The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

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

IMMEDIATE AND ULTIMATE HOLDING COMPANY/ENTITY

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

SUBSIDIARIES

The details of the Bank’s subsidiaries are disclosed in Note 13 to the financial statements.

RESULTS

<table>
<thead>
<tr>
<th></th>
<th>GROUP RM’000</th>
<th>BANK RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before zakat and tax expense</td>
<td>767,053</td>
<td>766,109</td>
</tr>
<tr>
<td>Zakat and tax expense</td>
<td>(200,935)</td>
<td>(200,760)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>566,118</td>
<td>565,349</td>
</tr>
</tbody>
</table>

RESERVES AND PROVISIONS

During the financial year ended 31 December 2017, the Bank has transferred RM1,392,158,939 from statutory reserve to its retained earnings pursuant to the Revised Policy Document on Capital Funds for Islamic Banks issued by Bank Negara Malaysia (“BNM”) on 3 May 2017, as disclosed in Note 2.1(a) and Note 22.

During the financial year ended 31 December 2017, the Bank has also transferred RM64,645,000 from its retained earnings to regulatory reserve to comply with BNM’s Policy on Classification and Impairment Provisions for Financing, as disclosed in Note 22.

DIVIDENDS

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

<table>
<thead>
<tr>
<th></th>
<th>RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>In respect of the financial year ended 31 December 2016 as reported in the Directors’ Report of that year: Final dividend of approximately 5.58 sen per ordinary share paid on 15 June 2017</td>
<td>134,167</td>
</tr>
<tr>
<td>In respect of the financial year ended 31 December 2017: Interim dividend of approximately 5.41 sen per ordinary share paid on 20 September 2017</td>
<td>132,310</td>
</tr>
<tr>
<td></td>
<td>266,477</td>
</tr>
</tbody>
</table>

The Directors recommend a final dividend of 6.09 sen per ordinary share totalling RM150,180,000 for the financial year ended 31 December 2017.
DIRECTORS OF THE BANK

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

Datuk Zamani Abdul Ghani (Chairman)
Tan Sri Dato’ Dr. Abdul Shukor Husin
Datuk Zaiton Mohd Hassan
Zahari @ Mohd Zin Idris
Mohamed Ridza Mohamed Abdulla
Noraini Che Dan
Nik Mohd Hasyudeen Yusoff
Dato’ Sri Zukri Samat (retired on 9 June 2017)
Dato’ Sri Khazali Ahmad (appointed on 2 January 2018)
Azizan Ahmad (appointed on 2 January 2018)

DIRECTORS OF THE SUBSIDIARIES

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

<table>
<thead>
<tr>
<th>NAME OF COMPANY</th>
<th>DIRECTORS</th>
</tr>
</thead>
</table>
| Al-Wakalah Nominees (Tempatan) Sdn. Bhd. | Maria Mat Said  
Mohd Muazzam Mohamed |
| BIMB Investment Management Berhad | Nik Mohd Hasyudeen Yusoff (appointed on 13 September 2017)  
Najmuddin Mohd Lutfi  
Dato’ Ghazali Awang  
Datuk Noripah Kamso  
Dr. Mohd Hatta Dagap  
Malkiat Singh @ Malkit Singh Maan AV Delbara Singh  
Mujibburrahman Abd Rashid (appointed on 5 December 2017)  
Khairul Kamarudin (resigned on 13 September 2017) |
| Bank Islam Trust Company (Labuan) Ltd. and its subsidiary: BIMB Offshore Company Management Services Sdn. Bhd. | Zahari @ Mohd Zin Idris  
Maria Mat Said |
| Farihan Corporation Sdn. Bhd. | Razman Ismail (appointed on 1 August 2017)  
Maria Mat Said  
Khairul Kamarudin (resigned on 1 August 2017) |

None of the Bank and subsidiaries’ Directors holding office as at 31 December 2017 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

DIRECTORS’ BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Note 33 to financial statements or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a firm in which the Director has a substantial financial interest.

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

On 15 June 2017, the Bank increased its issued and paid-up capital from RM2,669,174,100 to RM2,803,340,600 via the issuance of 41,282,000 new ordinary shares at a consideration of RM3.25 per share arising from the Dividend Reinvestment Plan of one hundred percent of the final dividend of approximately 5.58 sen per share in respect of financial year ended 31 December 2016, as disclosed in Note 37 to the financial statements.

On 20 September 2017, the Bank further increased its issued and paid-up capital from RM2,803,340,600 to RM2,869,497,600 via the issuance of 20,356,000 new ordinary shares at a consideration of RM3.25 per share arising from the Dividend Reinvestment Plan of fifty percent of the interim dividend of approximately 5.41 sen per share in respect of financial year ended 31 December 2017, as disclosed in Note 37 to the financial statements.

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND TAKAFUL COSTS

During the financial year, the total amount of Takaful cost incurred for Directors and Officers Liability Takaful coverage of the Group and of the Bank is RM111,570.

OTHER STATUTORY INFORMATION

IMPAIRED FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

COMPLIANCE WITH BANK NEGARA MALAYSIA’S EXPECTATIONS ON FINANCIAL REPORTING

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

2018 BUSINESS PLAN AND OUTLOOK

The Bank’s corporate direction for 2018 is premised on the overarching themes of Value-Based Intermediation (“VBI”). VBI is at the heart of the Bank’s business model, to deliver a sustainable performance with a strategic focus to support economic, social and environmental development. Shariah rules and principles remain as fundamentals to the Bank’s direction along with the new Triple Bottom Line (“TBL”) approach embedded in all operating principles.

The Bank will focus on optimising its risks and returns, optimising its resource and productivity as well as its franchise value, which is underpinned by a disciplined balance sheet management. This is to sustain net income margin, preserve asset quality as well as to minimise financial impact arising from the implementation of Malaysian Financial Reporting Standards on Financial Instruments (“MFRS 9”) in 2018 and the upcoming Net Stable Funding Ratio (“NSFR”) requirements.

The Bank will stay the course with its strategy to collaborate with FinTech companies in enhancing its reach and spurring innovation. The Bank will also carry on to invest in its people, to build a strong compliance and risk culture as well as enhance its capability and capacity as one of the key players in the Islamic Finance world.
RATINGS ACCORDER BY EXTERNAL RATING AGENCY
During the financial year, the Bank’s rating was re-affirmed as follows:

<table>
<thead>
<tr>
<th>RATING AGENCY</th>
<th>DATE RE-AFFIRMED</th>
<th>RATINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAM Rating Services Berhad</td>
<td>12 December 2017</td>
<td>Long-term rating: AA3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Short-term rating: P1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Outlook: Stable</td>
</tr>
</tbody>
</table>

AUDITORS
The auditors, Messrs. KPMG Desa Megat PLT, have indicated their willingness to accept reappointment.

The auditors’ remuneration is disclosed in Note 32 to the financial statements.

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

Datuk Zamani Abdul Ghani
Chairman

Noraini Che Dan
Director

Kuala Lumpur,
Date: 23 March 2018
In the opinion of the Directors, the financial statements set out on pages 159 to 258 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2016 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

Datuk Zamani Abdul Ghani
Chairman

Noraini Che Dan
Director

Kuala Lumpur,
Date: 28 March 2018
In carrying out the roles and the responsibilities of the Shariah Supervisory Council ("SSC") as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia ("BNM") and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2017.

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

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

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

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

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

APPROVALS

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

SHARIAH GOVERNANCE

We have approved in our meetings, initiatives in strengthening the Shariah governance of the Bank which include the review and update of the Shariah Review Guideline, Shariah Non-Compliance Management & Reporting Guideline and Shariah Compliance Risk Management Guideline that aim, among others, to set out the Shariah Compliance Risk Management framework and Shariah review processes.
SHARIAH RISK MANAGEMENT

We observe that the Bank implements measures in managing its Shariah non-compliance risk. The implementation of Risk Control Self-Assessment (“RCSA”) aims to assess the significance of identified Shariah non-compliance risks and effectiveness of the existing controls in the respective functional areas including continuous improvements to existing controls to provide reasonable mitigation to avoid any occurrence of Shariah non-compliance event in meeting the business objectives.

Since the introduction of RCSA, continuous process of identifying and assessing Shariah risks at respective functional areas are carried out. The increase in numbers of identified Shariah risks reflects the increasing level of Shariah awareness among staff especially Risk Controllers (“RC”) at each functional area.

SHARIAH REVIEW & SHARIAH AUDIT

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

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

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

**SHARIAH AUDIT**
1) Capital Market Division
2) Consumer Collections and Recovery
3) Shariah Division
4) Corporate Support Division
5) Treasury Division
6) BIMB Securities Sdn Bhd
7) Corporate Recovery Department
8) Corporate Banking Division
9) Product Management Division
10) Human Resources Division
11) Commercial Banking Division
12) Bank Islam Card Centre
13) Bank Islam Labuan Offshore Branch
14) Bank Islam Trust Company (Labuan) Limited
15) Abandoned Housing Projects
16) Assessment on the compliance with the BNM’s Tawarruq Policy Document
17) Assessment on the compliance with the BNM’s Murabahah Policy Document

**SHARIAH REVIEW**
1) Validation on compliance with Tawarruq Policy Document
2) Validation on compliance with Murabahah Policy Document
3) Validation on compliance with BNM’s Guidelines on Introduction of New Products
4) Validation on compliance with BNM’s Guidelines on Products Transparency and Disclosure
5) Human Resources
6) Treasury – Derivatives Instruments
7) Telemarketing Activities - UTS Marketing Solutions
8) Bank Islam Card Centre (“BICC”) – Follow-up Review on MCC 5813
9) Wafiyah Account Investment
10) RIA (Wakalah) via Investment Account Platform
11) Mudarabah Current Account (“TCIA”)
12) BIMB Holding Berhad, Syarikat Al-Ijarah Sdn Bhd and BIMB Securities (Holdings) Sdn Bhd
13) Verification on the Compliance to SSC of Bank Islam’s Decision
14) Verification on the Compliance to Resolution of the SAC of BNM
15) Verification on the Compliance to Resolution of the SAC of SC
16) Bank Islam Trust (Labuan) Limited
17) Bank Islam Labuan Offshore Branch (“BILOB”)
SHARIAH TRAINING & AWARENESS

During the year, seventeen (17) Shariah training and briefing sessions were held covering 832 participants among the Bank’s employees nationwide. All new recruits of the Bank spend one day in the Muamalat 101 training module during the orientation programme in which they learn the fundamentals of Shariah applied in Islamic banking business.

The Bank has embarked on an initiative to increase the knowledge of the staff by engaging Islamic Banking and Finance Institute Malaysia (“IBFIM”) for in-house certification programme namely Associate Qualification in Islamic Finance (“AQIF”) which comprises six (6) important modules. The Bank’s Shariah officers are part of the trainers for the AQIF modules. AQIF enhances the staff competencies, skills and knowledge in Islamic finance by providing exposure on the basic foundation and philosophy of Islamic finance and its operational applications. Successful participants of AQIF are offered to pursue the subsequent levels of the certification programme i.e. Intermediate Qualification of Islamic Finance (“IQIF”) and Certified Qualification in Islamic Finance (“CQIF”) accordingly.

To increase the awareness on Shariah compliance among the RCs, the Bank conducts three (3) Shariah Town Hall sessions whereby the RCs are updated on new Shariah requirements/rulings issued either by us or the regulators and any occurrence of Shariah non-compliances.

SHARIAH NON-COMPLIANT EVENTS & INCOME

We confirm the following incidences that breach Shariah rules and principles for products in 2017:

(i) Four (4) occurrences of absence of wakalah aqad execution for Term Deposit Tawarruq-i (“TDT-i”) in branches;
(ii) One (1) occurrence of absence of wakalah aqad execution for Wafiyah Investment Account in branches;
(iii) Overcharge of ta’widh and profit on Bank Islam Card Credit’s customer; and
(iv) Absence of commodity trading for TDT-i.

We were informed on the root causes of the incidences and noted that the Bank took corrective as well as preventive measures in order to avoid the same incidences from occurring in the future.

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

During the financial year, the Bank detected non-significant Shariah non-compliance income amounting to RM8,374.23. This amount was disposed off to charitable causes upon our approval as further described in the Note 23 – Sources and Uses of Charity Fund.

BUSINESS ZAKAT

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

Several zakat authorities have mandated distribution of a portion of the zakat paid by the Bank on the basis of the Bank acting as their agent (wakil) for distribution to eligible beneficiaries (asnaf) among needy individuals, mosques, non-governmental organizations, institutions of higher learning (needy students welfare funds) and schools as guided by the Business Zakat Payment Guideline that was approved by us.
SAFEGUARDING THE INVESTMENT ACCOUNT HOLDERS (“IAH”) INTEREST

In ensuring the interest of IAH is protected, we confirm that the profit allocation for the IAH is in accordance with Shariah rules and principles where the profit computation formula is duly presented and approved by us. The performance of the Investment Account is disclosed and reported via issuance of Fund Performance Report (“FPR”) which is made available on the Bank’s website.

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

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank, excluding the seven (7) Shariah non-compliance incidences mentioned above, during the financial year ended 31 December 2017 that were reviewed are in compliance with the Shariah rules and principles;
2. The allocation of profit and charging of losses relating to Investment Account conformed to the basis that has been approved by us;
3. The computation, payment and distribution of business zakat are in compliance with the Shariah rules and principles; and
4. All earnings that have been realised from sources or by means prohibited by the Shariah rules and principles have been disposed off to charitable causes.

On that note, we, members of Shariah Supervisory Council of Bank Islam Malaysia Berhad, do hereby confirm that, in our level best, the operations of the Bank for the year ended 31 December 2017 have been conducted in conformity with the Shariah rules and principles.

_We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, verse:81)_

Allah knows best.

Professor Dato’ Dr. Ahmad Hidayat Buang

Ustaz Dr. Ahmad Shahbari@Sobri Salamon

Sahibus Samahah Dato’ Dr. Hj. Anhar Hj. Opir

Associate Professor Dr. Yasmin Hanani Mohd Safian

Assistant Professor Dr. Uzaimah Ibrahim

Kuala Lumpur,
Date: 28 March 2018
I, Mohd Muazzam bin Mohamed, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 159 to 258 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Mohd Muazzam bin Mohamed, in Kuala Lumpur on 28 March 2018.

Mohd Muazzam bin Mohamed

Before me,
REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Islam Malaysia Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 159 to 258.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors’ Report Thereon

The Directors of the Bank are responsible for the other information. The other information obtained at the date of this auditors’ report is the information included in the Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors’ report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

OTHER MATTERS

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

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

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

Date: 28 March 2018
Petaling Jaya
**STATEMENTS OF FINANCIAL POSITION**

as at 31 December 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>3</td>
<td>4,185,697</td>
<td>3,963,417</td>
<td>4,185,561</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>4</td>
<td>-</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets held-for-trading</td>
<td>5</td>
<td>380,925</td>
<td>574,835</td>
<td>375,664</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>6</td>
<td>68,319</td>
<td>124,572</td>
<td>68,319</td>
</tr>
<tr>
<td>Financial assets available-for-sale</td>
<td>7</td>
<td>9,252,683</td>
<td>9,957,286</td>
<td>9,253,140</td>
</tr>
<tr>
<td>Financial assets held-to-maturity</td>
<td>8</td>
<td>-</td>
<td>57,703</td>
<td>-</td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>9</td>
<td>42,113,420</td>
<td>39,189,274</td>
<td>42,113,420</td>
</tr>
<tr>
<td>Statutory deposits with Bank Negara Malaysia</td>
<td>11</td>
<td>1,407,284</td>
<td>1,374,876</td>
<td>1,407,284</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>12</td>
<td>1,792</td>
<td>1,779</td>
<td>1,737</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>13</td>
<td>37,288</td>
<td>48,378</td>
<td>37,288</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>14</td>
<td>-</td>
<td>15,525</td>
<td>-</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>14</td>
<td>172,003</td>
<td>185,562</td>
<td>171,240</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>57,742,914</td>
<td>55,676,697</td>
<td>57,750,240</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>15</td>
<td>46,192,910</td>
<td>45,940,414</td>
<td>46,209,028</td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>16</td>
<td>4,260,185</td>
<td>3,812,261</td>
<td>4,260,185</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>17</td>
<td>-</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>6</td>
<td>74,668</td>
<td>111,089</td>
<td>74,668</td>
</tr>
<tr>
<td>Bills and acceptance payable</td>
<td>420,258</td>
<td>46,278</td>
<td>420,258</td>
<td>46,278</td>
</tr>
<tr>
<td></td>
<td>1,006,486</td>
<td>704,393</td>
<td>1,006,486</td>
<td>704,393</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>19</td>
<td>782,299</td>
<td>601,750</td>
<td>773,769</td>
</tr>
<tr>
<td>Zakat and taxation</td>
<td>20</td>
<td>46,404</td>
<td>45,046</td>
<td>46,340</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>52,783,210</td>
<td>51,291,231</td>
<td>52,790,734</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>21</td>
<td>2,869,498</td>
<td>2,404,384</td>
<td>2,869,498</td>
</tr>
<tr>
<td>Reserves</td>
<td>20,902,060</td>
<td>1,981,082</td>
<td>20,900,088</td>
<td>1,981,571</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>4,959,704</td>
<td>4,385,466</td>
<td>4,959,506</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td></td>
<td>57,742,914</td>
<td>55,676,697</td>
<td>57,750,240</td>
</tr>
<tr>
<td>Restricted investment accounts managed by the Bank</td>
<td>16</td>
<td>124,384</td>
<td>141,343</td>
<td>124,384</td>
</tr>
<tr>
<td><strong>Total Islamic banking asset owned and managed by the Bank</strong></td>
<td></td>
<td>57,867,298</td>
<td>55,818,040</td>
<td>57,874,624</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td>43</td>
<td>13,768,162</td>
<td>13,704,559</td>
<td>13,768,162</td>
</tr>
</tbody>
</table>

