

Bank Islam Malaysia Berhad (98127-X)
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Statements of Financial Position as at 30 September 2016

	Note	Group		Bank	
		30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
Assets					
Cash and short-term funds	9	911,578	2,881,669	911,507	2,877,738
Deposits and placements with banks and other financial institutions	10	-	100,577	-	100,577
Financial assets held-for- trading	11	594,817	423,973	589,771	418,718
Derivative financial assets	12	35,200	119,259	35,200	119,259
Financial assets available- for-sale	13	9,576,398	9,937,716	9,576,855	9,938,173
Financial assets held-to- maturity	14	57,086	59,352	57,086	59,352
Financing, advances and others	15	37,132,328	34,294,690	37,132,328	34,294,690
Other assets	16	64,984	70,796	55,356	68,235
Statutory deposits with Bank Negara Malaysia		1,299,047	1,591,460	1,299,047	1,591,460
Current tax assets		2,211	40,127	2,167	40,111
Deferred tax assets		7,601	35,182	7,601	35,182
Investments in subsidiaries		-	-	15,525	15,525
Property and equipment		192,945	208,918	191,887	208,047
Total assets		49,874,195	49,763,719	49,874,330	49,767,067
Liabilities and equity					
Deposits from customers	17	41,374,128	43,556,350	41,382,414	43,594,947
Investment accounts of customers	18	2,608,590	676,105	2,608,590	676,105
Derivative financial liabilities	12	29,642	101,913	29,642	101,913
Bills and acceptance payable		195,929	122,577	195,929	122,577
Subordinated Sukuk Murabahah	19	714,273	704,380	714,273	704,380
Other liabilities	20	511,556	544,209	502,624	508,505
Zakat and taxation		37,202	25,617	37,139	25,587
Total liabilities		45,471,320	45,731,151	45,470,611	45,734,014

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	Note	Group		Bank	
		30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
Equity					
Share capital	21	2,404,384	2,363,283	2,404,384	2,363,283
Reserves		1,998,491	1,669,285	1,999,335	1,669,770
Total equity		4,402,875	4,032,568	4,403,719	4,033,053
Total liabilities and equity		49,874,195	49,763,719	49,874,330	49,767,067
Restricted investment accounts managed by the Bank	18	124,712	82,567	124,712	82,567
Total Islamic banking asset owned and managed by the Bank		49,998,907	49,846,286	49,999,042	49,849,634
Commitments and Contingencies	32	14,447,095	12,692,303	14,447,095	12,692,303

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2016**

Group	Note	3 months ended		9 months ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Income derived from investment of depositors' funds	22	586,634	544,789	1,765,507	1,645,650
Income derived from investment account funds	23	35,102	7,207	66,061	7,255
Income derived from investment of shareholders' funds	24	85,288	111,549	311,564	312,917
(Allowance for)/Reversal of impairment on financing and advances	25	(22,165)	5,337	(87,987)	(50,631)
Allowance for impairment on investments		-	-	(255)	-
Reversal of impairment on other assets		-	-	864	-
Direct expenses		(4,670)	(5,630)	(15,320)	(18,065)
Total distributable income		680,189	663,252	2,040,434	1,897,126
Wakalah performance incentive fees from restricted investment accounts		1,540	56	3,885	56
Income attributable to depositors	26	(259,124)	(259,349)	(801,937)	(761,384)
Income attributable to investment account holders	27	(12,749)	(413)	(18,727)	(414)
Total net income		409,856	403,546	1,223,655	1,135,384
Personnel expenses	28	(129,386)	(120,488)	(381,856)	(332,729)
Other overhead expenses	29	(88,804)	(99,416)	(270,791)	(265,381)
Finance cost on Subordinated Sukuk Murabahah		(9,893)	(4,348)	(29,572)	(7,656)
Profit before zakat and tax		181,773	179,294	541,436	529,618
Zakat		(2,261)	(3,013)	(6,784)	(9,038)
Tax expense		(45,009)	(58,502)	(137,960)	(155,237)
Profit for the period		134,503	117,779	396,692	365,343
Earnings per share (sen)				16.73	15.71

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**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2016 (continued)**

Group	Note	3 months ended		9 months ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Profit for the period		134,503	117,779	396,692	365,343
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		(11,770)	(65,937)	16,711	(95,402)
Fair value reserve					
Net change in fair value		51,709	(87,656)	162,667	(33,653)
Net amount transferred to profit or loss		(14,489)	(861)	(47,745)	(8,978)
Income tax expense relating to components of other comprehensive income		(8,933)	-	(27,581)	-
Other comprehensive income for the period, net of tax		16,517	(154,454)	104,052	(138,033)
Total comprehensive income for the period		151,020	(36,675)	500,744	227,310

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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for the nine months ended 30 September 2016**

Bank	Note	3 months ended		9 months ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Income derived from investment of depositors' funds	22	586,634	544,789	1,765,507	1,645,650
Income derived from investment account funds	23	35,102	7,207	66,061	7,255
Income derived from investment of shareholders' funds	24	83,324	109,892	304,604	308,651
(Allowance for)/Reversal of impairment on financing and advances	25	(22,165)	5,337	(87,987)	(50,631)
Allowance for impairment on investments		-	-	(255)	-
Reversal of impairment on other assets		-	-	864	-
Direct expenses		(4,670)	(5,630)	(15,320)	(18,065)
Total distributable income		678,225	661,595	2,033,474	1,892,860
Wakalah performance incentive fees from restricted investment accounts		1,540	56	3,885	56
Income attributable to depositors	26	(259,181)	(259,411)	(802,112)	(761,542)
Income attributable to investment account holders	27	(12,749)	(413)	(18,727)	(414)
Total net income		407,835	401,827	1,216,520	1,130,960
Personnel expenses	28	(127,824)	(119,054)	(376,813)	(328,520)
Other overhead expenses	29	(88,524)	(99,303)	(268,434)	(265,634)
Finance cost on Subordinated Sukuk Murabahah		(9,893)	(4,348)	(29,572)	(7,656)
Profit before zakat and tax		181,594	179,122	541,701	529,150
Zakat		(2,250)	(3,000)	(6,750)	(9,000)
Tax expense		(44,985)	(58,470)	(137,925)	(155,175)
Profit for the period		134,359	117,652	397,026	364,975

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**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2016 (continued)**

Bank	Note	3 months ended		9 months ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Profit for the period		134,359	117,652	397,026	364,975
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		(11,793)	(66,039)	16,736	(95,543)
Fair value reserve					
Net change in fair value		51,709	(87,656)	162,667	(33,653)
Net amount transferred to profit or loss		(14,489)	(861)	(47,745)	(8,978)
Income tax expense relating to components of other comprehensive income		(8,933)	-	(27,581)	-
Other comprehensive income for the period, net of tax		16,494	(154,556)	104,077	(138,174)
Total comprehensive income for the period		150,853	(36,904)	501,103	226,801

