiskWeighted Assets) which was revised on 2 March 2017. The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach.

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 September 2018</b>	<b>31 December 2017</b>	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Before deducting proposed dividend</b>				
Common Equity Tier 1 Ratio	32.547%	35.950%	35.045%	39.596%
Tier 1 ratio	32.547%	35.950%	35.045%	39.596%
Total capital ratio	32.820%	35.950%	35.360%	39.596%
<b>After deducting proposed dividend</b>				
Common Equity Tier 1 Ratio	32.547%	30.867%	35.045%	33.651%
Tier 1 ratio	32.547%	30.867%	35.045%	33.651%
Total capital ratio	32.820%	30.867%	35.360%	33.651%

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 September 2018</b>	<b>31 December 2017</b>	<b>30 September 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	1,075,945	1,110,035	859,464	869,393
Market risk	68,415	56,342	67,990	55,924
Operational risk	606,085	643,358	584,120	622,356
Total risk-weighted assets	<b>1,750,445</b>	<b>1,809,735</b>	<b>1,511,574</b>	<b>1,547,673</b>

c) Components of Common Equity Tier I and Tier II capitals are as follows :

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 September 2018</b>	<b>31 December 2017</b>	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Common Equity Tier I capital</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Ordinary share capital	100,000	100,000	100,000	100,000
Other reserves	509,179	583,317	468,239	544,682
Less : Proposed dividends	-	(92,000)	-	(92,000)
Common Equity Tier I capital before regulatory adjustments	<b>609,179</b>	<b>591,317</b>	<b>568,239</b>	<b>552,682</b>
<u>Less: Regulatory adjustments</u>				
Goodwill	(964)	(964)	-	-
Deferred Tax Assets	(22,075)	(21,344)	(21,910)	(21,217)
Deduction in excess of Tier 1 & 2 capital	-	(1,417)	-	(1,503) NI
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(8,815)	(6,859)	(9,000)	(7,200)
Regulatory reserve	(7,599)	(1,952)	(7,599)	(1,952)
Others	-	(174)	-	-
Common equity tier I capital after regulatory adjustments	<b>569,726</b>	<b>558,607</b>	<b>529,730</b>	<b>520,810</b>
Total Tier 1 Capital	<b>569,726</b>	<b>558,607</b>	<b>529,730</b>	<b>520,810</b>
<b>Tier II capital</b>				
Redeemable Preference Shares	4	5	4	5
General provisions/ Portfolio impairment allowance and regulatory reserves	7,699	2,037	7,699	2,203
Tier II capital before regulatory adjustments	<b>7,703</b>	<b>2,042</b>	<b>7,703</b>	<b>2,208</b>
<u>Less: Regulatory adjustments</u>				
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(2,940)	(3,459)	(2,940)	(3,545)
Total Tier II capital	<b>4,763</b>	<b>-</b>	<b>4,763</b>	<b>-</b> NI
Total capital	<b>574,489</b>	<b>558,607</b>	<b>534,493</b>	<b>520,810</b>

NI The excess of Tier II capital was deducted under Common Equity Tier I capital.

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A21. LEVERAGE RATIO**

The leverage ratio framework applicable to the Malaysian banking entities is based on BNM Leverage Ratio issued on 8 December 2017, which comes into effect on 1 January 2018. A Banking institution must maintain a minimum of Leverage ratio of 3% at all times as required by the Policy.

**30 September 2018**

	<b>The Group</b>	<b>The Bank</b>
<b>Leverage ratio</b>	<b><u>18.02%</u></b>	<b><u>19.10%</u></b>

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A22. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Management Committee as its chief operating decision-maker.

Segment information is presented in respect of the Group's business segment.

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure.

#### **Definition of segments**

For management purposes, the Group is divided into five major business lines - Financial advisory, underwriting and other fees, Debt financing related, Equity related, Investments and securities services and Support and others. The business lines are the basis on which the Group reports its segment information.

*Financial advisory, underwriting and other fees* mainly comprise fees derived from structured financial solutions, origination of capital market products, mergers and acquisitions, secondary offerings, asset backed securities, debt restructurings, corporate advisory, Islamic capital market products. In addition, this segment also includes underwriting of primary equities and debt products.