The notes on pages 165 to 258 are an integral part of these financial statements.
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the financial year ended 31 December 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Income derived from investment of depositors’ funds</td>
<td>24</td>
<td>2,324,187</td>
<td></td>
<td>2,342,204</td>
<td></td>
<td>2,324,187</td>
<td></td>
</tr>
<tr>
<td>Income derived from investment account funds</td>
<td>25</td>
<td>247,046</td>
<td></td>
<td>113,893</td>
<td></td>
<td>247,046</td>
<td></td>
</tr>
<tr>
<td>Income derived from investment of shareholders’ funds</td>
<td>26</td>
<td>434,353</td>
<td></td>
<td>407,357</td>
<td></td>
<td>421,285</td>
<td></td>
</tr>
<tr>
<td>Net allowance for impairment on financing and advances, net of recoveries</td>
<td>27</td>
<td>15,613</td>
<td></td>
<td>(92,105)</td>
<td></td>
<td>15,613</td>
<td></td>
</tr>
<tr>
<td>Allowance for impairment on investments</td>
<td>28</td>
<td>–</td>
<td></td>
<td>(255)</td>
<td></td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Net allowance of impairment on other assets</td>
<td>29</td>
<td>(243)</td>
<td></td>
<td>608</td>
<td></td>
<td>(243)</td>
<td></td>
</tr>
<tr>
<td>Direct expenses</td>
<td>30</td>
<td>(18,421)</td>
<td></td>
<td>(20,387)</td>
<td></td>
<td>(18,421)</td>
<td></td>
</tr>
<tr>
<td>Total distributable income</td>
<td></td>
<td>3,002,535</td>
<td></td>
<td>2,751,315</td>
<td></td>
<td>2,989,467</td>
<td></td>
</tr>
<tr>
<td>Wakalah performance incentive fees from restricted investment accounts</td>
<td>31</td>
<td>2,595</td>
<td></td>
<td>5,328</td>
<td></td>
<td>2,595</td>
<td></td>
</tr>
<tr>
<td>Income attributable to depositors</td>
<td>32</td>
<td>(1,103,036)</td>
<td></td>
<td>(1,069,637)</td>
<td></td>
<td>(1,103,275)</td>
<td></td>
</tr>
<tr>
<td>Income attributable to investment account holders</td>
<td>33</td>
<td>(105,301)</td>
<td></td>
<td>(38,387)</td>
<td></td>
<td>(105,301)</td>
<td></td>
</tr>
<tr>
<td>Total net income</td>
<td></td>
<td>1,796,793</td>
<td></td>
<td>1,648,619</td>
<td></td>
<td>1,783,486</td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>34</td>
<td>(569,343)</td>
<td></td>
<td>(506,673)</td>
<td></td>
<td>(560,447)</td>
<td></td>
</tr>
<tr>
<td>Other overhead expenses</td>
<td>35</td>
<td>(419,101)</td>
<td></td>
<td>(382,069)</td>
<td></td>
<td>(415,634)</td>
<td></td>
</tr>
<tr>
<td>Finance cost on Subordinated Sukuk Murabahah</td>
<td>36</td>
<td>(808,349)</td>
<td></td>
<td>759,877</td>
<td></td>
<td>807,405</td>
<td></td>
</tr>
<tr>
<td>Profit before zakat and tax</td>
<td>37</td>
<td>(187,562)</td>
<td></td>
<td>(176,591)</td>
<td></td>
<td>(187,454)</td>
<td></td>
</tr>
<tr>
<td>Zakat</td>
<td></td>
<td>(13,373)</td>
<td></td>
<td>(12,859)</td>
<td></td>
<td>(13,306)</td>
<td></td>
</tr>
<tr>
<td>Tax expense</td>
<td></td>
<td>(187,562)</td>
<td></td>
<td>(176,591)</td>
<td></td>
<td>(187,454)</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>566,118</td>
<td></td>
<td>530,962</td>
<td></td>
<td>565,349</td>
<td></td>
</tr>
<tr>
<td>Earnings per share (sen)</td>
<td>38</td>
<td>23.27</td>
<td></td>
<td>22.29</td>
<td></td>
<td>23.27</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>566,118</td>
<td></td>
<td>530,962</td>
<td></td>
<td>565,349</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income, net of tax:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that are or may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences in respect of foreign operations</td>
<td></td>
<td>45,908</td>
<td></td>
<td>(20,252)</td>
<td></td>
<td>45,990</td>
<td></td>
</tr>
<tr>
<td>Fair value reserve</td>
<td></td>
<td>43,480</td>
<td></td>
<td>15,229</td>
<td></td>
<td>43,480</td>
<td></td>
</tr>
<tr>
<td>Net amount transferred to profit or loss</td>
<td></td>
<td>(6,157)</td>
<td></td>
<td>(51,249)</td>
<td></td>
<td>(6,157)</td>
<td></td>
</tr>
<tr>
<td>Income tax (expense)/credit relating to components of other comprehensive income</td>
<td></td>
<td>(8,958)</td>
<td></td>
<td>8,645</td>
<td></td>
<td>(8,958)</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income/(expense) for the year, net of tax</td>
<td></td>
<td>74,273</td>
<td></td>
<td>(47,627)</td>
<td></td>
<td>74,355</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>640,391</td>
<td></td>
<td>483,335</td>
<td></td>
<td>639,704</td>
<td></td>
</tr>
</tbody>
</table>

The notes on pages 165 to 258 are an integral part of these financial statements.
<table>
<thead>
<tr>
<th>GROUP</th>
<th>Note</th>
<th>ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>SHARE NON-DISTRIBUTABLE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RM’000</td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td></td>
<td>2,363,283</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Currency translation difference in respect of foreign operations</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Fair value reserve – Net change in fair value</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>– Net amount reclassified to profit or loss</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Income tax credit relating to components of other comprehensive income</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive (expense)/income for the year</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Transfer to reserve fund</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Dividends paid on ordinary shares</td>
<td>37</td>
<td>–</td>
</tr>
<tr>
<td>Issue of shares pursuant to Dividend Reinvestment Plan</td>
<td>37</td>
<td>41,101</td>
</tr>
<tr>
<td>At 31 December 2016/1 January 2017</td>
<td></td>
<td>2,404,384</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Currency translation difference in respect of foreign operations</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Fair value reserve – Net change in fair value</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>– Net amount reclassified to profit or loss</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Income tax expense relating to components of other comprehensive income</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Transfer of share premium to share capital</td>
<td>21</td>
<td>264,790</td>
</tr>
<tr>
<td>Transfer of reserve fund to retained earnings</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Transfer to regulatory reserve</td>
<td>22</td>
<td>–</td>
</tr>
<tr>
<td>Dividends paid on ordinary shares</td>
<td>37</td>
<td>–</td>
</tr>
<tr>
<td>Issue of shares pursuant to Dividend Reinvestment Plan</td>
<td>37</td>
<td>200,324</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td></td>
<td>2,869,498</td>
</tr>
</tbody>
</table>

Note 22

The notes on pages 165 to 258 are an integral part of these financial statements.
## STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

<table>
<thead>
<tr>
<th>BANK</th>
<th>Note</th>
<th>SHARE CAPITAL RM'000</th>
<th>SHARE PREMIUM RM'000</th>
<th>OTHER RESERVES RM'000</th>
<th>RETAINED EARNINGS RM'000</th>
<th>TOTAL EQUITY RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 January 2016</strong></td>
<td></td>
<td>2,363,283</td>
<td>175,452</td>
<td>1,107,738</td>
<td>386,580</td>
<td>4,033,053</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>531,007</td>
<td>531,007</td>
</tr>
<tr>
<td>Currency translation difference in respect of foreign operations</td>
<td></td>
<td>–</td>
<td>–</td>
<td>(20,293)</td>
<td>–</td>
<td>(20,293)</td>
</tr>
<tr>
<td>Fair value reserve – Net change in fair value</td>
<td></td>
<td>–</td>
<td>–</td>
<td>15,229</td>
<td>–</td>
<td>15,229</td>
</tr>
<tr>
<td>– Net amount reclassified to profit or loss</td>
<td></td>
<td>–</td>
<td>–</td>
<td>(51,249)</td>
<td>–</td>
<td>(51,249)</td>
</tr>
<tr>
<td>Income tax credit relating to components of other comprehensive income</td>
<td></td>
<td>–</td>
<td>–</td>
<td>8,645</td>
<td>–</td>
<td>8,645</td>
</tr>
<tr>
<td><strong>Total comprehensive (expense)/income for the year</strong></td>
<td></td>
<td>–</td>
<td>–</td>
<td>(47,668)</td>
<td>531,007</td>
<td>483,339</td>
</tr>
<tr>
<td>Transfer to reserve fund</td>
<td></td>
<td>–</td>
<td>–</td>
<td>132,752</td>
<td>(132,752)</td>
<td>–</td>
</tr>
<tr>
<td>Dividends paid on ordinary shares</td>
<td>37</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(260,876)</td>
<td>(260,876)</td>
</tr>
<tr>
<td>Issue of shares pursuant to Dividend Reinvestment Plan</td>
<td>37</td>
<td>41,101</td>
<td>89,338</td>
<td>–</td>
<td>–</td>
<td>130,439</td>
</tr>
<tr>
<td><strong>At 31 December 2016/1 January 2017</strong></td>
<td></td>
<td>2,404,384</td>
<td>264,790</td>
<td>1,192,822</td>
<td>523,959</td>
<td>4,385,955</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>565,349</td>
<td>565,349</td>
</tr>
<tr>
<td>Currency translation difference in respect of foreign operations</td>
<td></td>
<td>–</td>
<td>–</td>
<td>45,990</td>
<td>–</td>
<td>45,990</td>
</tr>
<tr>
<td>Fair value reserve – Net change in fair value</td>
<td></td>
<td>–</td>
<td>–</td>
<td>43,480</td>
<td>–</td>
<td>43,480</td>
</tr>
<tr>
<td>– Net amount reclassified to profit or loss</td>
<td></td>
<td>–</td>
<td>–</td>
<td>(6,157)</td>
<td>–</td>
<td>(6,157)</td>
</tr>
<tr>
<td>Income tax expense relating to components of other comprehensive income</td>
<td></td>
<td>–</td>
<td>–</td>
<td>(8,958)</td>
<td>–</td>
<td>(8,958)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td></td>
<td>–</td>
<td>–</td>
<td>74,355</td>
<td>565,349</td>
<td>639,704</td>
</tr>
<tr>
<td>Transfer of share premium to share capital</td>
<td>21</td>
<td>264,790</td>
<td>(264,790)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Transfer of reserve fund to retained earnings</td>
<td></td>
<td>–</td>
<td>–</td>
<td>(1,392,159)</td>
<td>1,392,159</td>
<td>–</td>
</tr>
<tr>
<td>Transfer to regulatory reserve</td>
<td>22</td>
<td>–</td>
<td>–</td>
<td>64,645</td>
<td>(64,645)</td>
<td>–</td>
</tr>
<tr>
<td>Dividends paid on ordinary shares</td>
<td>37</td>
<td>–</td>
<td>–</td>
<td>(266,477)</td>
<td>(266,477)</td>
<td>–</td>
</tr>
<tr>
<td>Issue of shares pursuant to Dividend Reinvestment Plan</td>
<td>37</td>
<td>200,324</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>200,324</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td></td>
<td>2,869,498</td>
<td>–</td>
<td>(60,337)</td>
<td>2,150,345</td>
<td>4,959,506</td>
</tr>
</tbody>
</table>

Note 22

The notes on pages 165 to 258 are an integral part of these financial statements.
### STATEMENTS OF CASH FLOW
for the financial year ended 31 December 2017

#### Cash flows from operating activities

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2017 RM’000</th>
<th>BANK 2017 RM’000</th>
<th>GROUP 2016 RM’000</th>
<th>BANK 2016 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before zakat and tax</td>
<td>767,053</td>
<td>720,412</td>
<td>766,109</td>
<td>720,441</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of property and equipment</td>
<td>54,480</td>
<td>59,582</td>
<td>54,220</td>
<td>59,338</td>
</tr>
<tr>
<td>Net (gain)/loss on disposal of property and equipment</td>
<td>71</td>
<td>(527)</td>
<td>71</td>
<td>(527)</td>
</tr>
<tr>
<td>Property and equipment written off</td>
<td>56</td>
<td>8</td>
<td>56</td>
<td>8</td>
</tr>
<tr>
<td>Collective assessment allowance</td>
<td>34,706</td>
<td>161,667</td>
<td>34,706</td>
<td>161,667</td>
</tr>
<tr>
<td>Individual assessment allowance</td>
<td>71,735</td>
<td>30,662</td>
<td>71,735</td>
<td>30,662</td>
</tr>
<tr>
<td>(Reversal)/Allowance of impairment losses on other assets</td>
<td>243</td>
<td>(608)</td>
<td>243</td>
<td>(608)</td>
</tr>
<tr>
<td>Allowance for impairment loss on financial assets available-for-sale</td>
<td>–</td>
<td>255</td>
<td>–</td>
<td>255</td>
</tr>
<tr>
<td>Net (gain)/loss on sale of financial assets held-for-trading</td>
<td>765</td>
<td>(5,605)</td>
<td>765</td>
<td>(5,260)</td>
</tr>
<tr>
<td>Net gain on sale of financial assets available-for-sale</td>
<td>(6,157)</td>
<td>(51,249)</td>
<td>(6,157)</td>
<td>(51,249)</td>
</tr>
<tr>
<td>Net gain on sale of financial assets held to maturity</td>
<td>(31,551)</td>
<td>–</td>
<td>(31,551)</td>
<td>–</td>
</tr>
<tr>
<td>Fair value (gain)/loss on financial assets held-for-trading</td>
<td>(5,214)</td>
<td>4,074</td>
<td>(5,214)</td>
<td>3,904</td>
</tr>
<tr>
<td>Dividends from securities</td>
<td>(2,600)</td>
<td>(4,991)</td>
<td>(2,422)</td>
<td>(4,991)</td>
</tr>
<tr>
<td>Net derivative loss</td>
<td>779</td>
<td>4,515</td>
<td>779</td>
<td>4,515</td>
</tr>
<tr>
<td>Finance cost on Subordinated Sukuk Murabahah</td>
<td>41,296</td>
<td>39,465</td>
<td>41,296</td>
<td>39,465</td>
</tr>
<tr>
<td><strong>Operating profit before changes in assets and liabilities</strong></td>
<td><strong>925,662</strong></td>
<td><strong>957,660</strong></td>
<td><strong>924,636</strong></td>
<td><strong>957,620</strong></td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>(3,030,587)</td>
<td>(5,086,913)</td>
<td>(3,030,587)</td>
<td>(5,086,913)</td>
</tr>
<tr>
<td>Statutory deposits with Bank Negara Malaysia</td>
<td>(32,408)</td>
<td>216,584</td>
<td>(32,408)</td>
<td>216,584</td>
</tr>
<tr>
<td>Bills and other receivables</td>
<td>31,476</td>
<td>(34,000)</td>
<td>30,876</td>
<td>(33,474)</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>252,496</td>
<td>2,384,064</td>
<td>259,313</td>
<td>2,354,768</td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>447,924</td>
<td>3,136,156</td>
<td>447,924</td>
<td>3,136,156</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>(30,000)</td>
<td>30,000</td>
<td>(30,000)</td>
<td>30,000</td>
</tr>
<tr>
<td>Bills and acceptance payable</td>
<td>373,980</td>
<td>(76,299)</td>
<td>373,980</td>
<td>(76,299)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>143,352</td>
<td>62,210</td>
<td>137,981</td>
<td>94,748</td>
</tr>
<tr>
<td><strong>Cash generated from/(used in) operations</strong></td>
<td><strong>(918,105)</strong></td>
<td><strong>1,589,462</strong></td>
<td><strong>(918,285)</strong></td>
<td><strong>1,593,190</strong></td>
</tr>
<tr>
<td>Zakat paid</td>
<td>(12,869)</td>
<td>(8,721)</td>
<td>(12,837)</td>
<td>(8,704)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(184,591)</td>
<td>(138,380)</td>
<td>(184,473)</td>
<td>(138,284)</td>
</tr>
<tr>
<td>Tax refund</td>
<td>45</td>
<td>10,869</td>
<td>–</td>
<td>10,808</td>
</tr>
<tr>
<td><strong>Net cash generated from/(used in) operating activities</strong></td>
<td><strong>(1,115,520)</strong></td>
<td><strong>1,453,230</strong></td>
<td><strong>(1,115,595)</strong></td>
<td><strong>1,457,010</strong></td>
</tr>
</tbody>
</table>
## STATEMENTS OF CASH FLOW
for the financial year ended 31 December 2017
(cont’d)