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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Consolidated Statement of Changes in Equity for the nine months ended 30 September 2016

Group	Note	← Attributable to equity holders of the Bank →				Total equity RM'000
		← Non-distributable →		Distributable		
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2016		2,363,283	175,452	1,107,920	385,913	4,032,568
Profit for the period		-	-	-	396,692	396,692
Currency translation difference in respect of foreign operations		-	-	16,711	-	16,711
Fair value reserve – Net change in fair value		-	-	162,667	-	162,667
– Net amount reclassified to profit or loss		-	-	(47,745)	-	(47,745)
Income tax expense relating to components of other comprehensive income		-	-	(27,581)	-	(27,581)
Total comprehensive income for the period		-	-	104,052	396,692	500,744
Transfer to statutory reserve		-	-	131,333	(131,333)	-
Dividends paid on ordinary shares	8	-	-	-	(260,876)	(260,876)
Issue of shares pursuant to Dividend Reinvestment Plan	21	41,101	89,338	-	-	130,439
At 30 September 2016		2,404,384	264,790	1,343,305	390,396	4,402,875
At 1 January 2015		2,319,907	90,981	929,779	388,923	3,729,590
Profit for the period		-	-	-	365,343	365,343
Currency translation difference in respect of foreign operations		-	-	(95,402)	-	(95,402)
Fair value reserve – Net change in fair value		-	-	(33,653)	-	(33,653)
– Net amount reclassified to profit or loss		-	-	(8,978)	-	(8,978)
Total comprehensive income for the period		-	-	(138,033)	365,343	227,310
Transfer to statutory reserve		-	-	123,661	(123,661)	-
Dividends paid on ordinary shares		-	-	-	(256,856)	(256,856)
Issue of shares pursuant to Dividend Reinvestment Plan		43,376	84,471	-	-	127,847
At 30 September 2015		2,363,283	175,452	915,407	373,749	3,827,891

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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Statement of Changes in Equity for the nine months ended 30 September 2016

Bank	Note	← Non-distributable		→	Distributable	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2016		2,363,283	175,452	1,107,738	386,580	4,033,053
Profit for the period		-	-	-	397,026	397,026
Currency translation difference in respect of foreign operations		-	-	16,736	-	16,736
Fair value reserve – Net change in fair value		-	-	162,667	-	162,667
– Net amount reclassified to profit or loss		-	-	(47,745)	-	(47,745)
Income tax expense relating to components of other comprehensive income		-	-	(27,581)	-	(27,581)
Total comprehensive income for the period		-	-	104,077	397,026	501,103
Transfer to statutory reserve		-	-	131,333	(131,333)	-
Dividends paid on ordinary shares	8	-	-	-	(260,876)	(260,876)
Issue of shares pursuant to Dividend Reinvestment Plan	21	41,101	89,338	-	-	130,439
At 30 September 2016		2,404,384	264,790	1,343,148	391,397	4,403,719
At 1 January 2015		2,319,907	90,981	929,721	390,019	3,730,628
Profit for the period		-	-	-	364,975	364,975
Currency translation difference in respect of foreign operations		-	-	(95,543)	-	(95,543)
Fair value reserve – Net change in fair value		-	-	(33,653)	-	(33,653)
– Net amount reclassified to profit or loss		-	-	(8,978)	-	(8,978)
Total comprehensive income for the period		-	-	(138,174)	364,975	226,801
Transfer to statutory reserve		-	-	123,661	(123,661)	-
Dividends paid on ordinary shares		-	-	-	(256,856)	(256,856)
Issue of shares pursuant to Dividend Reinvestment Plan		43,376	84,471	-	-	127,847
At 30 September 2015		2,363,283	175,452	915,208	374,477	3,828,420

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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Condensed Statements of Cash Flow
for the nine months ended 30 September 2016

	Group		Bank	
	9 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	541,436	529,618	541,701	529,150
Adjustment for non-cash items	150,836	201,971	150,773	201,960
Operating profit before working capital changes	692,272	731,589	692,474	731,110
Changes in working capital:				
Net changes in operating assets	(2,611,759)	(2,632,115)	(2,604,692)	(2,631,639)
Net changes in operating liabilities	(291,507)	(283,356)	(295,055)	(284,556)
Net cash used in operations	(2,210,994)	(2,183,882)	(2,207,273)	(2,185,085)
Zakat and tax paid	(103,252)	(150,578)	(103,179)	(150,485)
Tax refund	10,808	45	10,808	-
Net cash used in operating activities	(2,303,438)	(2,334,415)	(2,299,644)	(2,335,570)
Net cash generated from investing activities	346,494	319,880	346,536	320,392
Net cash (used in)/generated from financing activities	(130,437)	170,991	(130,437)	170,991
Net decrease in cash and cash equivalents	(2,087,381)	(1,843,544)	(2,083,545)	(1,844,187)
Cash and cash equivalents at beginning of the period	2,982,246	3,269,353	2,978,315	3,269,127
Exchange difference on translation	16,713	(95,422)	16,737	(95,552)
Cash and cash equivalents at end of the period	911,578	1,330,387	911,507	1,329,388

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2015.

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**Notes to the unaudited interim financial statements
for the nine months ended 30 September 2016**

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the nine months ended 30 September 2016 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), Financial Reporting for Islamic Banking Institution policy issued by Bank Negara Malaysia (“BNM”), the provisions of the Companies Act, 1965 and Shariah requirements.

The unaudited interim financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial assets held-for-trading and financial assets available-for-sale, which have been measured at fair value.

The unaudited interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015. The explanatory notes attached to the unaudited 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 Bank since the financial year ended 31 December 2015.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2015, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) and amendments to MFRSs:

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2015 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2015 Cycle)*

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1. Basis of preparation (continued)

The following MFRSs and amendments have been issued by the MASB and are not yet effective for the Group and the Bank:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRS effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

Amendments to MFRSs effective for 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 and amendments:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Bank except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

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

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

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1. Basis of preparation (continued)

MFRS 16, Leases

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15, MFRS 9 and MFRS 16.

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 was not qualified.

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the nine months ended 30 September 2016.

4. Unusual items

There were no unusual items in the nine months ended 30 September 2016.

5. Changes in accounting estimates

There was no material change in estimates of amounts reported in the prior financial year that has a material effect to the financial statements for the nine months ended 30 September 2016.

6. Debt and equity securities

There was no issuance or repayment of debt and equity securities or share buy-back during the nine months ended 30 September 2016 other than the issuance of new ordinary shares as disclosed in Note 21.

7. Significant events during the nine months ended 30 September 2016

The Bank increased its issued and paid-up capital on 18 May 2016 from RM2,363,282,700 to RM2,384,209,700 via the issuance of 20,927,000 new ordinary shares of RM1.00 each at a consideration of RM3.10 each arising from the Dividend Reinvestment Plan, as disclosed in Note 21.