*Debt/financing related* mainly comprises proprietary trading and market making, debt related derivatives and structured products. It also invests in proprietary capital.

*Equity related* mainly comprises institutional and retail broking business for securities listed on the Exchange. It also includes income from trading and investing in domestic and regional equities market.

*Investments and securities services* mainly comprise annuity income derived from fund management, unit trust, agency and securities services.

*Support and others* mainly comprise all middle and back-office processes and other related services which are non-core operations.

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A22. Segment reporting (Continued)**

The following table presents an analysis of the Group's results and statements of financial position by business segments:

<b>The Group</b>	<b>Financial advisory, underwriting and other fees</b>	<b>Debt / financing related</b>	<b>Equity related</b>	<b>Investments and securities services</b>	<b>Support and others</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 September 2018</b>						
Net interest income	-	5,743	-	-	3,980	9,723
Non interest income	12,350	9,274	94,578	31,058	4,815	152,075
Income from Islamic Banking operations	725	20,375	2,175	3,837	-	27,112
	<u>13,075</u>	<u>35,392</u>	<u>96,753</u>	<u>34,895</u>	<u>8,795</u>	<u>188,910</u>
Overheads	(29,343)	(21,006)	(92,509)	(11,082)	(2,773)	(156,713)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(1,791)	(181)	(4,728)	(4,065)	1,171	(9,594)
<i>Depreciation of Investment Property</i>	-	-	-	(386)	-	(386)
(Loss)/ profit before expected credit losses	(16,268)	14,386	4,244	23,813	6,022	32,197
Expected credit losses written back/(made) on loans, advances and financing	-	-	-	-	(22)	(22)
Other expected credit losses written back/(made) for other impairment losses	1,054	(511)	1,863	498	12	2,916
Segment results	<u>(15,214)</u>	<u>13,875</u>	<u>6,107</u>	<u>24,311</u>	<u>6,012</u>	<u>35,091</u>
Share of results of associates						242
Profit before taxation						35,333
Taxation						(14,587)
Net profit for the financial period						<u>20,746</u>
<b>30 September 2018</b>						
Segment assets	8,342	954,756	1,490,950	28,996	210,314	2,693,358
Unallocated assets						26,035
<b>Total assets</b>						<u>2,719,393</u>
Segment liabilities	5,701	744,991	1,273,391	37,544	31,529	2,093,156
Unallocated liabilities						12,632
<b>Total liabilities</b>						<u>2,105,788</u>
<b>Other segment items</b>						
Capital expenditure:						
- addition of property, plant and equipment	55	-	142	315	461	973
Amortisation of premium less accretion of discount	-	-	-	-	-	-

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A22. Segment reporting (Continued)**

The following table presents an analysis of the Group's results and statements of financial position by business segments: (continued)

	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
The Group						
30 September 2017						
Net interest income	-	1,061	-	-	4,028	5,089
Non interest income	32,719	18,133	103,702	31,396	3,801	189,751
Income from Islamic Banking operations	5,920	14,842	4,354	3,693	-	28,809
	38,639	34,036	108,056	35,089	7,829	223,649
Overheads	(27,424)	(14,078)	(93,142)	(26,390)	(1,296)	(162,330)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(2,025)	(200)	(5,397)	(8,453)	(11)	(16,086)
<i>Depreciation of Investment Property</i>	-	-	-	(386)	-	(386)
Profit before allowances	11,215	19,958	14,914	8,699	6,533	61,319
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(1,651)	(1,651)
(Allowance for)/write back of impairment losses on other receivables	246	(519)	414	28	27	196
Segment results	11,461	19,439	15,328	8,727	4,909	59,864
Share of results of associates						262
Profit before taxation						60,126
Taxation						(20,443)
Net profit for the financial period						39,683
31 December 2017						
Segment assets	37,667	1,884,751	1,363,978	35,414	190,499	3,512,309
Unallocated assets						27,598
<b>Total assets</b>						<b>3,539,907</b>
Segment liabilities	4,953	1,514,390	1,232,768	70,510	10,569	2,833,190
Unallocated liabilities						23,390
<b>Total liabilities</b>						<b>2,856,580</b>
<b>Other segment items</b>						
Capital expenditure:						
- addition of property, plant and equipment	3,413	-	830	40	160	4,443
Amortisation of premium less accretion of discount	-	4	-	-	-	4

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A23. FAIR VALUE ESTIMATION**

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.