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2017</th>
<th>GROUP 2016</th>
<th>BANK 2017</th>
<th>BANK 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>(41,360)</td>
<td>(36,887)</td>
<td>(41,349)</td>
<td>(36,500)</td>
</tr>
<tr>
<td>Proceeds from disposal of property and equipment</td>
<td>305</td>
<td>1,181</td>
<td>305</td>
<td>1,181</td>
</tr>
<tr>
<td>Dividends from securities</td>
<td>2,600</td>
<td>4,991</td>
<td>2,422</td>
<td>4,991</td>
</tr>
<tr>
<td>Net proceeds from disposal/(purchase) of securities</td>
<td>1,035,696</td>
<td>(151,202)</td>
<td>1,035,872</td>
<td>(151,547)</td>
</tr>
<tr>
<td><strong>Net cash generated from/(used in) investing activities</strong></td>
<td>997,241</td>
<td>(181,917)</td>
<td>997,250</td>
<td>(181,875)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>300,000</td>
<td>–</td>
<td>300,000</td>
<td>–</td>
</tr>
<tr>
<td>Dividend paid on ordinary shares</td>
<td>(266,477)</td>
<td>(260,876)</td>
<td>(266,477)</td>
<td>(260,876)</td>
</tr>
<tr>
<td>Proceeds from issuance of ordinary shares pursuant to Dividend Reinvestment Plan</td>
<td>200,324</td>
<td>130,439</td>
<td>200,324</td>
<td>130,439</td>
</tr>
<tr>
<td>Finance cost paid on Subordinated Sukuk Murabahah</td>
<td>(39,203)</td>
<td>(39,452)</td>
<td>(39,203)</td>
<td>(39,452)</td>
</tr>
<tr>
<td><strong>Net cash generated from/(used in) financing activities</strong></td>
<td>194,644</td>
<td>(169,889)</td>
<td>194,644</td>
<td>(169,889)</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>76,365</td>
<td>1,101,424</td>
<td>76,299</td>
<td>1,105,246</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 1 January</strong></td>
<td>4,063,417</td>
<td>2,982,246</td>
<td>4,063,268</td>
<td>2,978,315</td>
</tr>
<tr>
<td><strong>Exchange difference on translation</strong></td>
<td>45,915</td>
<td>(20,253)</td>
<td>45,994</td>
<td>(20,293)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at 31 December</strong></td>
<td>4,185,697</td>
<td>4,063,417</td>
<td>4,185,561</td>
<td>4,063,268</td>
</tr>
</tbody>
</table>

Cash and cash equivalents comprise:
- Cash and short-term funds
  - **GROUP 2017**: 4,185,697
  - **GROUP 2016**: 3,963,417
  - **BANK 2017**: 4,185,561
  - **BANK 2016**: 3,963,268
- Deposits and placements with banks and other financial institutions
  - **GROUP 2017**: –
  - **GROUP 2016**: 100,000
  - **BANK 2017**: –
  - **BANK 2016**: 100,000

*Net cash generated from/(used in) financing activities are solely attributable to changes from financing cash flows.*
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of its subsidiaries are as disclosed in Note 13 to the financial statements.

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

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

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

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

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

These financial statements were approved by the Board of Directors on 28 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) Statement of compliance

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2017 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

2.1 Basis of preparation (cont’d)

(a) Statement of compliance (cont’d)

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

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

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

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments 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, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.
- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2021.

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

MFRS 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.

The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with three measurement categories - amortised cost, fair value through profit or loss (“FVTPL”) and fair value through other comprehensive income (“FVOCI”).

For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments as well as future economic conditions.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)
   
2.1 Basis of preparation (cont’d)

   (a) Statement of compliance (cont’d)

   MFRS 9, Financial Instruments (cont’d)

   The Group and the Bank anticipate changes to the financial statements in the areas of classification and measurements for financial assets and liabilities and they are as follows:

   – Financing, advances and others that are classified as financing and receivables as well as investments in debt securities classified as held to maturity under MFRS 139 are expected to be classified as financial assets measured at amortised cost under MFRS 9;
   – The majority of the debt securities classified as available for sale (“AFS”) under MFRS 139 are expected to be classified as investment securities measured at FVOCI;
   – Financial assets and liabilities held for trading are expected to be continued to be measured at FVTPL; and
   – Investment in equity instruments that are currently classified as AFS and measured at cost due to absence of quoted market price are expected to be classified and measured at FVTPL.

   The expected changes on the above classification of financial assets and liabilities are not expected to have material impact on the assets value of the Group and the Bank.

   Separately, under the new expected loss impairment model, the Group and the Bank expect that the allowance for impairment on financing and investment in securities to increase by approximately 20% - 30% as compared to the balance as at 31 December 2017.

   The Group and the Bank continues to refine and validate the impairment models which may change the actual impact on adoption.

   MFRS 16, Leases

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

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

   The recognition of the ‘right-of-use’ asset and the lease liability are expected to increase the Group’s and the Bank’s total assets and liabilities by less than 1%.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

2.1 Basis of preparation (cont’d)

(a) Statement of compliance (cont’d)

Companies Act 2016

The financial statements of the Group and of the Bank have been prepared in accordance with the requirements of the Companies Act 2016 (“CA 2016”), which replaced the Companies Act 1965. Amongst the key changes introduced in the CA 2016 which affected the financial statements of the Group and of the Bank upon the commencement of the CA 2016 on 31 January 2017 were:

(a) the removal of the authorised share capital;
(b) the ordinary shares of the Bank ceased to have par or nominal value; and
(c) the Bank’s share premium became part of the share capital.

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

There was no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transfer of the amount in the share premium account to the share capital account.

Revised Policy Document on Capital Funds and Capital Funds for Islamic Banks issued by Bank Negara Malaysia (“BNM”)

On 3 May 2017, BNM issued a revised Policy Document on Capital Funds and Capital Funds for Islamic Banks (“Revised Policy Document”). This Revised Policy Document was applicable to banking institutions in Malaysia covering licensed banks, licensed investment banks and licensed Islamic banks. The issuance of this Revised Policy Document has superseded two guidelines issued by BNM previously, namely Capital Funds and Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document were:

(a) the removal of the requirement on maintenance of a reserve fund; and
(b) the revised component of capital funds shall exclude share premium and reserve fund.

During the financial year, the Bank transferred RM1,392,158,939 from statutory reserve fund to its retained earnings pursuant to the Revised Policy Document.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

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

2.1 Basis of preparation (cont’d)

(d) Use of estimates and judgement (cont’d)

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

- Note 2.5 and Note 40 – Fair value of financial instruments
- Note 2.10 – Impairment
- Note 12 – Deferred tax assets

2.2 Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

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

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.
2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont’d)

2.2 **Basis of consolidation** (cont’d)

(c) **Loss of control**

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

(d) **Transactions eliminated on consolidation**

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

2.3 **Foreign currency**

(a) **Foreign currency transactions**

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

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

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

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

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

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

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

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

2.4 **Cash and cash equivalents**

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions.
2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont’d)

2.5 **Financial instruments**

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

**Initial recognition and measurement**

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

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

Financial instruments are categorised as follows:

**Financial assets**

(a) **Financing and receivables**

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

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

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

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

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

(i) **Held-for-trading**

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

(ii) **Designated under fair value option**

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

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

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

(c) **Financial assets held-to-maturity**

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

Any sale or reclassification of more than insignificant amount of financial assets held-to-maturity would result in the reclassification of all financial assets held-to-maturity to financial assets available-for-sale and the Group would be prevented from classifying any financial assets as financial assets held-to-maturity for the current and following two financial years.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

2.5 Financial instruments (cont’d)

Financial assets (cont’d)

(d) Financial assets available-for-sale

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

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

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

Derivative financial instruments

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

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

Financial liabilities

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

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

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

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

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

2.5 Financial instruments (cont’d)

Financial liabilities (cont’d)

(a) Investment accounts

Investment accounts are either:

(i) Unrestricted investment accounts

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

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

(ii) Restricted investment accounts

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

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

Financial guarantee contracts

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

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

Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

2.6 Property and equipment

(a) Recognition and measurement

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

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

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

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

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

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

(b) Subsequent costs

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

(c) Depreciation

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

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

2.6 Property and equipment (cont’d)

(c) Depreciation (cont’d)

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

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

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

2.7 Leased assets – Finance lease

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

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

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

2.8 Leased assets – Operating lease

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

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

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

2.9 Bills and other receivables

Bills and other receivables are stated at cost less any allowance for impairment.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

2.10 Impairment

Financial assets

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

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

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

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

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

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance for impairment account. The amount of reversal is recognised in the profit or loss.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

2.10 Impairment (cont’d)

Financial assets (cont’d)

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

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

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

Other assets

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

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

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

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

2.11 Bills and acceptances payable

Bills and acceptances payable represent the Group’s and the Bank’s own bills and acceptances rediscouned and outstanding in the market.

2.12 Provisions

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

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

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

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

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

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

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

2.17 Recognition of income

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

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

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

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

Dividend income from subsidiaries and other investments are recognised when the Bank’s rights to receive payment is established.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

2.18 Income tax

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

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

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

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

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

2.19 Zakat

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

2.20 Employee benefits

Short-term employee benefits

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

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

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

2.21 Earnings per ordinary shares

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

2.22 Fair value measurements

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

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

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

3. CASH AND SHORT-TERM FUNDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with banks and other financial institutions</td>
<td>921,777</td>
<td>932,674</td>
<td>921,641</td>
<td>932,525</td>
</tr>
<tr>
<td>Money at call and interbank placements with remaining maturity not exceeding one month</td>
<td>3,263,920</td>
<td>3,030,743</td>
<td>3,263,920</td>
<td>3,030,743</td>
</tr>
<tr>
<td></td>
<td>4,185,697</td>
<td>3,963,417</td>
<td>4,185,561</td>
<td>3,963,268</td>
</tr>
</tbody>
</table>
4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>100,000</td>
</tr>
</tbody>
</table>

5. FINANCIAL ASSETS HELD-FOR-TRADING

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysian Government Investment Issues</td>
<td>355,681</td>
<td>324,500</td>
<td>355,681</td>
<td>324,500</td>
</tr>
<tr>
<td>Sukuk</td>
<td>19,983</td>
<td>245,250</td>
<td>19,983</td>
<td>245,250</td>
</tr>
<tr>
<td>Unit trust</td>
<td>5,261</td>
<td>5,085</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>380,925</strong></td>
<td><strong>574,835</strong></td>
<td><strong>375,664</strong></td>
<td><strong>569,750</strong></td>
</tr>
</tbody>
</table>

6. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

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

**Group and Bank**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forward contracts</strong></td>
<td><strong>3,218,824</strong></td>
<td><strong>63,827</strong></td>
</tr>
<tr>
<td></td>
<td><strong>607,992</strong></td>
<td><strong>4,492</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,826,816</strong></td>
<td><strong>68,319</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NOTIONAL AMOUNT RM’000</th>
<th>31.12.2016 FAIR VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forward contracts</strong></td>
<td><strong>3,117,570</strong></td>
</tr>
<tr>
<td></td>
<td><strong>117,445</strong></td>
</tr>
<tr>
<td><strong>Profit rate swaps</strong></td>
<td><strong>836,027</strong></td>
</tr>
<tr>
<td></td>
<td><strong>7,127</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,953,597</strong></td>
</tr>
<tr>
<td></td>
<td><strong>124,572</strong></td>
</tr>
</tbody>
</table>
7. FINANCIAL ASSETS AVAILABLE-FOR-SALE

<table>
<thead>
<tr>
<th>At fair value</th>
<th>GROUP</th>
<th>BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysian Government Investment Issues</td>
<td>1,525,094</td>
<td>2,057,324</td>
</tr>
<tr>
<td>Negotiable Islamic Debt Certificates</td>
<td>–</td>
<td>496,681</td>
</tr>
<tr>
<td>Sukuk</td>
<td>7,690,740</td>
<td>7,367,563</td>
</tr>
<tr>
<td></td>
<td>9,215,834</td>
<td>9,921,568</td>
</tr>
</tbody>
</table>

| At fair value                  | GROUP  | BANK           |
| Quoted shares                  |        |                |
| - outside Malaysia             | 17,612  | 21,124 | 17,612 | 21,124 |
| Quoted unit trust              | 13,937  | 9,294 | 13,937 | 9,294 |
|                               | 31,549  | 30,418 | 31,549 | 30,418 |

| At cost                        | GROUP  | BANK           |
| Unquoted shares in Malaysia*    | 23,520  | 25,468 | 23,520 | 25,468 |
| Less: Accumulated impairment loss* | (18,239) | (20,187) | (18,239) | (20,187) |
|                               | 5,281  | 5,281 | 5,281 | 5,281 |

| At cost                        | GROUP  | BANK           |
| Unquoted shares outside Malaysia | 329    | 329 | 329 | 329 |
| Less: Impairment loss          | (310)  | (310) | (310) | (310) |
|                               | 19     | 19 | 19 | 19 |
|                               | 9,252,683  | 9,957,266 | 9,253,140  | 9,957,743 |

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

8. FINANCIAL ASSETS HELD-TO-MATURITY

| At amortised cost              | GROUP  | BANK           |
| Unquoted securities in Malaysia: Sukuk | 6,887 | 64,590 | (6,887) | (6,887) |
| Less: Accumulated impairment loss | – | 57,703 |
9. FINANCING, ADVANCES AND OTHERS

(a) By type and Shariah contract

<table>
<thead>
<tr>
<th>Group and Bank</th>
<th>Bai’ Bithaman</th>
<th>Murabahah Al-Dayn</th>
<th>Al-Inah</th>
<th>Al-Mutawarruq</th>
<th>Ijarah Muntahiah Bit-Tamleek</th>
<th>Ijarah Thumma Al-Bai</th>
<th>Istisna’</th>
<th>Ar-Rahnu</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
</tbody>
</table>

At amortised cost

<table>
<thead>
<tr>
<th>Term financing</th>
<th>RM’000</th>
<th>RM’000</th>
<th>RM’000</th>
<th>RM’000</th>
<th>RM’000</th>
<th>RM’000</th>
<th>RM’000</th>
<th>RM’000</th>
<th>RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>House financing ^</td>
<td>4,127,474</td>
<td>–</td>
<td>–</td>
<td>29,197</td>
<td>1,207,519</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12,367,716</td>
</tr>
<tr>
<td>Syndicated financing</td>
<td>–</td>
<td>–</td>
<td>44,968</td>
<td>578,156</td>
<td>–</td>
<td>108,570</td>
<td>–</td>
<td>–</td>
<td>731,694</td>
</tr>
<tr>
<td>Leasing financing</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>87,945</td>
<td>299</td>
<td>–</td>
<td>–</td>
<td>88,244</td>
</tr>
<tr>
<td>Bridging financing</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>76,622</td>
<td>–</td>
<td>–</td>
<td>76,622</td>
</tr>
<tr>
<td>Personal financing ^</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>20,340</td>
<td>12,347,365</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12,367,705</td>
</tr>
<tr>
<td>Other term financing</td>
<td>1,532,421</td>
<td>1,130,377</td>
<td>3,429</td>
<td>7,558,287</td>
<td>–</td>
<td>1,257</td>
<td>–</td>
<td>–</td>
<td>10,225,771</td>
</tr>
<tr>
<td>Staff financing</td>
<td>71,358</td>
<td>7,634</td>
<td>–</td>
<td>134,660</td>
<td>–</td>
<td>11,676</td>
<td>–</td>
<td>–</td>
<td>225,328</td>
</tr>
<tr>
<td>Credit cards</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>458,138</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>458,138</td>
</tr>
<tr>
<td>Trade bills discounted</td>
<td>–</td>
<td>819,992</td>
<td>186,433</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,006,425</td>
</tr>
<tr>
<td>Trust receipts</td>
<td>–</td>
<td>2,922</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,922</td>
</tr>
<tr>
<td>Pawn broking</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>87,222</td>
<td>–</td>
<td>–</td>
<td>87,222</td>
</tr>
<tr>
<td>Investment Account</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>14,408</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>14,408</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>186,433</th>
<th>97,934</th>
<th>34,280,067</th>
<th>87,945</th>
<th>108,869</th>
<th>145,288</th>
<th>87,222</th>
<th>42,685,936</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for impairment on financing, advances and others</td>
<td>- collective assessment allowance</td>
<td>(446,069)</td>
<td>(126,447)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net financing, advances and others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42,113,420</td>
</tr>
</tbody>
</table>

Financial Statement
INTEGRATED ANNUAL REPORT 2017

 thuyết trình văn bản mà bạn đọc tự nhiên
### 9. FINANCING, ADVANCES AND OTHERS (cont’d)

(a) **By type and Shariah contract** (cont’d)

<table>
<thead>
<tr>
<th>Group and Bank</th>
<th>Bai' at amortised cost</th>
<th>Murabahah</th>
<th>Al-Dayn</th>
<th>Bai Al-Inah</th>
<th>At-Tawarruq</th>
<th>Ijarah Bit-Tamleek</th>
<th>Ijarah Al-Bai</th>
<th>Ijarae’</th>
<th>Al-Rahnu</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2016</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Cash line</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,236,920</td>
</tr>
<tr>
<td><strong>Term financing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House financing ^</td>
<td>4,484,247</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,503,014</td>
<td>–</td>
<td>–</td>
<td>59,088</td>
<td>–</td>
<td>14,046,349</td>
</tr>
<tr>
<td>Syndicated financing</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>196,129</td>
<td>1,045,889</td>
<td>–</td>
<td>123,189</td>
<td>–</td>
<td>–</td>
<td>1,365,207</td>
</tr>
<tr>
<td>Leasing financing</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>90,610</td>
<td>902</td>
<td>–</td>
<td>–</td>
<td>91,512</td>
<td></td>
</tr>
<tr>
<td>Bridging financing</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>82,313</td>
<td>–</td>
<td>–</td>
<td>82,313</td>
</tr>
<tr>
<td>Personal financing ^</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>42,177</td>
<td>11,197,744</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>11,239,921</td>
</tr>
<tr>
<td>Other term financing</td>
<td>2,086,188</td>
<td>933,316</td>
<td>–</td>
<td>4,063</td>
<td>7,106,669</td>
<td>–</td>
<td>–</td>
<td>1,503</td>
<td>–</td>
<td>10,131,739</td>
</tr>
<tr>
<td>Staff financing</td>
<td>83,743</td>
<td>5,087</td>
<td>–</td>
<td>–</td>
<td>98,821</td>
<td>–</td>
<td>–</td>
<td>14,218</td>
<td>–</td>
<td>201,869</td>
</tr>
<tr>
<td>Credit cards</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,004</td>
<td>450,388</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>459,392</td>
</tr>
<tr>
<td>Trade bills discounted</td>
<td>–</td>
<td>741,037</td>
<td>180,010</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>921,047</td>
</tr>
<tr>
<td>Trust receipts</td>
<td>–</td>
<td>5,169</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,169</td>
</tr>
<tr>
<td>Pawn broking</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>85,315</td>
<td>–</td>
<td>85,315</td>
</tr>
<tr>
<td>Investment Account Platform ^</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,690</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,690</td>
</tr>
<tr>
<td><strong>6,654,178</strong></td>
<td>1,684,609</td>
<td>180,010</td>
<td>289,272</td>
<td>30,607,236</td>
<td>90,610</td>
<td>124,091</td>
<td>157,122</td>
<td>85,315</td>
<td>39,872,443</td>
<td></td>
</tr>
</tbody>
</table>

**Allowance for impairment on financing, advances and others**

- collective assessment allowance (554,971)
- individual assessment allowance (128,198)

**Net financing, advances and others**

39,189,274

---

^ Included in house financing and personal financing as at 31 December 2017 are underlying assets under the Unrestricted Investment Accounts (“URIA”) amounting RM3,127,603,000 (2016: RM2,687,318,000) and RM1,132,582,000 (2016: RM1,124,943,000) respectively as disclosed in Note 16 of these financial statements.