The Bank further increased its issued and paid-up capital on 22 September 2016 from RM2,384,209,700 to RM2,404,383,700 via the issuance of 20,174,000 new ordinary shares of RM1.00 each at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan, as disclosed in Note 21.

There was no other significant event during the nine months ended 30 September 2016.

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8. Dividends

On 18 May 2016, the Bank paid a final dividend of approximately 5.49 sen per ordinary share totalling RM129,744,237 for the financial year ended 31 December 2015.

On 22 September 2016, the Bank paid an interim dividend of approximately 5.50 sen per ordinary share totalling RM131,131,534 for the financial year ending 31 December 2016.

9. Cash and short-term funds

	Group		Bank	
	30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
Cash and balances with banks and other financial institutions	911,448	792,593	911,377	788,662
Money at call and interbank placements with remaining maturity not exceeding one month	130	2,089,076	130	2,089,076
	<u>911,578</u>	<u>2,881,669</u>	<u>911,507</u>	<u>2,877,738</u>

10. Deposits and placements with banks and other financial institutions

	Group and Bank	
	30.09.2016 RM'000	31.12.2015 RM'000
Licensed Islamic banks	-	100,577

11. Financial assets held-for-trading

	Group		Bank	
	30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
At fair value				
Malaysian Government Investment Issues	283,276	241,717	283,276	241,717
Sukuk	306,495	177,001	306,495	177,001
Unit trust	5,046	5,255	-	-
	<u>594,817</u>	<u>423,973</u>	<u>589,771</u>	<u>418,718</u>

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12. 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 held for hedging purposes. The principal or contractual amounts of these instruments reflect 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.

Group and Bank	30.09.2016		
	Principal amount	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	3,640,638	29,008	(24,062)
Profit rate swaps	842,799	6,192	(5,580)
	4,483,437	35,200	(29,642)
	31.12.2015		
	Principal amount	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	2,323,286	106,402	(98,593)
Profit rate swaps	862,568	12,857	(3,320)
	3,185,854	119,259	(101,913)

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13. Financial assets available-for-sale

	Group		Bank	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government				
Investment Issues	1,917,231	2,556,539	1,917,231	2,556,539
Sukuk	7,619,678	7,332,715	7,620,135	7,333,172
	<u>9,536,909</u>	<u>9,889,254</u>	<u>9,537,366</u>	<u>9,889,711</u>
At fair value				
Quoted shares				
- outside Malaysia	20,367	29,807	20,367	29,807
Quoted unit trust				
- in Malaysia	13,822	13,335	13,822	13,335
	<u>34,189</u>	<u>43,142</u>	<u>34,189</u>	<u>43,142</u>
At cost				
Unquoted shares in Malaysia	23,900	24,319	23,900	24,319
Less: Accumulated impairment loss *	(18,619)	(19,328)	(18,619)	(19,328)
	<u>5,281</u>	<u>4,991</u>	<u>5,281</u>	<u>4,991</u>
At cost				
Unquoted shares outside Malaysia	329	329	329	329
Less: Accumulated impairment loss	(310)	-	(310)	-
	<u>19</u>	<u>329</u>	<u>19</u>	<u>329</u>
	<u>9,576,398</u>	<u>9,937,716</u>	<u>9,576,855</u>	<u>9,938,173</u>

* Movement in accumulated impairment loss is due to translation differences

14. Financial assets held-to-maturity

	Group and Bank	
	30.09.2016	31.12.2015
	RM'000	RM'000
At amortised cost		
Unquoted securities in Malaysia:		
Sukuk	63,973	66,239
Less: Accumulated impairment loss	(6,887)	(6,887)
	<u>57,086</u>	<u>59,352</u>

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15. Financing, advances and others

(a) By type and Shariah contract

Group and Bank	Bai' Bithaman Ajil	Murabahah	Bai' Al-Inah	At-Tawarruq	Ijarah Muntahiah Bit-Tamleek	Ijarah Thumma Al-Bai'	Istisna'	Ar-Rahnu	Total
30 September 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost									
Cash line	-	-	42,282	992,853	-	-	-	-	1,035,135
Term financing									
House financing [^]	4,563,937	-	-	8,763,355	-	-	59,736	-	13,387,028
Syndicated financing	1,088	-	201,087	1,010,788	-	127,263	-	-	1,340,226
Leasing financing	-	-	-	-	84,877	1,107	-	-	85,984
Bridging financing	-	-	-	-	-	-	84,650	-	84,650
Personal financing [^]	-	-	50,492	10,893,656	-	-	-	-	10,944,148
Other term financing	2,198,221	865,539	18,006	6,221,053	-	-	1,606	-	9,304,425
Staff financing	86,032	4,535	-	92,346	-	-	14,554	-	197,467
Credit cards	-	-	9,302	439,012	-	-	-	-	448,314
Trade bills discounted	-	910,501	-	-	-	-	-	-	910,501
Trust receipts	-	5,907	-	-	-	-	-	-	5,907
Pawn broking	-	-	-	-	-	-	-	80,216	80,216
	6,849,278	1,786,482	321,169	28,413,063	84,877	128,370	160,546	80,216	37,824,001

Allowance for impaired financing, advances and others

- collective assessment allowance

(547,661)

- individual assessment allowance

(144,012)

Net financing, advances and others

37,132,328

[^] Included in house financing and personal financing are the underlying assets under the Unrestricted Investment Accounts ("URIA") amounting RM1,854,911,000 and RM753,679,000 respectively as disclosed in Note 18 of these financial statements.

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15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group and Bank	Bai'		Bai'		Ijarah	Ijarah			Total
31 December 2015	Bithaman	Murabahah	Al-Inah	At-Tawarruq	Muntahiah	Thumma	Istisna'	Ar-Rahnu	RM'000
	Ajil	RM'000	RM'000	RM'000	Bit-Tamleek	Al-Bai'	RM'000	RM'000	RM'000
	RM'000				RM'000	RM'000			
At amortised cost									
Cash line	-	-	62,300	997,097	-	-	-	-	1,059,397
Term financing									
House financing*	4,851,790	-	-	6,628,865	-	-	62,580	-	11,543,235
Syndicated financing	8,603	-	164,301	1,021,805	-	127,399	-	-	1,322,108
Leasing financing	-	-	-	-	81,223	1,769	-	-	82,992
Bridging financing	-	-	-	-	-	-	87,630	-	87,630
Personal financing	-	-	82,054	10,247,851	-	-	-	-	10,329,905
Other term financing	2,583,462	685,973	18,444	5,385,013	-	-	1,762	-	8,674,654
Staff financing	96,919	1,515	-	68,007	-	-	16,401	-	182,842
Credit cards	-	-	12,695	430,848	-	-	-	-	443,543
Trade bills discounted	-	1,139,827	-	-	-	-	-	-	1,139,827
Trust receipts	-	20,210	-	-	-	-	-	-	20,210
Pawn broking	-	-	-	-	-	-	-	73,883	73,883
	7,540,774	1,847,525	339,794	24,779,486	81,223	129,168	168,373	73,883	34,960,226
Allowance for impaired financing, advances and others									
- collective assessment allowance									(541,065)
- individual assessment allowance									(124,471)
Net financing, advances and others									<u>34,294,690</u>

* Included in house financing are the underlying assets under the Unrestricted Investment Accounts (“URIA”) amounting RM676,105,000 as disclosed in Note 18 of these financial statements..