#### Determination of fair value and fair value hierarchy

##### Valuation Model Review and Approval

The fair value hierarchy has the following levels:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

#### Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of rate reasonableness verification;
- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative Analysts before submitting to the Group Market Risk Committee for approval;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Regional Head, Market Risk Management and/or the Group Market Risk Committee;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.



## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A23. FAIR VALUE ESTIMATION (CONTINUED)**

The following table represents the Group's and the Bank's financial assets and financial liabilities measured at fair value and classified by level with the following fair value measurement hierarchy as at 30 September 2018 and 31 December 2017.

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b><u>The Group</u></b>					
<b>30 September 2018</b>					
<i>Recurring fair value measurement</i>					
<b><u>Financial assets</u></b>					
Financial assets at fair value through profit or loss					
- Quoted securities	2,008	2,008	-	-	2,008
- Unquoted securities	2,953	-	2,953	-	2,953
Equity instruments at fair value through other comprehensive income					
- Unquoted securities	821	-	-	821	821
Derivative financial instruments					
- Trading derivatives	1,954	-	1,954	-	1,954
<b>Total</b>	<b>7,736</b>	<b>2,008</b>	<b>4,907</b>	<b>821</b>	<b>7,736</b>
<b><u>Financial liabilities</u></b>					
Derivative financial instruments					
- Trading derivatives	2,053	-	2,053	-	2,053
<b>Total</b>	<b>2,053</b>	<b>-</b>	<b>2,053</b>	<b>-</b>	<b>2,053</b>

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b><u>The Bank</u></b>					
<b>30 September 2018</b>					
<i>Recurring fair value measurement</i>					
<b><u>Financial assets</u></b>					
Financial assets at fair value through profit or loss					
- Quoted securities	2,008	2,008	-	-	2,008
- Unquoted securities	2,953	-	2,953	-	2,953
Derivative financial instruments					
- Trading derivatives	1,954	-	1,954	-	1,954
<b>Total</b>	<b>6,915</b>	<b>2,008</b>	<b>4,907</b>	<b>-</b>	<b>6,915</b>
<b><u>Financial liabilities</u></b>					
Derivative financial instruments					
- Trading derivatives	2,053	-	2,053	-	2,053
<b>Total</b>	<b>2,053</b>	<b>-</b>	<b>2,053</b>	<b>-</b>	<b>2,053</b>

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A23. FAIR VALUE ESTIMATION (CONTINUED)**

The following table represents the Group's and the Bank's financial assets and financial liabilities measured at fair value and classified by level with the following fair value measurement hierarchy as at 30 September 2018 and 31 December 2017. (Continued)

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b><u>The Group</u></b>					
<b>31 December 2017</b>					
<b><i>Recurring fair value measurement</i></b>					
<b><u>Financial assets</u></b>					
Financial assets held for trading					
- Quoted securities	757	757	-	-	757
- Unquoted securities	1,767	-	1,767	-	1,767
Financial investments available-for-sale					
- Unquoted securities	821	-	-	821	821
Derivative financial instruments					
- Trading derivatives	9,071	-	9,071	-	9,071
<b>Total</b>	<b>12,416</b>	<b>757</b>	<b>10,838</b>	<b>821</b>	<b>12,416</b>
<b><u>Financial liabilities</u></b>					
Derivative financial instruments					
- Trading derivatives	5,169	-	5,169	-	5,169
<b>Total</b>	<b>5,169</b>	<b>-</b>	<b>5,169</b>	<b>-</b>	<b>5,169</b>