* This represents a term financing of the Group’s and the Bank’s participation through Investment Account Platform (“IAP”) to finance viable ventures.
9. **FINANCING, ADVANCES AND OTHERS** (cont’d)

(b) **By type of customer**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic non-bank financial institutions</td>
<td>1,354,806</td>
<td>1,376,559</td>
</tr>
<tr>
<td>Domestic business enterprise</td>
<td>7,015,168</td>
<td>6,908,806</td>
</tr>
<tr>
<td>Small medium industries</td>
<td>896,444</td>
<td>896,530</td>
</tr>
<tr>
<td>Government &amp; statutory bodies</td>
<td>820,586</td>
<td>938,069</td>
</tr>
<tr>
<td>Individuals</td>
<td>31,986,842</td>
<td>28,957,975</td>
</tr>
<tr>
<td>Other domestic entities</td>
<td>8,195</td>
<td>7,239</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>482,095</td>
<td>787,265</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42,685,936</td>
<td>39,872,443</td>
</tr>
</tbody>
</table>

(c) **By profit rate sensitivity**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>House financing</td>
<td>1,168,200</td>
<td>1,268,632</td>
</tr>
<tr>
<td>Others</td>
<td>3,560,756</td>
<td>4,059,422</td>
</tr>
<tr>
<td>Floating rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>House financing</td>
<td>15,625,095</td>
<td>13,382,969</td>
</tr>
<tr>
<td>Others</td>
<td>22,331,885</td>
<td>21,161,420</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42,685,936</td>
<td>39,872,443</td>
</tr>
</tbody>
</table>

(d) **By remaining contractual maturity**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity within one year</td>
<td>4,414,217</td>
<td>4,312,581</td>
</tr>
<tr>
<td>More than one year to three years</td>
<td>1,087,304</td>
<td>1,400,480</td>
</tr>
<tr>
<td>More than three years to five years</td>
<td>2,598,303</td>
<td>2,197,573</td>
</tr>
<tr>
<td>More than five years</td>
<td>34,585,512</td>
<td>31,961,809</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42,685,936</td>
<td>39,872,443</td>
</tr>
</tbody>
</table>
## 9. Financing, Advances and Others (cont’d)

### (e) By geographical distribution

<table>
<thead>
<tr>
<th>Region</th>
<th>31.12.2017 (RM’000)</th>
<th>31.12.2016 (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Region</td>
<td>20,673,380</td>
<td>18,853,925</td>
</tr>
<tr>
<td>Eastern Region</td>
<td>6,860,968</td>
<td>6,534,376</td>
</tr>
<tr>
<td>Northern Region</td>
<td>6,121,471</td>
<td>5,864,200</td>
</tr>
<tr>
<td>Southern Region</td>
<td>5,908,526</td>
<td>5,499,121</td>
</tr>
<tr>
<td>East Malaysia Region</td>
<td>3,121,591</td>
<td>3,120,821</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42,685,936</strong></td>
<td><strong>39,872,443</strong></td>
</tr>
</tbody>
</table>

### (f) By sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>31.12.2017 (RM’000)</th>
<th>31.12.2016 (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary agriculture</td>
<td>486,679</td>
<td>377,285</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>8,080</td>
<td>12,931</td>
</tr>
<tr>
<td>Manufacturing (including agro-based)</td>
<td>835,268</td>
<td>747,410</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>337,388</td>
<td>868,319</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade, and hotels &amp; restaurants</td>
<td>1,228,681</td>
<td>1,274,954</td>
</tr>
<tr>
<td>Construction</td>
<td>2,176,453</td>
<td>2,161,215</td>
</tr>
<tr>
<td>Real estate</td>
<td>1,582,531</td>
<td>1,205,740</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>655,633</td>
<td>870,559</td>
</tr>
<tr>
<td>Finance, insurance and business activities</td>
<td>2,147,118</td>
<td>2,134,947</td>
</tr>
<tr>
<td>Education, health and others</td>
<td>1,210,056</td>
<td>1,256,209</td>
</tr>
<tr>
<td>Household sectors</td>
<td>32,018,049</td>
<td>28,962,874</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42,685,936</strong></td>
<td><strong>39,872,443</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>31.12.2017 (RM’000)</th>
<th>31.12.2016 (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2017/1 January 2016</td>
<td>389,445</td>
<td>381,270</td>
</tr>
<tr>
<td>Classified as impaired during the year</td>
<td>648,281</td>
<td>580,341</td>
</tr>
<tr>
<td>Reclassified as not impaired during the year</td>
<td>(331,592)</td>
<td>(284,602)</td>
</tr>
<tr>
<td>Amount recovered</td>
<td>(92,432)</td>
<td>(112,502)</td>
</tr>
<tr>
<td>Amount written off</td>
<td>(209,231)</td>
<td>(178,052)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(6,194)</td>
<td>2,990</td>
</tr>
<tr>
<td>At 31 December 2017/31 December 2016</td>
<td>398,277</td>
<td>389,445</td>
</tr>
<tr>
<td>Gross impaired financing as a percentage of gross financing, advances and others</td>
<td><strong>0.93%</strong></td>
<td><strong>0.98%</strong></td>
</tr>
</tbody>
</table>
9. **FINANCING, ADVANCES AND OTHERS** (cont’d)

(h) Impaired financing by geographical distribution

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Region</td>
<td>223,305</td>
<td>142,841</td>
</tr>
<tr>
<td>Eastern Region</td>
<td>107,422</td>
<td>92,848</td>
</tr>
<tr>
<td>Northern Region</td>
<td>28,710</td>
<td>36,299</td>
</tr>
<tr>
<td>Southern Region</td>
<td>22,915</td>
<td>31,329</td>
</tr>
<tr>
<td>East Malaysia Region</td>
<td>15,925</td>
<td>86,128</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>398,277</strong></td>
<td><strong>389,445</strong></td>
</tr>
</tbody>
</table>

(i) Impaired financing by sector

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary agriculture</td>
<td>–</td>
<td>1,311</td>
</tr>
<tr>
<td>Manufacturing (including agro-based)</td>
<td>35,448</td>
<td>36,739</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade, and hotels &amp; restaurants</td>
<td>38,433</td>
<td>25,651</td>
</tr>
<tr>
<td>Construction</td>
<td>86,357</td>
<td>13,714</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>12,604</td>
<td>15,579</td>
</tr>
<tr>
<td>Finance, insurance and business activities</td>
<td>3,799</td>
<td>70,948</td>
</tr>
<tr>
<td>Education, health &amp; others</td>
<td>5,106</td>
<td>3,076</td>
</tr>
<tr>
<td>Household sectors</td>
<td>216,530</td>
<td>222,427</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>398,277</strong></td>
<td><strong>389,445</strong></td>
</tr>
</tbody>
</table>

(j) Movement of allowance for impairment on financing

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collective assessment allowance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017/1 January 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net allowance made during the year</td>
<td>554,971</td>
<td>541,065</td>
</tr>
<tr>
<td>Amount written off</td>
<td>(141,940)</td>
<td>(146,725)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(1,668)</td>
<td>(1,036)</td>
</tr>
<tr>
<td><strong>At 31 December 2017/31 December 2016</strong></td>
<td><strong>446,069</strong></td>
<td><strong>554,971</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual assessment allowance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017/1 January 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net allowance made during the year</td>
<td>128,198</td>
<td>124,471</td>
</tr>
<tr>
<td>Amount recovered</td>
<td>102,059</td>
<td>54,566</td>
</tr>
<tr>
<td>Amount written off</td>
<td>(30,324)</td>
<td>(23,904)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(6,195)</td>
<td>2,993</td>
</tr>
<tr>
<td><strong>At 31 December 2017/31 December 2016</strong></td>
<td><strong>126,447</strong></td>
<td><strong>128,198</strong></td>
</tr>
</tbody>
</table>
10. OTHER ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td>90,137</td>
<td>65,825</td>
<td>87,964</td>
<td>63,968</td>
</tr>
<tr>
<td>Less: Impairment loss</td>
<td>(475)</td>
<td>(256)</td>
<td>(475)</td>
<td>(256)</td>
</tr>
<tr>
<td>Deposit and prepayments</td>
<td>89,662</td>
<td>65,569</td>
<td>87,489</td>
<td>63,712</td>
</tr>
<tr>
<td>Related companies*</td>
<td>33,086</td>
<td>32,741</td>
<td>31,968</td>
<td>31,441</td>
</tr>
<tr>
<td></td>
<td>755</td>
<td>705</td>
<td>1,605</td>
<td>775</td>
</tr>
<tr>
<td></td>
<td>123,503</td>
<td>99,015</td>
<td>121,062</td>
<td>95,928</td>
</tr>
</tbody>
</table>

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

11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

12. DEFERRED TAX ASSETS

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment</td>
<td>–</td>
<td>–</td>
<td>(8,986)</td>
<td>(16,993)</td>
<td>(8,986)</td>
<td>(16,993)</td>
</tr>
<tr>
<td>Provisions</td>
<td>26,478</td>
<td>24,483</td>
<td>–</td>
<td>–</td>
<td>26,478</td>
<td>24,483</td>
</tr>
<tr>
<td>Unabsorbed capital allowances</td>
<td>12,829</td>
<td>24,963</td>
<td>–</td>
<td>–</td>
<td>12,829</td>
<td>24,963</td>
</tr>
<tr>
<td>Change in fair value reserve</td>
<td>6,967</td>
<td>15,925</td>
<td>–</td>
<td>–</td>
<td>6,967</td>
<td>15,925</td>
</tr>
<tr>
<td>Set off of tax</td>
<td>(8,986)</td>
<td>(16,993)</td>
<td>8,986</td>
<td>16,993</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net tax assets</td>
<td>37,288</td>
<td>48,378</td>
<td>–</td>
<td>–</td>
<td>37,288</td>
<td>48,378</td>
</tr>
</tbody>
</table>

Movement in temporary differences during the year:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment</td>
<td>(20,252)</td>
<td>3,259</td>
<td>–</td>
<td>(16,993)</td>
<td>8,007</td>
<td>(8,986)</td>
</tr>
<tr>
<td>Provisions</td>
<td>23,087</td>
<td>1,396</td>
<td>–</td>
<td>24,483</td>
<td>1,995</td>
<td>26,478</td>
</tr>
<tr>
<td>Unabsorbed capital allowances</td>
<td>25,067</td>
<td>(104)</td>
<td>–</td>
<td>24,963</td>
<td>(12,134)</td>
<td>12,829</td>
</tr>
<tr>
<td>Change in fair value reserve</td>
<td>7,280</td>
<td>–</td>
<td>8,645</td>
<td>15,925</td>
<td>–</td>
<td>6,967</td>
</tr>
<tr>
<td>Total assets</td>
<td>35,182</td>
<td>4,551</td>
<td>8,645</td>
<td>48,378</td>
<td>(2,132)</td>
<td>(8,958)</td>
</tr>
</tbody>
</table>

INTEGRATED ANNUAL REPORT 2017
12. **DEFERRED TAX ASSETS** (cont’d)

**Unrecognised deferred tax assets**

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Unabsorbed capital allowance</td>
<td>78,475</td>
<td>28,475</td>
<td>78,440</td>
<td>28,440</td>
</tr>
<tr>
<td>Unutilised tax losses</td>
<td>6,701</td>
<td>6,701</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deductible temporary differences</td>
<td>329</td>
<td>329</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>85,505</strong></td>
<td><strong>35,505</strong></td>
<td><strong>78,440</strong></td>
<td><strong>28,440</strong></td>
</tr>
</tbody>
</table>

The Bank’s unabsorbed capital allowances of RM78,440,000 in respect of its leasing business whereby management considered it uncertain whether the Bank is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

13. **INVESTMENTS IN SUBSIDIARIES**

**At cost**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unquoted shares in Malaysia</td>
<td>16,447</td>
<td>16,447</td>
</tr>
<tr>
<td>Less: Accumulated impairment loss</td>
<td>(922)</td>
<td>(922)</td>
</tr>
<tr>
<td></td>
<td><strong>15,525</strong></td>
<td><strong>15,525</strong></td>
</tr>
</tbody>
</table>

Details of subsidiaries are as follows:

<table>
<thead>
<tr>
<th>NAME OF COMPANY</th>
<th>PRINCIPAL ACTIVITIES</th>
<th>EFFECTIVE OWNERSHIP INTEREST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Al-Wakalah Nominees (Tempatan) Sdn. Bhd.</td>
<td>Provides nominee services</td>
<td>100</td>
</tr>
<tr>
<td>BIMB Investment Management Berhad</td>
<td>Manages Islamic Unit Trust Funds</td>
<td>100</td>
</tr>
<tr>
<td>Bank Islam Trust Company (Labuan) Ltd.</td>
<td>Provides services as a Labuan registered trust company</td>
<td>100</td>
</tr>
<tr>
<td>and its subsidiary:</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>BIMB Offshore Company Management Services Sdn. Bhd.</td>
<td>Acts as Resident Corporate Secretary and Director for Offshore Companies</td>
<td>100</td>
</tr>
<tr>
<td>Farihan Corporation Sdn. Bhd.</td>
<td>Provides manpower services to the Bank</td>
<td>100</td>
</tr>
</tbody>
</table>
### 14. PROPERTY AND EQUIPMENT

<table>
<thead>
<tr>
<th>GROUP</th>
<th>LONG TERM LEASEHOLD LAND RM’000</th>
<th>BUILDING IMPROVEMENTS AND RENOVATIONS RM’000</th>
<th>FURNITURE, FIXTURES AND FITTINGS RM’000</th>
<th>OFFICE EQUIPMENT RM’000</th>
<th>COMPUTER EQUIPMENT RM’000</th>
<th>MOTOR VEHICLES RM’000</th>
<th>RENOVATION WORK-IN-PROGRESS RM’000</th>
<th>MANAGEMENT INFORMATION SYSTEM UNDER DEVELOPMENT RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>At 1 January 2016 14,784 32,473 119,118 86,044 306,723 1,237 287 15,980 36,887</td>
<td>At 31 December 2016 14,784 33,172 122,865 90,091 346,970 1,157 62 5,726 614,827</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Additions – 670 2,618 4,361 11,824 1,434 15,980 36,887</td>
<td>Reclassifications – 73 1,232 354 29,780 29,780</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Disposals – (44) (117) (611) (1,372) (77)</td>
<td>Written off – (77)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Exchange difference – (77)</td>
<td>at 31 December 2017 14,784 33,858 125,078 95,086 360,310 943 2,491 19,841 652,391</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>At 1 January 2016 1,478 20,241 66,369 64,777 217,784 625 – – 371,274</td>
<td>Depreciation for the year 174 2,102 9,220 7,694 40,223 169</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Disposals – (10) (44) (596) (840) (77)</td>
<td>Written off – 69</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Exchange difference – 69</td>
<td>at 31 December 2017 1,826 24,231 83,755 78,251 291,810 515 – – 480,388</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amounts</td>
<td>At 1 January 2016 13,306 12,232 52,749 21,267 88,939 612 287 19,526 208,918</td>
<td>Disposals – (3) (203) (1,332) (317)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Written off – (104) (898) (396)</td>
<td>Exchange difference – (104)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Exchange difference – (104)</td>
<td>at 31 December 2017 12,958 9,627 41,323 16,835 68,500 428 2,491 19,841 172,003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
14. PROPERTY AND EQUIPMENT (cont’d)