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15. Financing, advances and others (continued)

(b) By type of customer

	Group and Bank	
	30.09.2016	31.12.2015
	RM'000	RM'000
Domestic non-bank financial institutions	1,137,879	1,004,961
Domestic business enterprise	6,302,650	5,907,856
Small medium industries	933,055	939,552
Government and statutory bodies	916,095	897,923
Individuals	27,995,754	25,618,163
Other domestic entities	7,403	7,678
Foreign entities	531,165	584,093
	<u>37,824,001</u>	<u>34,960,226</u>

(c) By profit rate sensitivity

	Group and Bank	
	30.09.2016	31.12.2015
	RM'000	RM'000
Fixed rate		
House financing	1,301,223	1,403,863
Others	4,488,160	4,855,968
Floating rate		
House financing	12,699,077	10,733,848
Others	19,335,541	17,966,547
	<u>37,824,001</u>	<u>34,960,226</u>

(d) By remaining contractual maturity

	Group and Bank	
	30.09.2016	31.12.2015
	RM'000	RM'000
Maturity within one year	3,804,055	3,543,984
More than one year to three years	1,237,033	1,121,154
More than three years to five years	2,253,699	1,613,849
More than five years	30,529,214	28,681,239
	<u>37,824,001</u>	<u>34,960,226</u>

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15. Financing, advances and others (continued)

(e) By geographical distribution

	Group and Bank	
	30.09.2016	31.12.2015
	RM'000	RM'000
Central Region	17,605,737	16,254,666
Eastern Region	6,336,275	5,856,505
Northern Region	5,698,245	5,297,531
Southern Region	5,230,653	4,725,173
East Malaysia Region	2,953,091	2,826,351
	<u>37,824,001</u>	<u>34,960,226</u>

(f) By sector

	Group and Bank	
	30.09.2016	31.12.2015
	RM'000	RM'000
Primary agriculture	375,843	403,666
Mining and quarrying	13,340	13,494
Manufacturing (including agro-based)	751,729	930,013
Electricity, gas and water	691,306	681,984
Wholesale & retail trade, and hotels & restaurants	1,169,554	1,102,861
Construction	2,069,150	2,225,492
Real estate	1,185,567	1,088,961
Transport, storage and communications	383,967	395,914
Finance, insurance and business activities	1,962,963	1,406,399
Education, health and others	1,225,046	1,092,052
Household sectors	27,995,536	25,619,390
	<u>37,824,001</u>	<u>34,960,226</u>

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15. Financing, advances and others (continued)

(g) Movement in impaired financing and advances (“impaired financing”) are as follows:

	Group and Bank	
	30.09.2016	31.12.2015
	RM’000	RM’000
At 1 January 2016/ 2015	381,270	344,539
Classified as impaired during the period/year	454,621	513,966
Reclassified as not impaired during the period/year	(207,463)	(205,690)
Amount recovered	(86,342)	(144,268)
Amount written off	(127,417)	(139,053)
Exchange differences	(2,333)	11,776
At 30 September 2016/ 31 December 2015	<u>412,336</u>	<u>381,270</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>1.09%</u>	<u>1.09%</u>

(h) Impaired financing by geographical distribution

	Group and Bank	
	30.09.2016	31.12.2015
	RM’000	RM’000
Central Region	171,652	184,568
Eastern Region	87,408	47,369
Northern Region	36,589	35,880
Southern Region	34,784	29,892
East Malaysia Region	81,903	83,561
	<u>412,336</u>	<u>381,270</u>

(i) Impaired financing by sector

	Group and Bank	
	30.09.2016	31.12.2015
	RM’000	RM’000
Primary agriculture	1,312	1,307
Manufacturing (including agro-based)	36,887	6,650
Wholesale & retail trade, and hotels & restaurants	26,807	24,986
Construction	30,822	56,344
Transport, storage and communications	25,556	29,332
Finance, insurance and business activities	64,907	69,533
Education, health and others	4,837	7,502
Household sectors	221,208	185,616
	<u>412,336</u>	<u>381,270</u>

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15. Financing, advances and others (continued)

(j) **Movement of allowance for impaired financing**

	Group and Bank	
	30.09.2016	31.12.2015
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2016/ 2015	541,065	444,388
Allowance made during the period/year	121,886	189,391
Amount written off	(112,966)	(94,748)
Exchange differences	(2,324)	2,034
At 30 September 2016/ 31 December 2015	<u>547,661</u>	<u>541,065</u>
<u>Individual assessment allowance</u>		
At 1 January 2016/ 2015	124,471	142,753
Allowance made during the period/year	50,523	46,420
Amount recovered	(15,599)	(32,272)
Amount written off	(13,050)	(44,139)
Exchange differences	(2,333)	11,709
At 30 September 2016/ 31 December 2015	<u>144,012</u>	<u>124,471</u>

16. Other assets

	Group		Bank	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Other receivables	25,047	33,342	16,511	31,744
Deposit and prepayments	39,124	37,227	37,904	36,063
Related companies*	813	227	941	428
	<u>64,984</u>	<u>70,796</u>	<u>55,356</u>	<u>68,235</u>

* This relates to amounts due from holding and related companies that are non-trade in nature, not subject to financing charges and has no fixed term of repayments.