	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b><u>The Bank</u></b>					
<b>31 December 2017</b>					
<b><i>Recurring fair value measurement</i></b>					
<b><u>Financial assets</u></b>					
Financial assets held for trading					
- Quoted securities	757	757	-	-	757
- Unquoted securities	1,767	-	1,767	-	1,767
Derivative financial instruments					
- Trading derivatives	9,071	-	9,071	-	9,071
<b>Total</b>	<b>11,595</b>	<b>757</b>	<b>10,838</b>	<b>-</b>	<b>11,595</b>
<b><u>Financial liabilities</u></b>					
Derivative financial instruments					
- Trading derivatives	5,169	-	5,169	-	5,169
<b>Total</b>	<b>5,169</b>	<b>-</b>	<b>5,169</b>	<b>-</b>	<b>5,169</b>

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A23. FAIR VALUE ESTIMATION (CONTINUED)**

The following represents the movement in Level 3 instruments for the financial period/year ended 30 September 2018 and 31 December 2017 for the Group and the Bank.

	<b>Financial Assets</b>	
	<b>Equity instruments at fair value through other comprehensive income</b>	<b>Total</b>
<b>The Group</b>	<b>Unquoted securities</b>	<b>RM'000</b>
<b><u>30 September 2018</u></b>		
At 1 January	-	-
Effect of adopting MFRS 9	821	821
Adjusted 1 January	821	821
At 30 September 2018	821	821

	<b>Financial Assets</b>	
	<b>Financial investments available-for-sale</b>	<b>Total</b>
<b>The Group</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>31 December 2017</u></b>		
At 1 January 2017	1,303	1,303
Total loss recognised in Statement of income	(37)	(37)
Total gain recognised in other comprehensive income	129	129
Redemption of securities	(574)	(574)
At 31 December 2017	821	821

Total loss recognised in Statement of income relating to assets held on 31 December 2017	37	37
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	<b>Financial Assets</b>	
	<b>Financial investments available-for-sale</b>	<b>Total</b>
<b>The Bank</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>31 December 2017</u></b>		
At 1 January 2017	611	611
Total loss recognised in Statement of income	(37)	(37)
Redemption of securities	(574)	(574)
At 31 December 2017	-	-

Total loss recognised in Statement of income relating to assets held on 31 December 2017	(37)	(37)
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**PART A - EXPLANATORY NOTES (CONTINUED)**

**A24. The operations of Islamic Banking**

**A24a. Unaudited Statements of Financial Position as at 30 September 2018**

	<b>The Group and the Bank</b>	
	<b>30</b>	<b>31</b>
	<b>September</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
Cash and short-term funds	<b>285,416</b>	418,545
Islamic derivative financial instruments	<b>1,953</b>	9,071
Other assets	<b>174,152</b>	142,543
Tax recoverable	<b>2,970</b>	420
Deferred tax assets	<b>171</b>	123
Property, plant and equipment	<b>69</b>	132
Amount due from related companies	<b>188</b>	292
<b>Total assets</b>	<b>464,919</b>	571,126
<b>Liabilities and Islamic Banking capital funds</b>		
Islamic derivative financial instruments	<b>2,053</b>	5,169
Other liabilities	<b>138,451</b>	157,903
Amount due to related companies	<b>412</b>	413
<b>Total liabilities</b>	<b>140,916</b>	163,485
Islamic Banking capital funds	<b>55,696</b>	55,696
Reserves	<b>268,307</b>	351,945
<b>Total Islamic Banking capital funds</b>	<b>324,003</b>	407,641
<b>Total liabilities and Islamic Banking capital funds</b>	<b>464,919</b>	571,126

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A24. The operations of Islamic Banking**