<table>
<thead>
<tr>
<th></th>
<th>LONG TERM LEASEHOLD LAND RM’000</th>
<th>BUILDING IMPROVEMENTS AND RENOVATIONS RM’000</th>
<th>FURNITURE, FIXTURES AND FITTINGS RM’000</th>
<th>OFFICE EQUIPMENT RM’000</th>
<th>COMPUTER EQUIPMENT RM’000</th>
<th>MOTOR VEHICLES RM’000</th>
<th>RENOVATION WORK-IN-PROGRESS RM’000</th>
<th>MANAGEMENT INFORMATION SYSTEM UNDER DEVELOPMENT RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>14,784</td>
<td>32,292</td>
<td>119,043</td>
<td>85,695</td>
<td>305,087</td>
<td>1,237</td>
<td>287</td>
<td>19,526</td>
<td>577,951</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>662</td>
<td>2,617</td>
<td>4,355</td>
<td>11,452</td>
<td>–</td>
<td>1,434</td>
<td>15,980</td>
<td>36,500</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>–</td>
<td>73</td>
<td>1,232</td>
<td>354</td>
<td>29,780</td>
<td>–</td>
<td>(1,659)</td>
<td>(29,780)</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(44)</td>
<td>(117)</td>
<td>(611)</td>
<td>(1,372)</td>
<td>(77)</td>
<td>–</td>
<td>(2,221)</td>
<td>–</td>
</tr>
<tr>
<td>Written off</td>
<td>–</td>
<td>–</td>
<td>(77)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(77)</td>
<td></td>
</tr>
<tr>
<td>Exchange difference</td>
<td>–</td>
<td>–</td>
<td>14</td>
<td>13</td>
<td>3</td>
<td>(3)</td>
<td>–</td>
<td>–</td>
<td>27</td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>14,784</td>
<td>32,983</td>
<td>122,789</td>
<td>89,729</td>
<td>344,950</td>
<td>1,157</td>
<td>62</td>
<td>5,726</td>
<td>612,180</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>545</td>
<td>1,807</td>
<td>4,980</td>
<td>11,544</td>
<td>466</td>
<td>4,733</td>
<td>17,274</td>
<td>41,349</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>–</td>
<td>256</td>
<td>1,362</td>
<td>686</td>
<td>3,159</td>
<td>–</td>
<td>(2,304)</td>
<td>(3,159)</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>(3)</td>
<td>(209)</td>
<td>(1,339)</td>
<td>(680)</td>
<td>–</td>
<td>–</td>
<td>(2,231)</td>
</tr>
<tr>
<td>Written off</td>
<td>–</td>
<td>(113)</td>
<td>(921)</td>
<td>(417)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1,451)</td>
<td></td>
</tr>
<tr>
<td>Exchange difference</td>
<td>–</td>
<td>–</td>
<td>14</td>
<td>13</td>
<td>3</td>
<td>(3)</td>
<td>–</td>
<td>–</td>
<td>(71)</td>
</tr>
</tbody>
</table>

**Accumulated depreciation**

<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2016</th>
<th>1,478</th>
<th>20,147</th>
<th>66,341</th>
<th>64,449</th>
<th>216,864</th>
<th>625</th>
<th>–</th>
<th>–</th>
<th>369,904</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation for the year</td>
<td>174</td>
<td>2,071</td>
<td>9,210</td>
<td>7,687</td>
<td>40,027</td>
<td>169</td>
<td></td>
<td>–</td>
<td>–</td>
<td>59,338</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(10)</td>
<td>(44)</td>
<td>(596)</td>
<td>(840)</td>
<td>(77)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1,567)</td>
</tr>
<tr>
<td>Written off</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(69)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(69)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>14</td>
<td>13</td>
<td>3</td>
<td>(3)</td>
<td>–</td>
<td>–</td>
<td>27</td>
</tr>
<tr>
<td>At 31 December 2016</td>
<td>1,652</td>
<td>22,208</td>
<td>75,521</td>
<td>71,484</td>
<td>256,054</td>
<td>714</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>427,633</td>
</tr>
<tr>
<td>Depreciation for the year</td>
<td>174</td>
<td>1,971</td>
<td>9,118</td>
<td>7,059</td>
<td>35,780</td>
<td>118</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>54,220</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>–</td>
<td>(3)</td>
<td>(203)</td>
<td>(1,332)</td>
<td>(317)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1,855)</td>
</tr>
<tr>
<td>Written off</td>
<td>–</td>
<td>(104)</td>
<td>(898)</td>
<td>(393)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1,395)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>–</td>
<td>(2)</td>
<td>(31)</td>
<td>(28)</td>
<td>(6)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(67)</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>1,826</td>
<td>24,073</td>
<td>83,707</td>
<td>77,919</td>
<td>290,496</td>
<td>515</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>478,536</td>
</tr>
</tbody>
</table>

**Carrying amounts**

<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2016</th>
<th>13,306</th>
<th>12,145</th>
<th>52,702</th>
<th>21,246</th>
<th>88,223</th>
<th>612</th>
<th>287</th>
<th>19,526</th>
<th>208,047</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2016</td>
<td>13,132</td>
<td>10,775</td>
<td>47,268</td>
<td>18,245</td>
<td>88,896</td>
<td>443</td>
<td>62</td>
<td>5,726</td>
<td>184,547</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>12,958</td>
<td>9,596</td>
<td>41,295</td>
<td>16,819</td>
<td>67,812</td>
<td>428</td>
<td>2,491</td>
<td>19,841</td>
<td>171,240</td>
<td></td>
</tr>
</tbody>
</table>

> 191
15. DEPOSITS FROM CUSTOMERS

(a) By type of deposit

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Savings Deposit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wadiah</td>
<td>4,138,519</td>
<td>4,131,604</td>
<td>4,138,519</td>
<td>4,131,604</td>
</tr>
<tr>
<td><strong>Demand Deposit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wadiah</td>
<td>11,333,608</td>
<td>10,001,972</td>
<td>11,343,024</td>
<td>10,004,601</td>
</tr>
<tr>
<td><strong>Term Deposit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30,617,889</td>
<td>31,700,310</td>
<td>30,624,591</td>
<td>31,706,982</td>
</tr>
<tr>
<td>Special Investment Deposit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mudharabah</td>
<td>6,182</td>
<td>27,711</td>
<td>6,182</td>
<td>27,711</td>
</tr>
<tr>
<td>General Investment Deposit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mudharabah</td>
<td>322,561</td>
<td>394,639</td>
<td>322,561</td>
<td>394,639</td>
</tr>
<tr>
<td>Term Deposit-i</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tawarruq</td>
<td>26,728,087</td>
<td>28,208,548</td>
<td>26,734,789</td>
<td>28,215,220</td>
</tr>
<tr>
<td>Negotiable Islamic Debt Certificates (NIDC)</td>
<td>3,561,059</td>
<td>3,069,412</td>
<td>3,561,059</td>
<td>3,069,412</td>
</tr>
<tr>
<td>Others</td>
<td>102,894</td>
<td>106,528</td>
<td>102,894</td>
<td>106,528</td>
</tr>
<tr>
<td><strong>Total Deposits</strong></td>
<td>46,192,910</td>
<td>45,940,414</td>
<td>46,209,028</td>
<td>45,949,715</td>
</tr>
</tbody>
</table>

(b) Maturity structure of term deposits as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within six months</td>
<td>18,565,407</td>
<td>26,475,051</td>
<td>18,571,396</td>
<td>26,481,013</td>
</tr>
<tr>
<td>More than six months to one year</td>
<td>8,742,154</td>
<td>4,166,465</td>
<td>8,742,867</td>
<td>4,166,465</td>
</tr>
<tr>
<td>More than one year to three years</td>
<td>1,618,691</td>
<td>690,590</td>
<td>1,618,691</td>
<td>691,300</td>
</tr>
<tr>
<td>More than three years to five years</td>
<td>1,691,637</td>
<td>368,204</td>
<td>1,691,637</td>
<td>368,204</td>
</tr>
<tr>
<td><strong>Total Deposits</strong></td>
<td>30,617,889</td>
<td>31,700,310</td>
<td>30,624,591</td>
<td>31,706,982</td>
</tr>
</tbody>
</table>
15. **DEPOSITS FROM CUSTOMERS** (cont’d)

(c) **By type of customers**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic non-bank financial institutions</td>
<td>14,063,475</td>
<td>15,501,713</td>
<td>14,079,593</td>
<td>15,511,014</td>
</tr>
<tr>
<td>Business enterprises</td>
<td>12,406,686</td>
<td>11,730,076</td>
<td>12,406,686</td>
<td>11,730,076</td>
</tr>
<tr>
<td>Government and statutory bodies</td>
<td>8,847,454</td>
<td>6,890,474</td>
<td>8,847,454</td>
<td>6,890,474</td>
</tr>
<tr>
<td>Individuals</td>
<td>4,810,541</td>
<td>4,817,561</td>
<td>4,810,541</td>
<td>4,817,561</td>
</tr>
<tr>
<td>Domestic banking institutions</td>
<td>3,395,740</td>
<td>2,994,256</td>
<td>3,395,740</td>
<td>2,994,256</td>
</tr>
<tr>
<td>Others</td>
<td>2,669,014</td>
<td>4,006,334</td>
<td>2,669,014</td>
<td>4,006,334</td>
</tr>
</tbody>
</table>

Total: 46,192,910 45,940,414 46,209,028 45,949,715

16. **INVESTMENT ACCOUNTS OF CUSTOMERS**

(a) **By type and Shariah contract**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted investment accounts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without maturity</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Mudharabah</em></td>
<td>1,994,491</td>
<td>1,516,844</td>
</tr>
<tr>
<td>With maturity</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Wakalah</em></td>
<td>2,265,694</td>
<td>2,295,417</td>
</tr>
<tr>
<td></td>
<td>4,260,185</td>
<td>3,812,261</td>
</tr>
</tbody>
</table>

**Restricted investment accounts (“RIA”) managed by the Bank**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>124,384</td>
<td>141,343</td>
</tr>
</tbody>
</table>

^ Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity where the Bank acts as an investment agent to manage and administer the RIA, with underlying assets amounting to RM123,962,000 (2016:RM141,033,000).

(b) **By type of customers**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>2,212,239</td>
<td>1,677,636</td>
</tr>
<tr>
<td>Government and statutory bodies</td>
<td>400,709</td>
<td>762,888</td>
</tr>
<tr>
<td>Business Enterprises</td>
<td>474,464</td>
<td>737,961</td>
</tr>
<tr>
<td>Non-bank financial institutions</td>
<td>1,077,298</td>
<td>476,125</td>
</tr>
<tr>
<td>Bank and other financial institutions</td>
<td>–</td>
<td>45,919</td>
</tr>
<tr>
<td>Others</td>
<td>95,475</td>
<td>111,732</td>
</tr>
</tbody>
</table>

Total: 4,260,185 3,812,261
16. INVESTMENT ACCOUNTS OF CUSTOMERS (cont’d)

(c) Movement of investment accounts of customers

<table>
<thead>
<tr>
<th>GROUP AND BANK</th>
<th>UNRESTRICTED INVESTMENT ACCOUNTS</th>
<th>RESTRICTED INVESTMENT ACCOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MUDHARABAHL WAKALAH TOTAL WAKALAH</td>
<td></td>
</tr>
<tr>
<td>As at 1 January 2016</td>
<td>461,312 214,793 676,105</td>
<td>82,567</td>
</tr>
<tr>
<td>Funding inflows/outflows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net movement</td>
<td>1,054,331</td>
<td>-</td>
</tr>
<tr>
<td>New placement</td>
<td>-</td>
<td>13,090,638</td>
</tr>
<tr>
<td>Redemption/Principal repayment</td>
<td>-</td>
<td>(11,047,199)</td>
</tr>
<tr>
<td>Income from investment</td>
<td>61,379</td>
<td>52,514</td>
</tr>
<tr>
<td>Bank’s share of profit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit distributed to Mudharib</td>
<td>(60,178)</td>
<td>-</td>
</tr>
<tr>
<td>Wakalah performance incentive fees</td>
<td>-</td>
<td>(15,329)</td>
</tr>
<tr>
<td>As at 31 December 2016/1 January 2017</td>
<td>1,516,844 2,295,417 3,812,261</td>
<td>141,343</td>
</tr>
<tr>
<td>Funding inflows/outflows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net movement</td>
<td>475,709</td>
<td>-</td>
</tr>
<tr>
<td>New placement</td>
<td>-</td>
<td>6,536,170</td>
</tr>
<tr>
<td>Redemption/Principal repayment</td>
<td>-</td>
<td>(6,669,256)</td>
</tr>
<tr>
<td>Income from investment</td>
<td>94,386</td>
<td>152,660</td>
</tr>
<tr>
<td>Bank’s share of profit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit distributed to Mudharib</td>
<td>(92,448)</td>
<td>-</td>
</tr>
<tr>
<td>Wakalah performance incentive fees</td>
<td>-</td>
<td>(49,297)</td>
</tr>
<tr>
<td>As at 31 December 2017</td>
<td>1,994,491 2,265,694 4,260,185</td>
<td>124,384</td>
</tr>
</tbody>
</table>

Investment portfolio:

2017

<table>
<thead>
<tr>
<th></th>
<th>UNRESTRICTED INVESTMENT ACCOUNTS</th>
<th>RESTRICTED INVESTMENT ACCOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>House financing</td>
<td>1,994,491 1,133,112 3,127,603</td>
<td>-</td>
</tr>
<tr>
<td>Personal financing</td>
<td>- 1,132,582 1,132,582</td>
<td>-</td>
</tr>
<tr>
<td>Other term financing</td>
<td>- - -</td>
<td>124,384</td>
</tr>
<tr>
<td></td>
<td>1,994,491 2,265,694 4,260,185</td>
<td>124,384</td>
</tr>
</tbody>
</table>

2016

<table>
<thead>
<tr>
<th></th>
<th>UNRESTRICTED INVESTMENT ACCOUNTS</th>
<th>RESTRICTED INVESTMENT ACCOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>House financing</td>
<td>1,516,844 1,170,474 2,687,318</td>
<td>-</td>
</tr>
<tr>
<td>Personal financing</td>
<td>- 1,124,943 1,124,943</td>
<td>-</td>
</tr>
<tr>
<td>Other term financing</td>
<td>- - -</td>
<td>141,343</td>
</tr>
<tr>
<td></td>
<td>1,516,844 2,295,417 3,812,261</td>
<td>141,343</td>
</tr>
</tbody>
</table>
16. INVESTMENT ACCOUNTS OF CUSTOMERS (cont’d)

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

<table>
<thead>
<tr>
<th>INVESTMENT ACCOUNT HOLDERS</th>
<th>TOTAL AMOUNT RM’000</th>
<th>AVERAGE PROFIT SHARING RATIO (%)</th>
<th>AVERAGE RATE OF RETURN (%)</th>
<th>BANK’S WAKALAH PERFORMANCE INCENTIVE FEE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted investment accounts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 3 months</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Mudharabah</td>
<td>1,994,491</td>
<td>2</td>
<td>0.11</td>
<td>–</td>
</tr>
<tr>
<td>- Wakalah</td>
<td>1,228,421</td>
<td>–</td>
<td>3.69</td>
<td>1.45</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,222,912</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 3 to 12 months</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Wakalah</td>
<td>1,037,273</td>
<td>–</td>
<td>3.72</td>
<td>1.42</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,260,185</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted investment accounts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 2 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,000</td>
<td>–</td>
<td>6.30</td>
<td>0.30</td>
</tr>
<tr>
<td>Between 2 to 5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>114,384</td>
<td>–</td>
<td>3.52</td>
<td>1.88</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>124,384</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted investment accounts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 3 months</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Mudharabah</td>
<td>1,516,844</td>
<td>2</td>
<td>0.13</td>
<td>–</td>
</tr>
<tr>
<td>- Wakalah</td>
<td>2,101,430</td>
<td>–</td>
<td>3.61</td>
<td>1.27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,618,274</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 3 to 12 months</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Wakalah</td>
<td>193,987</td>
<td>–</td>
<td>3.72</td>
<td>1.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,812,261</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted investment accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 2 to 5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>141,343</td>
<td>–</td>
<td>3.00</td>
<td>1.18</td>
</tr>
</tbody>
</table>

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Mudharabah fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensed Islamic banks</td>
<td>–</td>
<td>30,000</td>
</tr>
</tbody>
</table>
18. SUBORDINATED SUKUK MURABAHAH

Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme

| First tranche, RM300 million | 5.75% due in 2025 | (a) | 303,355 | 303,308 |
| Second tranche, RM400 million | 5.50% due in 2025 | (b) | 401,085 | 401,085 |
| Third tranche, RM300 million | 5.08% due in 2027 | (c) | 302,046 | – |

1,006,486 704,393

Finance cost on Subordinated Sukuk Murabahah

41,296 39,465

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 semiannually in arrears.

(c) On 13 November 2017, the Bank issued the third tranche of RM300 million which are due on 12 November 2027, with optional redemption on 12 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.08% per annum payable semiannually 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.