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17. Deposits from customers

a) By type of deposit

	Group		Bank	
	30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
Saving Deposit	4,586,247	4,674,687	4,586,247	4,674,687
<i>Wadiah</i>	4,586,247	4,674,687	4,586,247	4,674,687
Demand Deposits				
<i>Wadiah</i>	9,007,567	10,581,603	9,009,227	10,613,180
Term Deposit	27,681,124	28,205,616	27,687,750	28,212,636
Special Investment Accounts <i>Mudharabah</i>	27,711	26,058	27,711	26,058
General Investment Accounts <i>Mudharabah</i>	410,330	478,802	410,330	478,802
Term & Special Term Deposit-i <i>Tawarruq</i>	24,857,967	24,406,269	24,864,593	24,413,289
Negotiable Islamic Debt Certificates (NIDC) Waheed-i	2,385,116 -	3,287,644 6,843	2,385,116 -	3,287,644 6,843
Others	99,190	94,444	99,190	94,444
Total Deposits	41,374,128	43,556,350	41,382,414	43,594,947

b) Maturity structure of term deposits are as follows:

	Group		Bank	
	30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
Due within six months	20,974,279	23,218,044	20,980,213	23,224,498
More than six months to one year	5,650,194	4,000,106	5,650,194	4,000,672
More than one year to three years	1,014,643	946,690	1,015,335	946,690
More than three years to five years	42,008	40,776	42,008	40,776
	27,681,124	28,205,616	27,687,750	28,212,636

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17. Deposits from customers (continued)

c) By type of customer

	Group		Bank	
	30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
Government and statutory bodies	6,869,396	7,419,397	6,869,396	7,419,397
Business enterprises	11,287,484	12,183,999	11,287,484	12,183,999
Individuals	5,386,420	5,576,637	5,386,420	5,576,637
Others	17,830,828	18,376,317	17,839,114	18,414,914
	<u>41,374,128</u>	<u>43,556,350</u>	<u>41,382,414</u>	<u>43,594,947</u>

18. Investment accounts of customers

	Group and Bank	
	30.09.2016 RM'000	31.12.2015 RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	1,096,000	461,312
With maturity		
<i>Wakalah</i>	1,512,590	214,793
	<u>2,608,590</u>	<u>676,105</u>
Restricted investment accounts ^		
With maturity		
<i>Wakalah</i>	124,712	82,567
<u>Investment portfolio:</u>		
Unrestricted investment accounts		
<i>House financing</i>	1,854,911	676,105
<i>Personal financing</i>	753,679	-
	<u>2,608,590</u>	<u>676,105</u>
Restricted investment accounts		
<i>Other term financing</i>	124,712	82,567

^ Restricted investment accounts (“RIA”) is an arrangement between the Bank and its ultimate holding entity where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA is accounted for as off balance sheet as the Bank has no right and obligation in respect of the assets related to the RIA or to the residual cash flows from those assets except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

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19. Subordinated Sukuk Murabahah

	Note	Group and Bank	
		30.09.2016 RM'000	31.12.2015 RM'000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche, RM300 million 5.75% due in 2025	(a)	307,703	303,355
Second tranche, RM400 million 5.50% due in 2025	(b)	406,570	401,025
		714,273	704,380

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

- (a) On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of Subordinated Sukuk Murabahah which are due on 22 April 2025, with optional redemption on 22 April 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.75% per annum payable semi-annually in arrears.
- (b) On 15 December 2015, the Bank issued the second tranche of RM400 million which are due on 15 December 2025, with optional redemption on 15 December 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.50% per annum 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. Other liabilities

	Group		Bank	
	30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
Other payable	410,374	435,065	402,018	401,478
Accruals	101,182	109,144	100,606	107,027
	511,556	544,209	502,624	508,505

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21. Share Capital

Group and Bank	Number of shares		Amount	
	30.09.2016 '000	31.12.2015 '000	30.09.2016 RM'000	31.12.2015 RM'000
<i>Authorised:</i>				
Ordinary shares of RM1.00 each	<u>2,540,000</u>	<u>2,540,000</u>	<u>2,540,000</u>	<u>2,540,000</u>
<i>Issued and fully paid</i>				
Ordinary shares of RM1.00 each				
At 1 January 2016/ 2015	2,363,283	2,319,907	2,363,283	2,319,907
Allotment of new ordinary shares during the period/ year	41,101	43,376	41,101	43,376
At 30 September 2016/ 31 December 2015	<u>2,404,384</u>	<u>2,363,283</u>	<u>2,404,384</u>	<u>2,363,283</u>

The Bank increased its issued and paid-up capital on 18 May 2016 from RM2,363,282,700 to RM2,384,209,700 via the issuance of 20,927,000 new ordinary shares of RM1.00 each at a consideration of RM3.10 each arising from the Dividend Reinvestment Plan of the fifty percent of the final dividend of approximately 5.49 sen in respect of financial year ended 31 December 2015.

The Bank further increased its issued and paid-up capital on 22 September 2016 from RM2,384,209,700 to RM2,404,383,700 via the issuance of 20,174,000 new ordinary shares of RM1.00 each at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan of the fifty percent of the interim dividend of approximately 5.50 sen in respect of financial year ending 31 December 2016.

The increase in its issued paid up capital during the financial year ended 31 December 2015 to RM2,363,282,700 was via the issuance of 22,799,000 and 20,576,700 new ordinary shares at a consideration of RM2.90 and RM3.00 per share respectively arising from the Dividend Reinvestment Plan of fifty percent of dividends declared and paid.

22. Income derived from investment of depositors' funds

Group and Bank	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Income derived from investment of:				
(i) General investment deposits	14,989	14,578	41,359	65,285
(ii) Other deposits	571,645	530,211	1,724,148	1,580,365
	<u>586,634</u>	<u>544,789</u>	<u>1,765,507</u>	<u>1,645,650</u>

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

(i) Income derived from investment of general investment deposits

Group and Bank	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	12,713	11,801	34,421	53,084
Financial assets:				
- held-for-trading	110	264	368	900
- available-for-sale	1,464	2,274	4,344	8,522
- held-to-maturity	15	24	109	94
Money at call and deposits with financial institutions	166	342	496	2,228
	14,468	14,705	39,738	64,828
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	132	(48)	268	119
Net gain/(loss) on revaluation of financial assets held-for-trading	39	(111)	142	(54)
	171	(159)	410	65
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	350	32	1,211	392
	350	32	1,211	392
	14,989	14,578	41,359	65,285
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	226	290	646	968

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

(ii) Income derived from investment of other deposits

Group and Bank	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Finance income and hibah				
Financing, advances and others	479,510	456,936	1,462,241	1,312,478
Financial assets:				
- held-for-trading	4,450	7,118	13,826	20,099
- available-for-sale	59,339	60,072	163,875	189,134
- held-to-maturity	612	619	4,078	2,089
Money at call and deposits with financial institutions	6,713	8,874	18,703	48,308
	<u>550,624</u>	<u>533,619</u>	<u>1,662,723</u>	<u>1,572,108</u>
Other dealing income				
Net gain/(loss) from sale of financial assets held-for-trading	5,307	(1,343)	10,201	1,708
Net gain/(loss) on revaluation of financial assets held-for-trading	1,575	(2,894)	5,114	(2,037)
	<u>6,882</u>	<u>(4,237)</u>	<u>15,315</u>	<u>(329)</u>
Other operating income				
Net gain from sale of financial assets available-for-sale	14,139	829	46,110	8,586
	<u>14,139</u>	<u>829</u>	<u>46,110</u>	<u>8,586</u>
	<u>571,645</u>	<u>530,211</u>	<u>1,724,148</u>	<u>1,580,365</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>9,126</u>	<u>7,657</u>	<u>24,427</u>	<u>21,639</u>