**A24b. Unaudited Statements of Income for the financial period ended 30 September 2018**

	<b>The Group and the Bank</b>			
	<b>3rd quarter ended</b>		<b>Nine months ended</b>	
	<b>30</b>	30	<b>30</b>	30
	<b>September</b>	September	<b>September</b>	September
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of shareholders' funds	<b>5,094</b>	14,380	<b>27,113</b>	28,812
Other expected credit losses written back/ (allowance for) impairment losses on other receivables	<b>215</b>	(90)	<b>13</b>	(49)
<b>Total attributable income</b>	<b>5,309</b>	14,290	<b>27,126</b>	28,763
Income attributable to the depositors and others	-	(1)	(1)	(3)
<b>Total net income</b>	<b>5,309</b>	14,289	<b>27,125</b>	28,760
Personnel expenses	<b>(162)</b>	(289)	<b>(467)</b>	(870)
Other overheads and expenditures	<b>(5,342)</b>	(2,931)	<b>(15,208)</b>	(8,423)
<b>Profit before taxation</b>	<b>(195)</b>	11,069	<b>11,450</b>	19,467
Taxation	<b>40</b>	(2,723)	<b>(3,088)</b>	(4,827)
<b>Profit after taxation/total comprehensive income for the period</b>	<b>(155)</b>	8,346	<b>8,362</b>	14,640
<u>Income from Islamic operations (per page 2)</u>				
<b>Total net income</b>	<b>5,309</b>	14,289	<b>27,125</b>	28,760
Less : Other expected credit losses (written back) / allowance for impairment losses on other receivables	<b>(215)</b>	90	<b>(13)</b>	49
	<b>5,094</b>	14,379	<b>27,112</b>	28,809

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A24c. Capital Adequacy**

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

	<b>The Group and the Bank</b>	
	<b>30 September 2018</b>	<b>31 December 2017</b>
<b>Before deducting proposed dividend</b>		
Common Equity Tier 1 Ratio	<b>119.437%</b>	143.155%
Tier 1 ratio	<b>119.437%</b>	143.155%
Total capital ratio	<b>119.437%</b>	143.155%
<b>After deducting proposed dividend</b>		
Common Equity Tier 1 Ratio	<b>119.437%</b>	110.836%
Tier 1 ratio	<b>119.437%</b>	110.836%
Total capital ratio	<b>119.437%</b>	110.836%

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

	<b>The Group and the Bank</b>	
	<b>30 September 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>156,517</b>	163,477
Market risk	<b>8,832</b>	9,113
Operational risk	<b>105,784</b>	112,080
Total risk-weighted assets	<b>271,133</b>	284,670

c) Components of Common Equity Tier I and Tier II capitals are as follows :

	<b>The Group and the Bank</b>	
	<b>30 September 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier I capital</b>		
Ordinary share capital	<b>55,696</b>	55,696
Other reserves	<b>268,307</b>	351,945
Less : Proposed dividend	<b>-</b>	(92,000)
Common Equity Tier I capital / Total Tier I Capital	<b>324,003</b>	315,641
<u>Less: Regulatory adjustments</u>		
Deferred Tax Assets	<b>(171)</b>	(123)
Common equity tier I capital after regulatory adjustments / total Tier I capital	<b>323,832</b>	315,518
Total capital base	<b>323,832</b>	315,518

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A25. CHANGE IN ACCOUNTING POLICIES**

With the effect from the financial year beginning on/after 1 January 2018, the Group and the Bank apply MFRS 9 “Financial Instruments”, replacing MFRS 139 “Financial Instruments: Recognition and Measurement”, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

- (i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018:

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Financial assets at fair value through profit or loss</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial assets held for trading	2,524	2,524
Opening balance under MFRS 9 as at 1 January 2018	<u>2,524</u>	<u>2,524</u>
<b>Equity instruments at fair value through other comprehensive income</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments available-for-sale	821	-
Opening balance under MFRS 9 as at 1 January 2018	<u>821</u>	<u>-</u>
<b>Financial assets held for trading</b>		
Closing balance under MFRS 139 as at 31 December 2017	2,524	2,524
- reclassification to financial assets at fair value through profit or loss	(2,524)	(2,524)
Opening balance under MFRS 9 as at 1 January 2018	<u>-</u>	<u>-</u>
<b>Financial investments available-for-sale</b>		
Closing balance under MFRS 139 as at 31 December 2017	821	-
- reclassification to equity instruments at fair value through other comprehensive income	(821)	-
Opening balance under MFRS 9 as at 1 January 2018	<u>-</u>	<u>-</u>

**PART A - EXPLANATORY NOTES (CONTINUED)****A25. CHANGE IN ACCOUNTING POLICIES (CONTINUED)**

- (i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Bank from MFRS 139 to MFRS 9 as at 1 January 2018: (Continued)