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

<table>
<thead>
<tr>
<th>GROUP AND BANK</th>
<th>Net Changes from Financing Cash Flows RM’000</th>
<th>Finance Cost for the Year RM’000</th>
<th>At 31.12.2017 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal value</td>
<td>700,000</td>
<td>300,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Finance cost payable</td>
<td>4,393 (39,203)</td>
<td>41,296</td>
<td>6,486</td>
</tr>
<tr>
<td></td>
<td>704,393</td>
<td>260,797</td>
<td>1,006,486</td>
</tr>
</tbody>
</table>
19. OTHER LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other payables</td>
<td>651,703</td>
<td>489,031</td>
<td>644,664</td>
<td>486,151</td>
</tr>
<tr>
<td>Accruals</td>
<td>130,596</td>
<td>112,719</td>
<td>129,105</td>
<td>112,440</td>
</tr>
<tr>
<td></td>
<td>782,299</td>
<td>601,750</td>
<td>773,769</td>
<td>598,591</td>
</tr>
</tbody>
</table>

Included in other payables is undistributed charity fund amounting to RMNil (2016: RM5,000) for the Group and the Bank respectively. Movement of sources and uses of charity fund are disclosed in Note 23.

20. ZAKAT AND TAXATION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Zakat</td>
<td>13,385</td>
<td>12,878</td>
<td>13,323</td>
<td>12,851</td>
</tr>
<tr>
<td>Taxation</td>
<td>33,019</td>
<td>32,168</td>
<td>33,017</td>
<td>32,168</td>
</tr>
<tr>
<td></td>
<td>46,404</td>
<td>45,046</td>
<td>46,340</td>
<td>45,019</td>
</tr>
</tbody>
</table>

21. SHARE CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>NUMBER OF SHARES</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and fully paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>2,404,384</td>
<td>2,363,283</td>
</tr>
<tr>
<td>At 1 January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from share premium</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Allotment of new ordinary shares</td>
<td>61,638</td>
<td>41,101</td>
</tr>
<tr>
<td>At 31 December</td>
<td>2,466,022</td>
<td>2,404,384</td>
</tr>
</tbody>
</table>

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

The Bank increased its share capital on 15 June 2017 by RM134,166,500 via the issuance of 41,282,000 new ordinary shares at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan of one hundred percent of the final dividend of approximately 5.58 sen in respect of financial year ended 31 December 2016, as disclosed in Note 37.

The Bank further increased its share capital on 20 September 2017 by RM66,157,000 via the issuance of 20,356,000 new ordinary shares at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan of fifty percent of the interim dividend of approximately 5.41 sen in respect of financial year ended 31 December 2017, as disclosed in Note 37.

The increase in its share capital during the financial year ended 31 December 2016 from RM2,363,282,700 to RM2,404,383,700 was via the issuance of 20,927,000 and 20,174,000 new ordinary shares at a consideration of RM3.10 and RM3.25 per share respectively arising from the Dividend Reinvestment Plan of fifty percent of dividends declared and paid, as disclosed in Note 37.
## 22. OTHER RESERVES

<table>
<thead>
<tr>
<th></th>
<th>Statutory Reserve</th>
<th>Fair Value Reserve</th>
<th>Translation Reserve</th>
<th>Regulatory Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td>(A) RM’000</td>
<td>(B) RM’000</td>
<td>(C) RM’000</td>
<td>(D) RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>At 1 January 2016</td>
<td>1,259,407</td>
<td>(23,054)</td>
<td>(128,433)</td>
<td>–</td>
<td>1,107,920</td>
</tr>
<tr>
<td>Foreign exchange translation differences</td>
<td>–</td>
<td>–</td>
<td>(20,252)</td>
<td>–</td>
<td>(20,252)</td>
</tr>
<tr>
<td>Fair value reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Net change in fair value</td>
<td>–</td>
<td>15,229</td>
<td>–</td>
<td>–</td>
<td>15,229</td>
</tr>
<tr>
<td>- Net amount reclassified to profit or loss</td>
<td>–</td>
<td>(51,249)</td>
<td>–</td>
<td>–</td>
<td>(51,249)</td>
</tr>
<tr>
<td>Income tax credit relating to components of other comprehensive income</td>
<td>–</td>
<td>8,645</td>
<td>–</td>
<td>–</td>
<td>8,645</td>
</tr>
<tr>
<td>Transfer from current year profit</td>
<td>132,752</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>132,752</td>
</tr>
<tr>
<td>At 31 December 2016/1 January 2017</td>
<td>1,392,159</td>
<td>(50,429)</td>
<td>(148,685)</td>
<td>–</td>
<td>1,193,045</td>
</tr>
<tr>
<td>Foreign exchange translation differences</td>
<td>–</td>
<td>–</td>
<td>45,908</td>
<td>–</td>
<td>45,908</td>
</tr>
<tr>
<td>Fair value reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Net change in fair value</td>
<td>–</td>
<td>43,480</td>
<td>–</td>
<td>–</td>
<td>43,480</td>
</tr>
<tr>
<td>- Net amount reclassified to profit or loss</td>
<td>–</td>
<td>(6,157)</td>
<td>–</td>
<td>–</td>
<td>(6,157)</td>
</tr>
<tr>
<td>Income tax expense relating to components of other comprehensive income</td>
<td>–</td>
<td>(8,958)</td>
<td>–</td>
<td>–</td>
<td>(8,958)</td>
</tr>
<tr>
<td>Transfer of reserve fund to retained earnings</td>
<td>(1,392,159)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1,392,159)</td>
</tr>
<tr>
<td>Transfer to regulatory reserve</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>64,645</td>
<td>64,645</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>–</td>
<td>(22,064)</td>
<td>(102,777)</td>
<td>64,645</td>
<td>(60,196)</td>
</tr>
</tbody>
</table>

| **Bank**             |                   |                    |                     |                    |           |
| At 1 January 2016    | 1,259,407         | (23,054)           | (128,615)           | –                  | 1,107,738 |
| Foreign exchange translation differences | –                | –                  | (20,293)            | –                  | (20,293)  |
| Fair value reserve   |                   |                    |                     |                    |           |
| - Net change in fair value | –                | 15,229             | –                   | –                  | 15,229    |
| - Net amount reclassified to profit or loss | –                | (51,249)           | –                   | –                  | (51,249)  |
| Income tax credit relating to components of other comprehensive income | –                | 8,645              | –                   | –                  | 8,645     |
| Transfer from current year profit | 132,752          | –                  | –                   | –                  | 132,752   |
| At 31 December 2016/1 January 2017 | 1,392,159   | (50,429)           | (148,908)           | –                  | 1,192,822 |
| Foreign exchange translation differences | –                | –                  | 45,990              | –                  | 45,990    |
| Fair value reserve   |                   |                    |                     |                    |           |
| - Net change in fair value | –                | 43,480             | –                   | –                  | 43,480    |
| - Net amount reclassified to profit or loss | –                | (6,157)            | –                   | –                  | (6,157)   |
| Income tax expense relating to components of other comprehensive income | –                | (8,958)            | –                   | –                  | (8,958)   |
| Transfer of reserve fund to retained earnings | (1,392,159)   | –                  | –                   | –                  | (1,392,159) |
| Transfer to regulatory reserve | –                | –                  | –                   | 64,645             | 64,645    |
| **At 31 December 2017** | –             | (22,064)           | (102,918)           | 64,645             | (60,337)  |
22. OTHER RESERVES (cont’d)

(a) The statutory reserve was previously maintained in compliance with the requirements of Bank Negara Malaysia and was not
distributable as cash dividends. During the financial year ended 31 December 2017, the Bank has transferred RM1,392,158,939 from
statutory reserve fund to its retained earnings pursuant to the Revised Policy Document issued by BNM on 3 May 2017, as disclosed
in Note 2.1 (a).

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

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

(d) The regulatory reserve represents the Bank’s compliance with BNM’s Policy on Classification and Impairment Provisions for Financing
to maintain, in aggregate, collective impairment allowances and regulatory reserve of no less than 1.2% of total outstanding
financing, net of individual impairment allowances.

23. SOURCES AND USES OF CHARITY FUNDS

<table>
<thead>
<tr>
<th>GROUP AND BANK</th>
<th>CHARITY FUNDS RM’000</th>
<th>SHARIAH NON-COMPLIANCE INCOME RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undistributed funds as at 1 January 2016</td>
<td>2</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Funds collected/received during the year</td>
<td>1</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Uses of funds during the year</td>
<td>(3)</td>
<td>(13)</td>
<td>(16)</td>
</tr>
<tr>
<td>Contribution to Non-profit Organisation</td>
<td>–</td>
<td>(5)</td>
<td>(5)</td>
</tr>
<tr>
<td>Contribution for Da’wah activities</td>
<td>(1)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>Contribution for poor/needy family</td>
<td>(2)</td>
<td>–</td>
<td>(2)</td>
</tr>
<tr>
<td>Contribution to school</td>
<td>–</td>
<td>(5)</td>
<td>(5)</td>
</tr>
</tbody>
</table>

Undistributed funds as at 31 December 2016/1 January 2017

| Undistributed funds as at 31 December 2016/1 January 2017 | – | 5 | 5 |
| Fund collected/received during the year | – | 8 | 8 |
| Uses of funds during the year            | – | (11) | (11) |
| Contribution to Non-profit Organisation  | – | (4) | (4) |
| Contribution for Da’wah activities       | – | (5) | (5) |
| Contribution to Institution               | – | (2) | (2) |

Undistributed funds as at 31 December 2017

| Undistributed funds as at 31 December 2017 | – | 2 | 2 |
24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS’ FUNDS

<table>
<thead>
<tr>
<th>Income derived from investment of:</th>
<th>GROUP AND BANK</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) General investment deposits</td>
<td></td>
<td>22,296</td>
<td>55,715</td>
</tr>
<tr>
<td>(ii) Term deposit-i</td>
<td></td>
<td>1,370,064</td>
<td>1,339,854</td>
</tr>
<tr>
<td>(iii) Saving and demand deposits</td>
<td></td>
<td>739,255</td>
<td>793,868</td>
</tr>
<tr>
<td>(iv) Other deposits</td>
<td></td>
<td>192,572</td>
<td>152,767</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,324,187</td>
<td>2,342,204</td>
</tr>
</tbody>
</table>

(i) Income derived from investment of general investment deposits

<table>
<thead>
<tr>
<th>Finance income and hibah</th>
<th>GROUP AND BANK</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing, advances and others</td>
<td></td>
<td>19,305</td>
<td>46,815</td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- held-for-trading</td>
<td></td>
<td>142</td>
<td>497</td>
</tr>
<tr>
<td>- available-for-sale</td>
<td></td>
<td>2,136</td>
<td>6,207</td>
</tr>
<tr>
<td>- held-to-maturity</td>
<td></td>
<td>60</td>
<td>128</td>
</tr>
<tr>
<td>Money at call and deposits with financial institutions</td>
<td></td>
<td>296</td>
<td>697</td>
</tr>
<tr>
<td></td>
<td></td>
<td>21,939</td>
<td>54,344</td>
</tr>
</tbody>
</table>

Other dealing income

<table>
<thead>
<tr>
<th>Net gain/(loss) from sale of financial assets held-for-trading</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(10)</td>
<td>149</td>
</tr>
<tr>
<td>Net gain/(loss) on revaluation of financial assets held-for-trading</td>
<td>46</td>
<td>(70)</td>
</tr>
<tr>
<td></td>
<td>36</td>
<td>79</td>
</tr>
</tbody>
</table>

Other operating income

<table>
<thead>
<tr>
<th>Net gain from sale of financial assets available-for-sale</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>51</td>
<td>1,292</td>
</tr>
<tr>
<td>Net gain from sale of financial assets held-to-maturity</td>
<td>270</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>321</td>
<td>1,292</td>
</tr>
</tbody>
</table>

22,296

of which

Financing income earned on impaired financing

322

827
24. **INCOME DERIVED FROM INVESTMENT OF DEPOSITORS’ FUNDS** (cont’d)

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

<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>GROUP AND BANK</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance income and hibah</strong></td>
<td><strong>RM’000</strong></td>
<td><strong>RM’000</strong></td>
<td></td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>1,170,411</td>
<td>1,137,396</td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- held-for-trading</td>
<td>9,643</td>
<td>11,313</td>
<td></td>
</tr>
<tr>
<td>- available-for-sale</td>
<td>144,803</td>
<td>142,503</td>
<td></td>
</tr>
<tr>
<td>- held-to-maturity</td>
<td>4,085</td>
<td>2,861</td>
<td></td>
</tr>
<tr>
<td>Money at call and deposits with financial institutions</td>
<td>16,156</td>
<td>16,007</td>
<td></td>
</tr>
<tr>
<td><strong>Total Finance income and hibah</strong></td>
<td><strong>1,345,098</strong></td>
<td><strong>1,310,080</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Other dealing income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain/(loss) from sale of financial assets held-for-trading</td>
<td>(442)</td>
<td>2,995</td>
<td></td>
</tr>
<tr>
<td>Net gain/(loss) on revaluation of financial assets held-for-trading</td>
<td>3,084</td>
<td>(2,247)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Other dealing income</strong></td>
<td><strong>2,642</strong></td>
<td><strong>748</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain from sale of financial assets available-for-sale</td>
<td>3,480</td>
<td>29,026</td>
<td></td>
</tr>
<tr>
<td>Net gain from sale of financial assets held-to-maturity</td>
<td>18,844</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Total Other operating income</strong></td>
<td><strong>22,324</strong></td>
<td><strong>29,026</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total income derived from investment of term deposit-i</strong></td>
<td><strong>1,370,064</strong></td>
<td><strong>1,339,854</strong></td>
<td></td>
</tr>
</tbody>
</table>

*of which*

<table>
<thead>
<tr>
<th>Financing income earned on impaired financing</th>
<th><strong>RM’000</strong></th>
<th><strong>RM’000</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017</strong></td>
<td>18,818</td>
<td>18,818</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
24. **INCOME DERIVED FROM INVESTMENT OF DEPOSITORS’ FUNDS** (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>GROUP AND BANK</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017 RM’000</td>
<td>2016 RM’000</td>
<td></td>
</tr>
<tr>
<td>Finance income and hibah</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>630,634</td>
<td>673,911</td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- held-for-trading</td>
<td>5,192</td>
<td>6,703</td>
<td></td>
</tr>
<tr>
<td>- available-for-sale</td>
<td>78,063</td>
<td>84,433</td>
<td></td>
</tr>
<tr>
<td>- held-to-maturity</td>
<td>2,202</td>
<td>1,695</td>
<td></td>
</tr>
<tr>
<td>Money at call and deposits with financial institutions</td>
<td>10,077</td>
<td>9,484</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>726,168</td>
<td>776,226</td>
</tr>
<tr>
<td>Other dealing income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain/(loss) from sale of financial assets held-for-trading</td>
<td>(275)</td>
<td>1,775</td>
<td></td>
</tr>
<tr>
<td>Net gain/(loss) on revaluation of financial assets held-for-trading</td>
<td>1,649</td>
<td>(1,331)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,374</td>
<td>444</td>
</tr>
<tr>
<td>Other operating income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain from sale of financial assets available-for-sale</td>
<td>1,866</td>
<td>17,198</td>
<td></td>
</tr>
<tr>
<td>Net gain from sale of financial assets held-to-maturity</td>
<td>9,847</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,713</td>
<td>17,198</td>
</tr>
<tr>
<td></td>
<td></td>
<td>739,255</td>
<td>793,868</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing income earned on impaired financing</td>
<td>10,288</td>
<td>11,150</td>
<td></td>
</tr>
</tbody>
</table>
24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS’ FUNDS (cont’d)

(iv) Income derived from investment of other deposits

<table>
<thead>
<tr>
<th>Finance income and hibah</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing, advances and others</td>
<td>164,014</td>
<td>129,683</td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- held-for-trading</td>
<td>1,371</td>
<td>1,290</td>
</tr>
<tr>
<td>- available-for-sale</td>
<td>20,574</td>
<td>16,248</td>
</tr>
<tr>
<td>- held-to-maturity</td>
<td>578</td>
<td>327</td>
</tr>
<tr>
<td>Money at call and deposits with financial institutions</td>
<td>2,560</td>
<td>1,825</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>189,097</strong></td>
<td><strong>149,373</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other dealing income</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain/(loss) from sale of financial assets held-for-trading</td>
<td>(38)</td>
<td>341</td>
</tr>
<tr>
<td>Net gain/(loss) on revaluation of financial assets held-for-trading</td>
<td>435</td>
<td>(256)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>397</strong></td>
<td><strong>85</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other operating income</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain from sale of financial assets available-for-sale</td>
<td>488</td>
<td>3,309</td>
</tr>
<tr>
<td>Net gain from sale of financial assets held-to-maturity</td>
<td>2,590</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,078</strong></td>
<td><strong>3,309</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Of which</strong></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing income earned on impaired financing</td>
<td>2,738</td>
<td>2,145</td>
</tr>
</tbody>
</table>

25. INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

<table>
<thead>
<tr>
<th>Finance income</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted investment accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Mudharabah</td>
<td>94,386</td>
<td>61,379</td>
</tr>
<tr>
<td>- Wakalah</td>
<td>152,660</td>
<td>52,514</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>247,046</strong></td>
<td><strong>113,893</strong></td>
</tr>
</tbody>
</table>
### 26. Income Derived from Investment of Shareholders’ Funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Finance income and hibah</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>6,951</td>
<td>6,355</td>
<td>6,951</td>
<td>6,355</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets available-for-sale</td>
<td>147,372</td>
<td>125,468</td>
<td>147,372</td>
<td>125,468</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money at call and deposits with financial institutions</td>
<td>4</td>
<td>193</td>
<td>4</td>
<td>193</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>154,327</strong></td>
<td><strong>132,016</strong></td>
<td><strong>154,327</strong></td>
<td><strong>132,016</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other dealing income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain from foreign exchange transactions</td>
<td>66,396</td>
<td>73,114</td>
<td>66,396</td>
<td>73,114</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net derivatives loss</td>
<td>(779)</td>
<td>(4,515)</td>
<td>(779)</td>
<td>(4,515)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain from sale of financial assets held-for-trading</td>
<td>–</td>
<td>345</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss on revaluation of financial assets held-for-trading</td>
<td>–</td>
<td>(170)</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>65,617</strong></td>
<td><strong>68,774</strong></td>
<td><strong>65,617</strong></td>
<td><strong>68,599</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain from sale of financial assets available-for-sale</td>
<td>272</td>
<td>424</td>
<td>272</td>
<td>424</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on liquidation of a subsidiary</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>89</td>
<td></td>
</tr>
<tr>
<td>Gross dividend income from securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- unquoted in Malaysia</td>
<td>–</td>
<td>1,612</td>
<td>–</td>
<td>1,612</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- unit trust in Malaysia</td>
<td>2,600</td>
<td>3,379</td>
<td>2,422</td>
<td>3,379</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>2,872</strong></td>
<td><strong>5,415</strong></td>
<td><strong>2,694</strong></td>
<td><strong>5,504</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fees and commission</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Card fees and commission</td>
<td>70,751</td>
<td>67,002</td>
<td>70,751</td>
<td>67,002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Takaful service fees and commission</td>
<td>28,436</td>
<td>33,766</td>
<td>28,436</td>
<td>33,766</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing fees</td>
<td>22,810</td>
<td>21,078</td>
<td>22,810</td>
<td>21,078</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission on MEPS</td>
<td>13,184</td>
<td>12,022</td>
<td>13,184</td>
<td>12,022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ar-Rahnu fees</td>
<td>11,984</td>
<td>10,964</td>
<td>11,984</td>
<td>10,964</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit trust management fees</td>
<td>10,158</td>
<td>7,877</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile banking fees</td>
<td>6,808</td>
<td>7,000</td>
<td>6,808</td>
<td>7,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposit and payment service fees</td>
<td>6,677</td>
<td>7,510</td>
<td>6,677</td>
<td>7,510</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate advisory fees</td>
<td>5,877</td>
<td>4,041</td>
<td>5,877</td>
<td>4,041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processing fees</td>
<td>4,202</td>
<td>3,172</td>
<td>4,200</td>
<td>3,171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission on bills payment system</td>
<td>2,831</td>
<td>2,572</td>
<td>2,831</td>
<td>2,572</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission from wealth management services</td>
<td>58</td>
<td>24</td>
<td>6,787</td>
<td>4,322</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ta’widh Charges</td>
<td>698</td>
<td>902</td>
<td>698</td>
<td>902</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>24,292</td>
<td>20,102</td>
<td>14,633</td>
<td>14,567</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>208,766</strong></td>
<td><strong>198,032</strong></td>
<td><strong>195,676</strong></td>
<td><strong>188,917</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
26. **INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS’ FUNDS** (cont’d)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental income</td>
<td>2,446</td>
<td>2,423</td>
<td>2,788</td>
<td>2,761</td>
</tr>
<tr>
<td>Net gain/(loss) on disposal of property and equipment</td>
<td>(71)</td>
<td>527</td>
<td>(71)</td>
<td>527</td>
</tr>
<tr>
<td>Other income</td>
<td>396</td>
<td>170</td>
<td>254</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>2,771</td>
<td>3,120</td>
<td>2,971</td>
<td>3,356</td>
</tr>
<tr>
<td></td>
<td><strong>434,353</strong></td>
<td><strong>407,357</strong></td>
<td><strong>421,285</strong></td>
<td><strong>398,392</strong></td>
</tr>
</tbody>
</table>

27. **NET ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES**

<table>
<thead>
<tr>
<th>Allowance for impairment on financing, advances and others:</th>
<th>GROUP AND BANK (2017)</th>
<th>GROUP AND BANK (2016)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- collective assessment allowance</td>
<td>34,706</td>
<td>161,667</td>
</tr>
<tr>
<td>- individual assessment allowance</td>
<td>71,735</td>
<td>30,662</td>
</tr>
<tr>
<td>Bad debts and financing recovered</td>
<td>(122,054)</td>
<td>(100,224)</td>
</tr>
<tr>
<td></td>
<td><strong>(15,613)</strong></td>
<td><strong>92,105</strong></td>
</tr>
</tbody>
</table>

28. **ALLOWANCE FOR IMPAIRMENT ON INVESTMENTS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- available-for-sale</td>
<td>–</td>
<td>255</td>
<td>–</td>
<td>255</td>
</tr>
</tbody>
</table>
29. INCOME ATTRIBUTABLE TO DEPOSITORS

<table>
<thead>
<tr>
<th>Deposits from customers:</th>
<th>GROUP 2017</th>
<th>2016</th>
<th>BANK 2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Mudharabah fund</td>
<td>11,445</td>
<td>18,467</td>
<td>11,445</td>
<td>18,467</td>
</tr>
<tr>
<td>- Non-Mudharabah fund</td>
<td>1,088,245</td>
<td>1,020,530</td>
<td>1,088,484</td>
<td>1,020,762</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-Mudharabah fund</td>
<td>3,346</td>
<td>30,640</td>
<td>3,346</td>
<td>30,640</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>1,103,036</strong></td>
<td><strong>1,069,637</strong></td>
<td><strong>1,103,275</strong></td>
<td><strong>1,069,869</strong></td>
</tr>
</tbody>
</table>

30. INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDERS

<table>
<thead>
<tr>
<th>Unrestricted investment accounts</th>
<th>GROUP AND BANK 2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Mudharabah</td>
<td>1,938</td>
<td>1,201</td>
</tr>
<tr>
<td>- Wakalah</td>
<td>103,363</td>
<td>37,186</td>
</tr>
<tr>
<td></td>
<td><strong>105,301</strong></td>
<td><strong>38,387</strong></td>
</tr>
</tbody>
</table>

31. PERSONNEL EXPENSES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>291,285</td>
<td>261,319</td>
<td>286,154</td>
<td>257,284</td>
</tr>
<tr>
<td>Allowances and bonuses</td>
<td>149,181</td>
<td>133,184</td>
<td>147,529</td>
<td>132,458</td>
</tr>
<tr>
<td>Employees' Provident Fund</td>
<td>54,226</td>
<td>49,723</td>
<td>53,273</td>
<td>49,009</td>
</tr>
<tr>
<td>Directors and Shariah Supervisory Council Members' remuneration</td>
<td>11,875</td>
<td>9,986</td>
<td>11,182</td>
<td>9,325</td>
</tr>
<tr>
<td>Medical benefits</td>
<td>28,420</td>
<td>20,803</td>
<td>28,209</td>
<td>20,603</td>
</tr>
<tr>
<td>Staff sales commission</td>
<td>14,645</td>
<td>13,310</td>
<td>14,645</td>
<td>13,310</td>
</tr>
<tr>
<td>Others</td>
<td>19,711</td>
<td>18,348</td>
<td>19,455</td>
<td>18,188</td>
</tr>
<tr>
<td></td>
<td><strong>569,343</strong></td>
<td><strong>506,673</strong></td>
<td><strong>560,447</strong></td>
<td><strong>500,177</strong></td>
</tr>
</tbody>
</table>
### 32. OTHER OVERHEAD EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2017</th>
<th>GROUP 2016</th>
<th>BANK 2017</th>
<th>BANK 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promotion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit and debit card expenses</td>
<td>31,114</td>
<td>25,513</td>
<td>31,114</td>
<td>25,513</td>
</tr>
<tr>
<td>Advertisement and publicity</td>
<td>9,608</td>
<td>10,112</td>
<td>9,454</td>
<td>9,998</td>
</tr>
<tr>
<td>Others</td>
<td>13,915</td>
<td>13,005</td>
<td>10,111</td>
<td>11,092</td>
</tr>
<tr>
<td></td>
<td>54,637</td>
<td>48,630</td>
<td>50,679</td>
<td>46,603</td>
</tr>
<tr>
<td><strong>Establishment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of property and equipment</td>
<td>54,480</td>
<td>59,582</td>
<td>54,220</td>
<td>59,338</td>
</tr>
<tr>
<td>Information technology expenses</td>
<td>59,535</td>
<td>49,956</td>
<td>59,535</td>
<td>49,956</td>
</tr>
<tr>
<td>Office rental</td>
<td>54,314</td>
<td>51,684</td>
<td>54,254</td>
<td>51,620</td>
</tr>
<tr>
<td>Security services</td>
<td>16,267</td>
<td>18,028</td>
<td>16,267</td>
<td>18,033</td>
</tr>
<tr>
<td>Utilities</td>
<td>14,068</td>
<td>15,686</td>
<td>13,992</td>
<td>15,611</td>
</tr>
<tr>
<td>Office maintenance</td>
<td>11,522</td>
<td>10,416</td>
<td>11,169</td>
<td>10,312</td>
</tr>
<tr>
<td>Takaful</td>
<td>8,069</td>
<td>13,473</td>
<td>8,037</td>
<td>13,227</td>
</tr>
<tr>
<td>Rental of equipment</td>
<td>4,504</td>
<td>3,715</td>
<td>4,429</td>
<td>3,641</td>
</tr>
<tr>
<td>Others</td>
<td>320</td>
<td>305</td>
<td>320</td>
<td>305</td>
</tr>
<tr>
<td></td>
<td>223,079</td>
<td>222,845</td>
<td>222,223</td>
<td>222,043</td>
</tr>
<tr>
<td><strong>General expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect tax expenses</td>
<td>23,318</td>
<td>15,457</td>
<td>23,317</td>
<td>15,455</td>
</tr>
<tr>
<td>Outsourcing fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Management of self-service terminal</td>
<td>12,128</td>
<td>11,466</td>
<td>12,128</td>
<td>11,466</td>
</tr>
<tr>
<td>- Credit recovery</td>
<td>2,516</td>
<td>5,230</td>
<td>2,516</td>
<td>5,230</td>
</tr>
<tr>
<td>- Others</td>
<td>4,169</td>
<td>4,195</td>
<td>4,169</td>
<td>4,195</td>
</tr>
<tr>
<td>Office supplies</td>
<td>9,593</td>
<td>8,784</td>
<td>9,462</td>
<td>8,596</td>
</tr>
<tr>
<td>Licenses</td>
<td>9,500</td>
<td>7,048</td>
<td>9,500</td>
<td>7,048</td>
</tr>
<tr>
<td>Travelling and transportation</td>
<td>7,893</td>
<td>7,198</td>
<td>7,813</td>
<td>7,092</td>
</tr>
<tr>
<td>Bank and service charges</td>
<td>7,615</td>
<td>3,956</td>
<td>7,601</td>
<td>3,937</td>
</tr>
<tr>
<td>Security services for cash in transit</td>
<td>6,419</td>
<td>6,201</td>
<td>6,419</td>
<td>6,201</td>
</tr>
<tr>
<td>Postage and delivery charges</td>
<td>4,979</td>
<td>5,896</td>
<td>4,963</td>
<td>5,870</td>
</tr>
<tr>
<td>Management fees</td>
<td>–</td>
<td>–</td>
<td>4,633</td>
<td>2,432</td>
</tr>
<tr>
<td>Subscription fees</td>
<td>4,061</td>
<td>3,851</td>
<td>4,061</td>
<td>3,851</td>
</tr>
<tr>
<td>Professional fees</td>
<td>4,379</td>
<td>3,453</td>
<td>4,203</td>
<td>3,291</td>
</tr>
<tr>
<td>Mobile banking expenses</td>
<td>1,359</td>
<td>2,699</td>
<td>1,359</td>
<td>2,699</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- statutory audit fees</td>
<td>763</td>
<td>700</td>
<td>700</td>
<td>618</td>
</tr>
<tr>
<td>- others</td>
<td>642</td>
<td>355</td>
<td>642</td>
<td>355</td>
</tr>
<tr>
<td>Processing charges</td>
<td>655</td>
<td>852</td>
<td>655</td>
<td>852</td>
</tr>
<tr>
<td>Property and equipment written off</td>
<td>56</td>
<td>8</td>
<td>56</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>41,340</td>
<td>23,245</td>
<td>38,535</td>
<td>21,497</td>
</tr>
<tr>
<td></td>
<td>141,385</td>
<td>110,594</td>
<td>142,732</td>
<td>110,693</td>
</tr>
<tr>
<td></td>
<td>419,101</td>
<td>382,069</td>
<td>415,634</td>
<td>379,339</td>
</tr>
</tbody>
</table>
33. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS’ REMUNERATION

<table>
<thead>
<tr>
<th>Directors of the Bank</th>
<th>GROUP 2017 RM’000</th>
<th>2016 RM’000</th>
<th>BANK 2017 RM’000</th>
<th>2016 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Director:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and other remuneration, including meeting allowances</td>
<td>7,366</td>
<td>7,236</td>
<td>7,366</td>
<td>7,233</td>
</tr>
<tr>
<td>Benefits-in-kind</td>
<td>113</td>
<td>173</td>
<td>113</td>
<td>173</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,479</td>
<td>7,409</td>
<td>7,479</td>
<td>7,406</td>
</tr>
<tr>
<td><strong>Chief Executive Officer:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and other remuneration, including meeting allowances</td>
<td>677</td>
<td>–</td>
<td>671</td>
<td>–</td>
</tr>
<tr>
<td>Benefits-in-kind</td>
<td>16</td>
<td>–</td>
<td>16</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>693</td>
<td>–</td>
<td>687</td>
<td>–</td>
</tr>
<tr>
<td><strong>Non-Executive Directors:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>1,376</td>
<td>1,076</td>
<td>1,356</td>
<td>1,064</td>
</tr>
<tr>
<td>Other emoluments</td>
<td>1,234</td>
<td>627</td>
<td>1,217</td>
<td>618</td>
</tr>
<tr>
<td>Benefits-in-kind</td>
<td>219</td>
<td>172</td>
<td>219</td>
<td>172</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,829</td>
<td>1,875</td>
<td>2,792</td>
<td>1,854</td>
</tr>
<tr>
<td><strong>Directors of subsidiaries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Executive Director:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and other remuneration, including meeting allowances</td>
<td>502</td>
<td>468</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>502</td>
<td>468</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Non-Executive Directors:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>72</td>
<td>81</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other emoluments</td>
<td>67</td>
<td>75</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>139</td>
<td>156</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,642</td>
<td>9,908</td>
<td>10,958</td>
<td>9,260</td>
</tr>
<tr>
<td><strong>Members of Shariah Supervisory Council (SSC)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- SSC of the Bank</td>
<td>575</td>
<td>416</td>
<td>572</td>
<td>410</td>
</tr>
<tr>
<td>- SSC of a subsidiary</td>
<td>6</td>
<td>7</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>581</td>
<td>423</td>
<td>572</td>
<td>410</td>
</tr>
<tr>
<td><strong>Grand total (excluding benefits-in-kind) (Note 31)</strong></td>
<td>11,875</td>
<td>9,986</td>
<td>11,182</td>
<td>9,325</td>
</tr>
</tbody>
</table>
33. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS’ REMUNERATION
(cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>SALARY AND BONUS</th>
<th>FEES</th>
<th>OTHER EMOLUMENTS</th>
<th>BENEFITS IN-KIND</th>
<th>BANK TOTAL</th>
<th>REMUNERATION RECEIVED FROM SUBSIDIARIES</th>
<th>GROUP TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>31 December 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Director:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dato’ Sri Zukri Samat (retired on 9 June 2017)</td>
<td>5,637</td>
<td>–</td>
<td>1,729</td>
<td>113</td>
<td>7,479</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Chief executive officer:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Khairul Kamarudin (appointed on 14 June 2017)</td>
<td>509</td>
<td>–</td>
<td>162</td>
<td>16</td>
<td>687</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>Non-Executive Directors:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Datuk Zamani Abdul Ghani</td>
<td>–</td>
<td>240</td>
<td>226</td>
<td>88</td>
<td>554</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tan Sri Dato’ Dr. Abdul Shukor Husin</td>
<td>–</td>
<td>156</td>
<td>130</td>
<td>50</td>
<td>336</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Datuk Zaiton Mohd Hassan</td>
<td>–</td>
<td>240</td>
<td>215</td>
<td>25</td>
<td>480</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Zahari @ Mohd Zin Idris</td>
<td>–</td>
<td>216</td>
<td>239</td>
<td>6</td>
<td>461</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Mohamed Ridza Mohamed Abdulla</td>
<td>–</td>
<td>108</td>
<td>94</td>
<td>25</td>
<td>227</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Nik Mohd Hasyudeen Yusoff</td>
<td>–</td>
<td>198</td>
<td>148</td>
<td>25</td>
<td>371</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Noraini Che Dan</td>
<td>–</td>
<td>198</td>
<td>165</td>
<td>–</td>
<td>363</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>1,356</td>
<td>1,217</td>
<td>219</td>
<td>2,792</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>6,146</td>
<td>1,356</td>
<td>3,108</td>
<td>348</td>
<td>10,958</td>
<td>20</td>
<td>23</td>
</tr>
</tbody>
</table>

| 31 December 2016      |                  |       |                  |                 |            |                                        |            |
| Executive Director:   |                  |       |                  |                 |            |                                        |            |
| Dato’ Sri Zukri Samat | 5,639 | – | 1,594 | 173 | 7,406 | – | 3 | 7,409 |
| Non-Executive Directors: |                  |       |                  |                 |            |                                        |            |
| Datuk Zamani Abdul Ghani | – | 231 | 157 | 62 | 450 | – | – | 450 |
| Tan Sri Dato’ Dr. Abdul Shukor Husin | – | 155 | 81 | – | 236 | – | – | 236 |
| Datuk Zaiton Mohd Hassan | – | 242 | 128 | 35 | 405 | – | – | 405 |
| Datuk Seri Johan Abdullah (ceased as a director on 17 February 2016) | – | 15 | 40 | – | 55 | – | – | 55 |
| Zahari @ Mohd Zin Idris | – | 216 | 125 | 50 | 391 | 12 | 9 | 412 |
| Mohamed Ridza Mohamed Abdulla | – | 108 | 60 | 25 | 193 | – | – | 193 |
| Nik Mohd Hasyudeen Yusoff | – | 49 | 12 | – | 61 | – | – | 61 |
| Noraini Che Dan | – | 48 | 15 | – | 63 | – | – | 63 |
|                       | – | 1,064 | 618 | 172 | 1,854 | 12 | 9 | 1,875 |
|                       | 5,639 | 1,064 | 2,212 | 345 | 9,260 | 12 | 12 | 9,284 |
33. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS’ REMUNERATION (cont’d)