23. Income derived from investment account funds

Group and Bank	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	17,163	6,768	41,454	6,816
- <i>Wakalah</i>	17,939	439	24,607	439
	<u>35,102</u>	<u>7,207</u>	<u>66,061</u>	<u>7,255</u>

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24. Income derived from investment of shareholders' funds

Group	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,612	1,480	4,709	4,530
Financial assets available-for-sale	26,923	41,113	110,887	103,833
Money at call and deposits with financial institutions	47	1,545	1,069	5,061
	<u>28,582</u>	<u>44,138</u>	<u>116,665</u>	<u>113,424</u>
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	14,530	16,491	51,004	59,212
Net gain from sale of financial assets held-for-trading	344	-	344	-
Net (loss)/gain on revaluation of financial assets held-for-trading	(299)	43	(209)	119
Net derivatives (loss)/gain	(2,091)	5,733	(7,399)	2,629
	<u>12,484</u>	<u>22,267</u>	<u>43,740</u>	<u>61,960</u>
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	-	-	424	-
Gross dividend income from:				
- unquoted securities in Malaysia	-	1	1,612	1,612
- unit trust in Malaysia	847	80	2,615	80
- unit trust outside Malaysia	-	23	-	82
	<u>847</u>	<u>104</u>	<u>4,651</u>	<u>1,774</u>
<i>Fees and commission</i>				
Fees	34,743	34,295	112,827	107,721
Commission	4,440	5,427	13,701	15,454
Others	3,590	3,960	18,593	10,304
	<u>42,773</u>	<u>43,682</u>	<u>145,121</u>	<u>133,479</u>
<i>Other income</i>				
Net (loss)/gain on disposal of property and equipment	8	(72)	(482)	(498)
Rental income	552	1,032	1,775	2,343
Other income	42	398	94	435
	<u>602</u>	<u>1,358</u>	<u>1,387</u>	<u>2,280</u>
	<u>85,288</u>	<u>111,549</u>	<u>311,564</u>	<u>312,917</u>

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

Bank	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,612	1,480	4,709	4,530
Financial assets available-for-sale	26,923	41,113	110,887	103,833
Money at call and deposits with financial institutions	47	1,545	1,069	5,061
	28,582	44,138	116,665	113,424
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	14,530	16,491	51,004	59,212
Net derivatives (loss)/gain	(2,091)	5,733	(7,399)	2,629
	12,439	22,224	43,605	61,841
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	-	-	424	-
Gain on liquidation of subsidiary company	-	-	89	-
Gross dividend income from:				
- unquoted securities in Malaysia	-	1	1,612	1,612
- unit trust in Malaysia	847	80	2,615	80
- unit trust outside Malaysia	-	23	-	82
	847	104	4,740	1,774
<i>Fees and commission</i>				
Fees	32,725	32,650	106,965	103,330
Commission	5,263	5,427	16,744	15,454
Others	2,821	3,910	14,318	10,308
	40,809	41,987	138,027	129,092
<i>Other income</i>				
Net (loss)/gain on disposal of property and equipment	8	(72)	(482)	(498)
Rental income	636	1,114	2,028	2,596
Other income	3	397	21	422
	647	1,439	1,567	2,520
	83,324	109,892	304,604	308,651

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25. Allowance for impairment on financing and advances

Group and Bank	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired financing, advances and others:				
- collective assessment allowance	41,528	42,960	121,886	138,979
- individual assessment allowance	(2,058)	2,387	34,924	26,841
Bad debts and financing recovered	(17,305)	(50,684)	(68,823)	(115,189)
	22,165	(5,337)	87,987	50,631

26. Income attributable to depositors

Group	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	6,684	4,598	15,129	58,272
- Non-Mudharabah fund	245,451	252,409	756,596	698,307
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	-	-	-	2,261
- Non-Mudharabah fund	6,989	2,342	30,212	2,544
	259,124	259,349	801,937	761,384
Bank				
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	6,684	4,598	15,129	58,272
- Non-Mudharabah fund	245,508	252,471	756,771	698,465
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	-	-	-	2,261
- Non-Mudharabah fund	6,989	2,342	30,212	2,544
	259,181	259,411	802,112	761,542

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27. Income attributable to investment account holders

Group and Bank	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	338	117	804	118
- <i>Wakalah</i>	12,411	296	17,923	296
	12,749	413	18,727	414

28. Personnel expenses

Group	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	104,099	97,171	304,945	261,486
Employees' Provident Fund	12,736	11,490	37,943	34,518
Other staff related costs	12,551	11,827	38,968	36,725
	129,386	120,488	381,856	332,729

Bank	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	102,829	96,066	300,890	258,207
Employees' Provident Fund	12,546	11,334	37,340	34,047
Other staff related costs	12,449	11,654	38,583	36,266
	127,824	119,054	376,813	328,520

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29. Other overhead expenses

Group	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
<i>Promotion</i>				
Advertisement and publicity	1,836	2,097	5,950	4,110
Credit and debit card expenses	6,347	5,820	19,187	14,271
Others	2,689	2,972	9,889	6,540
	<u>10,872</u>	<u>10,889</u>	<u>35,026</u>	<u>24,921</u>
<i>Establishment</i>				
Office rental	12,955	14,211	38,538	38,866
Depreciation of property and equipment	15,320	17,301	44,685	48,889
Information technology expenses	10,620	13,546	35,016	26,496
Rental of equipment	1,019	1,196	2,689	2,987
Office maintenance	2,707	3,247	7,742	9,070
Utilities	3,579	3,658	11,455	10,091
Security services	4,186	5,298	12,837	11,391
Takaful and insurance	3,369	5,105	8,624	9,501
Others	38	39	305	306
	<u>53,793</u>	<u>63,601</u>	<u>161,891</u>	<u>157,597</u>
<i>General expenses</i>				
Professional fees	1,317	986	2,910	2,252
Office supplies	2,148	2,156	6,523	6,311
Outsourcing fees	3,916	4,704	12,779	13,533
Travelling & transportation	1,708	1,985	5,890	6,210
Security services - cash in transit	1,442	1,942	4,580	7,524
Others	13,608	13,153	41,192	47,033
	<u>24,139</u>	<u>24,926</u>	<u>73,874</u>	<u>82,863</u>
	<u>88,804</u>	<u>99,416</u>	<u>270,791</u>	<u>265,381</u>

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29. Other overhead expenses (continued)