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Loans, advances and financing</b>		
Closing balance under MFRS 139 as at 31 December 2017	169,646	169,646
- recognition of expected credit losses under MFRS 9	1,219	1,219
Opening balance under MFRS 9 as at 1 January 2018	<u>170,865</u>	<u>170,865</u>
<b>Other liabilities</b>		
Closing balance under MFRS 139 as at 31 December 2017	2,078,390	2,076,286
- recognition of expected credit losses under MFRS 9	1	1
Opening balance under MFRS 9 as at 1 January 2018	<u>2,078,391</u>	<u>2,076,287</u>
<b>Provision for taxation</b>		
Closing balance under MFRS 139 as at 31 December 2017	6,298	6,242
- in respect of recognition of expected credit losses under MFRS 9	292	292
Opening balance under MFRS 9 as at 1 January 2018	<u>6,590</u>	<u>6,534</u>
<b>Retained earnings</b>		
Closing balance under MFRS 139 as at 31 December 2017	576,929	539,241
- Transfer to regulatory reserve	(5,419)	(5,419)
- Reversal of MFRS 139 impairment loss for equity instruments at fair value through other comprehensive income	6,331	6,331
- Recognition of expected credit losses under MFRS 9	1,218	1,218
- Tax effect arising from MFRS 9	(292)	(292)
Opening balance under MFRS 9 as at 1 January 2018	<u>578,767</u>	<u>541,079</u>
<b>Revaluation reserve - financial investment available-for-sale</b>		
Closing balance under MFRS 139 as at 31 December 2017	317	-
- Transfer to fair value reserve - equity instruments at fair value through other comprehensive income	(317)	-
Opening balance under MFRS 9 as at 1 January 2018	<u>-</u>	<u>-</u>
<b>Fair value reserves - Equity instruments at fair value through other comprehensive income</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- Transfer from revaluation reserve - financial investment available-for-sale	317	-
- Unrealised loss on equity instruments at fair value through other comprehensive income	(6,331)	(6,331)
Opening balance under MFRS 9 as at 1 January 2018	<u>(6,014)</u>	<u>(6,331)</u>
<b>Regulatory reserve</b>		
Closing balance under MFRS 139 as at 31 December 2017	1,952	1,952
- Transfer from retained profits	5,419	5,419
Opening balance under MFRS 9 as at 1 January 2018	<u>7,371</u>	<u>7,371</u>



## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A25. CHANGE IN ACCOUNTING POLICIES (CONTINUED)**

**A25 (a) The impact of the above on the financial statements of the Group and the Bank are set out as follows:**

(i) Impact on the Group's and the Bank's Statement of Financial Position as at 31 December 2017 and 1 January 2018:

	Audited as at 31 December 2017 RM'000	The Group Effects of adopting MFRS 9			Adjusted 1 January 2018 RM'000
		Remeasurement RM'000	Reclassification RM'000	Total RM'000	
<b>Assets</b>					
Cash and short term funds	1,226,387	-	-	-	1,226,387
Deposits and placements with banks and other financial institutions	29	-	-	-	29
Financial assets at fair value through profit or loss	-	-	2,524	2,524	2,524
Equity instruments at fair value through other comprehensive income	-	-	821	821	821
Financial assets held for trading	2,524	-	(2,524)	(2,524)	-
Financial investments available-for-sale	821	-	(821)	(821)	-
Derivative financial instruments	9,071	-	-	-	9,071
Loans, advances and financing	169,646	1,219	-	1,219	170,865
Other assets	2,030,591	-	-	-	2,030,591
Tax recoverable	1	-	-	-	1
Deferred taxation	21,344	-	-	-	21,344
Statutory deposits with central banks	91	-	-	-	91
Amounts due from holding company and ultimate holding company	276	-	-	-	276
Amount due from related companies	4,201	-	-	-	4,201
Investment in associates and joint ventures	7,753	-	-	-	7,753
Goodwill	964	-	-	-	964
Property, plant and equipment	48,359	-	-	-	48,359
Investment properties	17,849	-	-	-	17,849
<b>TOTAL ASSETS</b>	<b>3,539,907</b>	<b>1,219</b>	<b>-</b>	<b>1,219</b>	<b>3,541,126</b>
<b>Liabilities</b>					
Deposits from customers	38,637	-	-	-	38,637
Deposits and placements of banks and other financial institutions	700,996	-	-	-	700,996
Derivative financial instruments	5,169	-	-	-	5,169
Amount due to related companies	17,090	-	-	-	17,090
Other liabilities	2,078,390	1	-	1	2,078,391
Provision for taxation	6,298	292	-	292	6,590
Other borrowings	10,000	-	-	-	10,000
<b>TOTAL LIABILITIES</b>	<b>2,856,580</b>	<b>293</b>	<b>-</b>	<b>293</b>	<b>2,856,873</b>
<b>Equity</b>					
Ordinary share capital	100,000	-	-	-	100,000
Reserves	583,317	926	-	926	584,243
	683,317	926	-	926	684,243
Redeemable preference shares	10	-	-	-	10
<b>TOTAL EQUITY</b>	<b>683,327</b>	<b>926</b>	<b>-</b>	<b>926</b>	<b>684,253</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,539,907</b>	<b>1,219</b>	<b>-</b>	<b>1,219</b>	<b>3,541,126</b>