Bank	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	1,822	2,046	5,859	3,981
Credit and debit card expenses	6,347	5,820	19,187	14,271
Others	2,501	2,849	8,107	6,233
	10,670	10,715	33,153	24,485
<i>Establishment</i>				
Office rental	12,936	14,194	38,492	38,821
Depreciation of property and equipment	15,247	17,250	44,487	48,759
Information technology expenses	10,620	13,546	35,016	26,496
Rental of equipment	1,001	1,186	2,636	2,954
Office maintenance	2,683	3,178	7,665	8,872
Utilities	3,562	3,642	11,399	10,026
Security services	4,186	5,295	12,836	11,392
Takaful and insurance	3,304	5,087	8,428	9,431
Others	38	39	305	306
	53,577	63,417	161,264	157,057
<i>General expenses</i>				
Professional fees	1,261	990	2,767	2,187
Office supplies	2,129	2,119	6,405	6,220
Outsourcing fees	3,916	4,704	12,779	13,533
Travelling & transportation	1,685	1,950	5,806	6,125
Security services - cash in transit	1,442	1,942	4,580	7,524
Others	13,844	13,466	41,680	48,503
	24,277	25,171	74,017	84,092
	88,524	99,303	268,434	265,634

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30. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>9 months ended 30 September 2016</u>						
Total Revenue	1,269,635	422,622	311,247	148,702	(5,189)	2,147,017
Net fund based income	659,118	306,787	(28,727)	127,345	-	1,064,523
Non-fund based income	101,411	28,124	119,118	18,191	(5,014)	261,830
Net income	760,529	334,911	90,391	145,536	(5,014)	1,326,353
Allowances for impairment	(66,521)	(21,466)	609	-	-	(87,378)
Profit before overheads, zakat & tax	694,008	313,445	91,000	145,536	(5,014)	1,238,978
Operating expenses						(697,539)
Profit before zakat & tax						541,436
<u>9 months ended 30 September 2015</u>						
Total Revenue	1,157,366	345,422	341,044	128,048	(6,002)	1,965,878
Net fund based income	604,202	273,292	(9,600)	127,922	-	995,816
Non-fund based income	102,432	27,538	69,206	14,932	(5,844)	208,264
Net income	706,634	300,830	59,606	142,854	(5,844)	1,204,080
Allowances for impairment	(80,514)	29,883	-	-	-	(50,631)
Profit before overheads, zakat & tax	626,120	330,713	59,606	142,854	(5,844)	1,153,449
Operating expenses						(623,831)
Profit before zakat & tax						529,618

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30. Segmental Reporting on Revenue, Profit and Assets (continued)

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 30 September 2016</u>						
Segment assets	27,629,922	9,502,405	10,259,042	39,937	(24,547)	47,406,759
Unallocated assets						2,467,436
Total assets						<u>49,874,195</u>
<u>At 31 December 2015</u>						
Segment assets	25,251,798	9,042,892	12,725,156	67,083	(54,906)	47,032,023
Unallocated assets						2,731,696
Total assets						<u>49,763,719</u>

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31. Fair value of Financial Instruments

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, listed Sukuk and listed 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 rates swap, Sukuk, debt instruments and structured debts. The sources of input parameters include Bank Negara Malaysia (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.

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 30 September 2016 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	594,817	-	594,817	-	594,817	594,817
Derivative financial assets	-	35,200	-	35,200	-	35,200	35,200
Financial assets available-for-sale	20,367	9,550,731	-	9,571,098	5,300	9,576,398	9,576,398
Financial assets held-to-maturity	-	-	-	-	57,086	57,086	57,086
Financing, advances and others	-	-	-	-	37,183,066	37,183,066	37,132,328
<i>Financial liabilities</i>							
Derivative financial liabilities	-	29,642	-	29,642	-	29,642	29,642
Subordinated Sukuk Murabahah	-	-	-	-	750,108	750,108	714,273
<i>Group 31 December 2015 RM'000</i>							
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	423,973	-	423,973	-	423,973	423,973
Derivative financial assets	-	119,259	-	119,259	-	119,259	119,259
Financial assets available-for-sale	29,807	9,902,589	-	9,932,396	5,320	9,937,716	9,937,716
Financial assets held-to-maturity	-	-	-	-	59,352	59,352	59,352
Financing, advances and others	-	-	-	-	34,334,821	34,334,821	34,294,690
<i>Financial liabilities</i>							
Derivative financial liabilities	-	101,913	-	101,913	-	101,913	101,913
Subordinated Sukuk Murabahah	-	-	-	-	712,983	712,983	704,380

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Bank 30 September 2016 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	589,771	-	589,771	-	589,771	589,771
Derivative financial assets	-	35,200	-	35,200	-	35,200	35,200
Financial assets available-for-sale	20,367	9,551,188	-	9,571,555	5,300	9,576,855	9,576,855
Financial assets held-to-maturity	-	-	-	-	57,086	57,086	57,086
Financing, advances and others	-	-	-	-	37,183,066	37,183,066	37,132,328
<i>Financial liabilities</i>							
Derivative financial liabilities	-	29,642	-	29,642	-	29,642	29,642
Subordinated Sukuk Murabahah	-	-	-	-	750,108	750,108	714,273
<i>Bank</i>							
<i>31 December 2015</i>							
RM'000							
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	418,718	-	418,718	-	418,718	418,718
Derivative financial assets	-	119,259	-	119,259	-	119,259	119,259
Financial assets available-for-sale	29,807	9,903,046	-	9,932,853	5,320	9,938,173	9,938,173
Financial assets held-to-maturity	-	-	-	-	59,352	59,352	59,352
Financing, advances and others	-	-	-	-	34,334,821	34,334,821	34,294,690
<i>Financial liabilities</i>							
Derivative financial liabilities	-	101,913	-	101,913	-	101,913	101,913
Subordinated Sukuk Murabahah	-	-	-	-	712,983	712,983	704,380

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31. Fair value of Financial Instruments (continued)

Fair value hierarchy (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 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) Financial investments held-to-maturity (“HTM”)

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.

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32. Commitment and Contingencies

The commitment and contingencies and their related counterparty credit risk for the Group and Bank are as follows:

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 30 September 2016				
<i>Credit related exposures</i>				
Direct credit substitutes	310,135		310,135	309,601
Assets sold with recourse	-		-	-
Transaction related contingent items	916,286		458,143	423,930
Short term self-liquidating trade related contingencies	361,539		72,308	70,171
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	504,073		100,814	78,932
- exceeding one year	2,040,461		1,020,230	767,718
Unutilised credit card lines	1,137,143		227,429	171,085
Any commitments that can be 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	4,694,021		-	-
	9,963,658		2,189,059	1,821,437
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,640,638	29,008	89,012	37,632
Profit rate related contracts				
- less than one year	200,000	1,397	500	100
- one year to less than five years	400,000	1,202	8,000	1,600
- five years and above	242,799	3,593	20,055	13,256
	4,483,437	35,200	117,567	52,588
Total	14,447,095	35,200	2,306,626	1,874,025

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32. Commitment and Contingencies (continued)

The commitment and contingencies and their related counterparty credit risk for the Group and Bank are as follows (continued):

As at 31 December 2015	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Credit related exposures</i>				
Direct credit substitutes	343,731		343,731	301,001
Assets sold with recourse	2		2	2
Transaction related contingent items	956,822		478,411	413,964
Short term self-liquidating trade related contingencies	374,892		74,978	72,446
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	2,014		403	403
- exceeding one year	837,455		418,728	333,700
Unutilised credit card lines	1,169,445		233,889	176,494
Any commitments that can be 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	5,822,088		-	-
	9,506,449		1,550,142	1,298,010
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	2,323,286	106,402	139,771	67,272
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	600,000	9,200	20,504	4,101
- five years and above	262,568	3,657	24,048	13,688
	3,185,854	119,259	184,323	85,061
Total	12,692,303	119,259	1,734,465	1,383,071

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33. Capital adequacy

Total capital and capital adequacy ratios of the Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets) issued on 13 October 2015. 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	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
CET I & Tier I capital ratio	12.027%	12.087%	11.995%	12.049%
Total capital ratio	15.137%	15.320%	15.107%	15.284%

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

	Group		Bank	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	2,404,384	2,363,283	2,404,384	2,363,283
Share premium	264,790	175,452	264,790	175,452
Retained earnings	255,893	385,913	257,038	386,580
Other reserves	1,343,305	1,107,920	1,343,148	1,107,738
Less: Deferred tax assets	(7,601)	(35,182)	(7,601)	(35,182)
Less: 55% of fair value reserves	(35,358)	-	(35,358)	-
Less: Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	4,225,413	3,997,386	4,210,876	3,982,346
Sukuk Murabahah	700,000	700,000	700,000	700,000
Collective assessment allowance ^	392,640	369,414	392,502	369,357
Total Tier II Capital	1,092,640	1,069,414	1,092,502	1,069,357
Total Capital	5,318,053	5,066,800	5,303,378	5,051,703

^ Collective assessment allowance on non-impaired financing is subject to maximum of 1.25% of total credit risk-weighted assets.

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33. Capital adequacy (continued)

The breakdown of risk-weighted assets by each major risk category is as follows:

	Group		Bank	
	30.09.2016 RM'000	31.12.2015 RM'000	30.09.2016 RM'000	31.12.2015 RM'000
Credit risk	32,418,352	29,841,140	32,407,287	29,836,588
Less : Credit risk absorbed by unrestricted investment accounts	<u>(1,007,141)</u>	<u>(288,030)</u>	<u>(1,007,141)</u>	<u>(288,030)</u>
	31,411,211	29,553,110	31,400,146	29,548,558
Market risk	734,185	668,158	734,185	668,158
Operational risk	<u>2,987,134</u>	<u>2,851,129</u>	<u>2,970,206</u>	<u>2,834,709</u>
	<u>35,132,530</u>	<u>33,072,397</u>	<u>35,104,537</u>	<u>33,051,425</u>

34. Performance review for the nine months ended 30 September 2016

The Group reported profit for the nine months ended 30 September 2016 of RM396.7 million, representing an increase of 8.6% compared to the previous corresponding period. The improved performance was mainly attributed to growth in business activities.

Year-on-year net financing assets grew RM4.9 billion or 15.2% to reach RM37.1 billion as at end-September 2016. Correspondingly, fund based income from financing also increased by RM190.1 million or 13.8%. Non fund based income was also higher by RM50.9 million or 24.9% and the growth was mainly from investment income.

As at end of September 2016, customer deposits and investment accounts stood at RM44.0 billion with a year-on-year increase of RM3.3 billion or 8.0%. The low cost current and savings accounts (CASA) reported a year-on-year decrease of RM0.5 billion or 3.5%. Nevertheless, the CASA ratio as at end-September 2016 was 32.9% against the Islamic Banking Industry CASA ratio of 25.4% as at end-August 2016.

The Group's gross impaired financing ratio remains at 1.09% as at end-September 2016, consistent with the position at end-December 2015. The net impaired financing ratio (less IA and CA) was a negative 0.75% whilst the net impaired financing ratio (less IA only) was 0.71% as at end September 2016 compared to a negative 0.83% and 0.74% respectively as at 31 December 2015. The Banking System gross impaired ratio was 1.66% and the net impaired ratio was 0.18% (less IA and CA) as at end-August 2016.

The key performance ratios as at end-September 2016 also compared favourably against the Banking System ratios as at end-December 2015. The Bank's return on equity and return on assets based on profit before tax (PBT) were 16.9% and 1.5% respectively against the Banking System's 12.4% and 1.3% respectively. In addition, the Group's capital remained robust whereby the total capital ratio stood at 15.1% as at end September 2016.

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35. Prospect for 2016

The GDP continued to record a slower growth of 4.0% year-on-year in the second quarter of 2016 from 4.2% in the previous quarter, where the growth was sustained by mainly domestic demand i.e. investment and consumption. Investment activities posted a growth of 6.1% compared with 0.1% in the preceding quarter. Both private and public investments were the key drivers for investment spending. While private consumption growth improved to 6.3% (1Q2016: 5.3%), the Bank believes consumers continued to take a cautious stance in view of rising cost of living and weaknesses in the labour market. On the external front, despite a decline in net exports by 7.0% in the second quarter of 2016, this still represents an improvement from a decline of 12.4% in the first quarter of 2016. As a result, real exports grew 1.0% after contracting 0.5% previously. For the first half of 2016, GDP growth decelerated to 4.1% after recording 5.3% in the same period last year.

Going forward, the Bank expects the economy to grow around 4.5% in the second half of 2016 with a full year growth of 4.3%. The implementation of infrastructure projects will be the key driver for domestic demand in particular investment activities and consumption. Meanwhile, the anticipation of better support from the external demand should also help growth in the second half of 2016 following the weak Ringgit which could contribute to Malaysia's export competitiveness. BNM is also expected to maintain its accommodative stance on monetary policy and continues to signal their commitment to ensure economic growth remains on a steady path. Additionally, the announcement of Budget 2017 recently indicates fiscal consolidation remaining high on the government's agenda with deficits likely to narrow to 3% of GDP in 2017. This will allow market confidence to hold particularly during intense volatility.

Outlook on the banking sector remains stable despite the continued challenging environment - slower economic growth, weaker external demand and lower commodity prices. Resilience in the banking sector is driven by the strong capital levels and stable liquidity profiles of Malaysian banks. However, despite the general strength in the domestic economy, sufficient liquidity in the banking system and an accommodative monetary policy, the Bank expects lending growth to remain subdued (resulting in weaker net interest income generation amidst high funding costs). Lending growth is expected to register growth of between 4% and 5% in 2016 (2015: 7.9%).

In light of the current challenging economic conditions, the Bank intends to follow through its strategic development plan that focuses on sustaining capital through robust liability management, safeguarding asset quality, and driving earnings growth mainly through strong promotion of the bank's investment account products. These strategies are continuously supported by resource optimisation as well as Shariah-led innovation.

35. Subsequent events

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited interim financial statements.