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A25. CHANGE IN ACCOUNTING POLICIES (CONTINUED)**

#### **A25 (a) The impact of the above on the financial statements of the Group and the Bank are set out as follows: (Continued)**

(i) Impact on the Group's and the Bank's Statement of Financial Position as at 31 December 2017 and 1 January 2018: (Continued)

	<b>The Bank</b>				<b>Adjusted 1 January 2018 RM'000</b>
	<b>Audited as at 31 December 2017 RM'000</b>	<b>Effects of adopting MFRS 9 Remeasurement RM'000</b>	<b>Reclassification RM'000</b>	<b>Total RM'000</b>	
<b>Assets</b>					
Cash and short term funds	1,177,737	-	-	-	1,177,737
Financial assets at fair value through profit or loss	-	-	2,524	2,524	2,524
Financial assets held for trading	2,524	-	(2,524)	(2,524)	-
Derivative financial instruments	9,071	-	-	-	9,071
Loans, advances and financing	169,646	1,219	-	1,219	170,865
Other assets	2,027,910	-	-	-	2,027,910
Deferred taxation	21,217	-	-	-	21,217
Statutory deposits with central banks	91	-	-	-	91
Amounts due from holding company and ultimate holding company	276	-	-	-	276
Amount due from subsidiaries	312	-	-	-	312
Amount due from related companies	4,200	-	-	-	4,200
Investment in subsidiaries	9,050	-	-	-	9,050
Property, plant and equipment	49,229	-	-	-	49,229
Investment properties	17,849	-	-	-	17,849
<b>TOTAL ASSETS</b>	<b>3,489,112</b>	<b>1,219</b>	<b>-</b>	<b>1,219</b>	<b>3,490,331</b>
<b>Liabilities</b>					
Deposits from customers	38,637	-	-	-	38,637
Deposits and placements of banks and other financial institutions	700,996	-	-	-	700,996
Derivative financial instruments	5,169	-	-	-	5,169
Amount due to related companies	17,090	-	-	-	17,090
Other liabilities	2,076,286	1	-	1	2,076,287
Provision for taxation	6,242	292	-	292	6,534
<b>TOTAL LIABILITIES</b>	<b>2,844,420</b>	<b>293</b>	<b>-</b>	<b>293</b>	<b>2,844,713</b>
<b>Equity</b>					
Ordinary share capital	100,000	-	-	-	100,000
Reserves	544,682	926	-	926	545,608
	644,682	926	-	926	645,608
Redeemable preference shares	10	-	-	-	10
<b>TOTAL EQUITY</b>	<b>644,692</b>	<b>926</b>	<b>-</b>	<b>926</b>	<b>645,618</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,489,112</b>	<b>1,219</b>	<b>-</b>	<b>1,219</b>	<b>3,490,331</b>

## **PART A - EXPLANATORY NOTES (CONTINUED)**

### **A25. CHANGE IN ACCOUNTING POLICIES (CONTINUED)**

**A25 (a) The impact of the above on the financial statements of the Group and the Bank are set out as follows: (Continued)**

(ii) Impact on the Group's and the Bank's Statement of Changes in Equity as at 31 December 2017 and 1 January 2018:

	<b>The Group</b>				<b>Adjusted 1 January 2018 RM'000</b>
	<b>Audited as at 31 December 2017 RM'000</b>	<b>Effects of adopting MFRS 9 Remeasurement RM'000</b>	<b>Reclassification RM'000</b>	<b>Total RM'000</b>	
Retained earnings	576,929	1,838	-	1,838	578,767
Revaluation reserve - financial investment available-for-sale	317	-	(317)	(317)	-
Equity instruments at fair value through other comprehensive income	-	(6,331)	317	(6,014)	(6,014)
Regulatory reserve	1,952	5,419	-	5,419	7,371
Others	4,119	-	-	-	4,119
	<u>583,317</u>	<u>926</u>	<u>-</u>	<u>926</u>	<u>584,243</u>

	<b>The Bank</b>				<b>Adjusted 1 January 2018 RM'000</b>
	<b>Audited as at 31 December 2017 RM'000</b>	<b>Effects of adopting MFRS 9 Remeasurement RM'000</b>	<b>Reclassification RM'000</b>	<b>Total RM'000</b>	
Retained earnings	539,241	1,838	-	1,838	541,079
Equity instruments at fair value through other comprehensive income	-	(6,331)	-	(6,331)	(6,331)
Regulatory reserve	1,952	5,419	-	5,419	7,371
Others	3,489	-	-	-	3,489
	<u>544,682</u>	<u>926</u>	<u>-</u>	<u>926</u>	<u>545,608</u>

## **PART B**

### **B1. Group Performance Review**

The Group registered profit before taxation of RM35.3 million for the period ended 30 September 2018 as compared to RM60.1 million in 2017, a decrease of 41.2% Y-o-Y.

The decrease in profit was mainly due to lower fee income and net brokerage income by RM27.8 million and RM5.6 million respectively, as a result of weak equity and capital market in 2018. Income from Islamic Banking operations and Income from asset management and securities services also decrease marginally by RM1.7 million and RM1.1 million respectively. However this was mitigated by decrease in interest expense by RM5.6 million as a result of drop in average interbank borrowings in 2018.

Overheads decreased from RM162.3 million in 2017 to RM156.7 million in 2018 mainly due to lower administration and general expenses by RM5.6 million.

### **B2. Prospects for the Current Financial Year**

Prospects for the Investment Banking business are expected to track the cautious investor sentiment amid the continued global trade tensions and economic uncertainties. Debt Capital Market (DCM), Mergers & Acquisitions (M&A) and Equity Capital Market (ECM) activities will be in a greater part dependent on government policies and measures.

## **PART B (CONTINUED)**

### **B3. COMPUTATION OF EARNINGS PER SHARE (EPS)**

#### **a) Basic EPS**

Basic earnings per share of the Group and the Bank are calculated by dividing the net profit attributable to owners of the Group and the Bank by the weighted average number of ordinary shares issue during the financial period.

	<b>The Group</b>			
	<b>3rd quarter ended 30 September 2018</b>	<b>30 September 2017</b>	<b>Nine months ended 30 September 2018</b>	<b>30 September 2017</b>
Net profit for the financial period (RM '000)	<b>8,773</b>	23,261	<b>20,746</b>	39,683
Weighted average number of ordinary shares in issue ( '000)	<b>100,000</b>	100,000	<b>100,000</b>	100,000
Basic earnings per share (expressed in sen per share)	<b>8.8</b>	23.3	<b>20.7</b>	39.7

	<b>The Bank</b>			
	<b>3rd quarter ended 30 September 2018</b>	<b>30 September 2017</b>	<b>Nine months ended 30 September 2018</b>	<b>30 September 2017</b>
Net profit for the financial period (RM '000)	<b>6,272</b>	22,320	<b>15,940</b>	36,864
Weighted average number of ordinary shares in issue ( '000)	<b>100,000</b>	100,000	<b>100,000</b>	100,000
Basic earnings per share (expressed in sen per share)	<b>6.3</b>	22.3	<b>15.9</b>	36.9

#### **b) Diluted EPS**

There were no dilutive potential ordinary shares outstanding as at 30 September 2018 and 30 September 2017.