The total remuneration of the members of the Shariah Supervisory Council of the Directors of the Bank is as follows (cont’d):

<table>
<thead>
<tr>
<th>Date</th>
<th>Name and Position</th>
<th>Fees RM’000</th>
<th>Emoluments RM’000</th>
<th>Total RM’000</th>
<th>Other Fees RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td>Professor Dato’ Dr. Ahmad Hidayat Buang</td>
<td>72</td>
<td>75</td>
<td>147</td>
<td>–</td>
<td>147</td>
</tr>
<tr>
<td></td>
<td>Ustaz Dr. Ahmad Shahbari @ Sobri Salamon</td>
<td>66</td>
<td>36</td>
<td>102</td>
<td>3</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td>Sahibus Samahah Dato’ Haji Anhar Haji Opir</td>
<td>49</td>
<td>10</td>
<td>59</td>
<td>–</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>Assistant Professor Dr. Uzaimah Ibrahim</td>
<td>66</td>
<td>42</td>
<td>108</td>
<td>–</td>
<td>108</td>
</tr>
<tr>
<td></td>
<td>Ustazah Dr. Ya’zamah Hanani Mohd Safian</td>
<td>66</td>
<td>49</td>
<td>115</td>
<td>–</td>
<td>115</td>
</tr>
<tr>
<td></td>
<td>Ustaz Muhammed Syafii Antonio</td>
<td>17</td>
<td>24</td>
<td>41</td>
<td>–</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>336</td>
<td>236</td>
<td>572</td>
<td>3</td>
<td>575</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Name and Position</th>
<th>Fees RM’000</th>
<th>Emoluments RM’000</th>
<th>Total RM’000</th>
<th>Other Fees RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2016</td>
<td>Professor Dato’ Dr. Ahmad Hidayat Buang</td>
<td>60</td>
<td>36</td>
<td>96</td>
<td>–</td>
<td>96</td>
</tr>
<tr>
<td></td>
<td>Ustaz Dr. Ahmad Shahbari @ Sobri Salamon</td>
<td>54</td>
<td>23</td>
<td>77</td>
<td>6</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>Ustaz Muhammed Syafii Antonio</td>
<td>54</td>
<td>23</td>
<td>77</td>
<td>–</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>Assistant Professor Dr. Uzaimah Ibrahim</td>
<td>54</td>
<td>26</td>
<td>80</td>
<td>–</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Ustazah Dr. Ya’zamah Hanani Mohd Safian</td>
<td>54</td>
<td>26</td>
<td>80</td>
<td>–</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>276</td>
<td>134</td>
<td>410</td>
<td>6</td>
<td>416</td>
</tr>
</tbody>
</table>

34. KEY MANAGEMENT PERSONNEL

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

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

<table>
<thead>
<tr>
<th></th>
<th>GROUP AND BANK RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other key management personnel:</td>
<td>2017</td>
</tr>
<tr>
<td>- Short-term employee benefits</td>
<td>21,425</td>
</tr>
</tbody>
</table>

Number of employees categorised as key management personnel as at 31 December 2017 was 23 (2016: 19).
35. TAX EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2017</th>
<th>GROUP 2016</th>
<th>BANK 2017</th>
<th>BANK 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Malaysian income tax:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>191,736</td>
<td>182,542</td>
<td>191,620</td>
<td>182,500</td>
</tr>
<tr>
<td>Over provision in prior years</td>
<td>(6,306)</td>
<td>(1,400)</td>
<td>(6,298)</td>
<td>(1,359)</td>
</tr>
<tr>
<td></td>
<td>185,430</td>
<td>181,142</td>
<td>185,322</td>
<td>181,141</td>
</tr>
<tr>
<td>Deferred tax expense relating to origination and reversal of temporary differences arising from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year</td>
<td>2,024</td>
<td>(5,026)</td>
<td>2,024</td>
<td>(5,026)</td>
</tr>
<tr>
<td>Under provision in prior years</td>
<td>108</td>
<td>475</td>
<td>108</td>
<td>475</td>
</tr>
<tr>
<td></td>
<td>2,132</td>
<td>(4,551)</td>
<td>2,132</td>
<td>(4,551)</td>
</tr>
<tr>
<td></td>
<td>187,562</td>
<td>176,591</td>
<td>187,454</td>
<td>176,590</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>GROUP 2017</th>
<th>GROUP 2016</th>
<th>BANK 2017</th>
<th>BANK 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>767,053</td>
<td>720,412</td>
<td>766,109</td>
<td>720,441</td>
</tr>
<tr>
<td>Income tax calculated using Malaysian tax rate of 24% (2016: 24%)</td>
<td>184,093</td>
<td>172,899</td>
<td>183,866</td>
<td>172,906</td>
</tr>
<tr>
<td>Income not subject to tax</td>
<td>(11,924)</td>
<td>(1,406)</td>
<td>(11,924)</td>
<td>(1,406)</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>9,591</td>
<td>6,023</td>
<td>9,702</td>
<td>5,974</td>
</tr>
<tr>
<td></td>
<td>181,760</td>
<td>177,516</td>
<td>181,644</td>
<td>177,474</td>
</tr>
<tr>
<td>Derecognition of deferred tax assets (Over)/Under provision in prior years</td>
<td>12,000</td>
<td>–</td>
<td>12,000</td>
<td>–</td>
</tr>
<tr>
<td>- Income tax</td>
<td>(6,306)</td>
<td>(1,400)</td>
<td>(6,298)</td>
<td>(1,359)</td>
</tr>
<tr>
<td>- Deferred tax</td>
<td>108</td>
<td>475</td>
<td>108</td>
<td>475</td>
</tr>
<tr>
<td></td>
<td>187,562</td>
<td>176,591</td>
<td>187,454</td>
<td>176,590</td>
</tr>
</tbody>
</table>

36. EARNINGS PER SHARE

Basic earnings per share are calculated based on the net profit attributable to equity holders of the Group of RM566,118,000 (2016: RM530,962,000) and the weighted average number of ordinary shares outstanding during the year of 2,432,579,699 (2016: 2,381,774,336).
37. DIVIDENDS

Dividends paid by the Bank:

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend Type</th>
<th>Sen Per Share</th>
<th>Total Amount (RM’000)</th>
<th>Date of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Final 2016</td>
<td>5.58</td>
<td>134,167</td>
<td>15 June 2017</td>
</tr>
<tr>
<td></td>
<td>Interim 2017</td>
<td>5.41</td>
<td>132,310</td>
<td>20 September 2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>266,477</strong></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>Final 2015</td>
<td>5.49</td>
<td>129,744</td>
<td>18 May 2016</td>
</tr>
<tr>
<td></td>
<td>Interim 2016</td>
<td>5.50</td>
<td>131,132</td>
<td>22 September 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>260,876</strong></td>
<td></td>
</tr>
</tbody>
</table>

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

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

From the total dividend amount paid of RM129.7 million on 18 May 2016, approximately 50% or RM64.9 million was distributed as cash dividend whilst the remaining 50% amounting to RM64.8 million was reinvested to subscribe for 20,927,000 new ordinary shares of RM1.00 at RM3.10 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM131.1 million on 22 September 2016, approximately 50% or RM65.6 million was distributed as cash dividend whilst the remaining 50% amounting to RM65.5 million was reinvested to subscribe for 20,174,000 new ordinary shares of RM1.00 at RM3.25 each via the Dividend Reinvestment Plan.

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

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

<table>
<thead>
<tr>
<th>Dividend Type</th>
<th>Sen Per Share</th>
<th>Total Amount (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final 2017 ordinary dividend</td>
<td>6.09</td>
<td><strong>150,180</strong></td>
</tr>
</tbody>
</table>
38. OPERATING SEGMENTS

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>CONSUMER BANKING RM’000</th>
<th>CORPORATE AND COMMERCIAL BANKING RM’000</th>
<th>TREASURY RM’000</th>
<th>SHAREHOLDERS UNIT RM’000</th>
<th>ELIMINATION RM’000</th>
<th>GROUP TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>1,839,686</td>
<td>588,196</td>
<td>554,546</td>
<td>37,153</td>
<td>(11,400)</td>
<td>3,008,181</td>
</tr>
<tr>
<td>Net fund based income</td>
<td>858,386</td>
<td>360,774</td>
<td>(27,177)</td>
<td>283,355</td>
<td>–</td>
<td>1,475,338</td>
</tr>
<tr>
<td>Non-fund based income</td>
<td>155,474</td>
<td>40,997</td>
<td>109,233</td>
<td>29,963</td>
<td>(11,161)</td>
<td>324,506</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1,013,860</td>
<td>401,771</td>
<td>82,056</td>
<td>313,318</td>
<td>(11,161)</td>
<td>1,799,844</td>
</tr>
<tr>
<td>Net allowance for impairment</td>
<td>(14,849)</td>
<td>30,219</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>15,370</td>
</tr>
<tr>
<td><strong>Profit before overheads, zakat and tax</strong></td>
<td>999,011</td>
<td>431,990</td>
<td>82,056</td>
<td>313,318</td>
<td>(11,161)</td>
<td>1,815,214</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,048,161)</td>
</tr>
<tr>
<td><strong>Profit before zakat and tax</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>767,053</td>
</tr>
<tr>
<td>Segment assets</td>
<td>31,693,272</td>
<td>10,420,148</td>
<td>12,961,042</td>
<td>41,366</td>
<td>(33,167)</td>
<td>55,082,661</td>
</tr>
<tr>
<td>Unallocated assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,660,253</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>57,742,914</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017
(cont’d)

38. OPERATING SEGMENTS (cont’d)

<table>
<thead>
<tr>
<th></th>
<th>CONSUMER BANKING RM’000</th>
<th>CORPORATE AND COMMERCIAL BANKING RM’000</th>
<th>TREASURY RM’000</th>
<th>SHAREHOLDERS UNIT RM’000</th>
<th>ELIMINATION RM’000</th>
<th>GROUP TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>1,715,082</td>
<td>570,896</td>
<td>407,371</td>
<td>181,974</td>
<td>(6,541)</td>
<td>2,868,782</td>
</tr>
<tr>
<td>Net fund based income</td>
<td>866,086</td>
<td>394,541</td>
<td>(35,294)</td>
<td>202,575</td>
<td></td>
<td>1,427,908</td>
</tr>
<tr>
<td>Non-fund based income</td>
<td>144,540</td>
<td>39,739</td>
<td>130,696</td>
<td>24,184</td>
<td>(6,309)</td>
<td>332,850</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1,010,626</td>
<td>434,280</td>
<td>95,402</td>
<td>226,759</td>
<td>(6,309)</td>
<td>1,760,758</td>
</tr>
<tr>
<td>Net allowance for impairment</td>
<td>(63,109)</td>
<td>(28,996)</td>
<td>353</td>
<td>–</td>
<td>–</td>
<td>(91,752)</td>
</tr>
<tr>
<td><strong>Profit before overheads, zakat and tax</strong></td>
<td>947,517</td>
<td>405,284</td>
<td>95,755</td>
<td>226,759</td>
<td>(6,309)</td>
<td>1,669,006</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(948,594)</td>
</tr>
<tr>
<td><strong>Profit before zakat and tax</strong></td>
<td>720,412</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment assets</td>
<td>28,586,902</td>
<td>10,602,372</td>
<td>13,840,512</td>
<td>34,450</td>
<td>(25,529)</td>
<td>53,038,707</td>
</tr>
<tr>
<td>Unallocated assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,637,990</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>55,676,697</td>
</tr>
</tbody>
</table>

39. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Financial instruments by categories
The table in subsequent pages provides an analysis of financial instruments categorised as follows:

- Financing, advances and receivables (“F&R”)
- Fair value through profit or loss (“FVTPL”)
- Financial assets available-for-sale (“AFS”)
- Financial assets held-to-maturity (“HTM”)
- Financial liabilities measured at amortised cost (“FL”)

INT INTEGRATED ANNUAL REPORT 2017
### 39. FINANCIAL RISK MANAGEMENT (cont’d)

(a) Financial instruments by categories (cont’d)

<table>
<thead>
<tr>
<th>BANK</th>
<th>31 DECEMBER 2017</th>
<th>CARRYING AMOUNT</th>
<th>F&amp;R/(FL)</th>
<th>FVTPL</th>
<th>AFS</th>
<th>HTM</th>
<th>DERIVATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds and deposits and placements with financial institutions</td>
<td>4,185,561</td>
<td>4,185,561</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held-for-trading</td>
<td>375,664</td>
<td>–</td>
<td>375,664</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>68,319</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>68,319</td>
</tr>
<tr>
<td>Financial assets available-for-sale</td>
<td>9,253,140</td>
<td>–</td>
<td>–</td>
<td>9,253,140</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held-to-maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>42,113,420</td>
<td>42,113,420</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other assets</td>
<td>121,062</td>
<td>121,062</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Statutory deposits with Bank Negara Malaysia</td>
<td>1,407,284</td>
<td>1,407,284</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>57,524,450</td>
<td>47,827,327</td>
<td>375,664</td>
<td>9,253,140</td>
<td>–</td>
<td>–</td>
<td>68,319</td>
</tr>
</tbody>
</table>

**Financial liabilities**

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from customers</td>
<td>(46,209,028)</td>
<td>(46,209,028)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>(4,260,185)</td>
<td>(4,260,185)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>(74,668)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(74,668)</td>
</tr>
<tr>
<td>Bills and acceptance payable</td>
<td>(420,258)</td>
<td>(420,258)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>(1,006,486)</td>
<td>(1,006,486)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(773,769)</td>
<td>(773,769)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(52,744,394)</td>
<td>(52,669,726)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(74,668)</td>
</tr>
</tbody>
</table>

There is no disclosure for the Group as the Group’s financial instruments are not materially different from the Bank’s financial instruments.
39. FINANCIAL RISK MANAGEMENT (cont’d)

(a) Financial instruments by categories (cont’d)

<table>
<thead>
<tr>
<th>BANK</th>
<th>CARRYING AMOUNT</th>
<th>F&amp;R/(FL)</th>
<th>FVTPL</th>
<th>AFS</th>
<th>HTM</th>
<th>DERIVATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 DECEMBER 2016</td>
<td>RM’000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds and deposits and placements</td>
<td>4,063,268</td>
<td>4,063,268</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held-for-trading</td>
<td>569,750</td>
<td>–</td>
<td>569,750</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>124,572</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>124,572</td>
</tr>
<tr>
<td>Financial assets available-for-sale</td>
<td>9,957,743</td>
<td>–</td>
<td>–</td>
<td>9,957,743</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held-to-maturity</td>
<td>57,703</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>57,703</td>
<td>–</td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>39,189,274</td>
<td>39,189,274</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other assets</td>
<td>95,928</td>
<td>95,928</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Statutory deposits with Bank Negara Malaysia</td>
<td>1,374,876</td>
<td>1,374,876</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>55,433,114</td>
<td>44,723,346</td>
<td>569,750</td>
<td>9,957,743</td>
<td>57,703</td>
<td>124,572</td>
</tr>
</tbody>
</table>

Financial liabilities

| Deposits from customers | (45,949,715) | (45,949,715) | – | – | – | – |
| Investment accounts of customers | (3,812,261) | (3,812,261) | – | – | – | – |
| Deposits and placements of banks and other financial institutions | (30,000) | (30,000) | – | – | – | – |
| Derivative financial liabilities | (111,089) | – | – | – | – | (111,089) |
| Bills and acceptance payable | (46,278) | (46,278) | – | – | – | – |
| Subordinated Sukuk Murabahah | (704,393) | (704,393) | – | – | – | – |
| Other liabilities | (598,591) | (598,591) | – | – | – | – |
| | (51,252,327) | (51,141,238) | – | – | – | (111,089) |

There is no disclosure for the Group as the Group’s financial instruments are not materially different from the Bank’s financial instruments.
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(b) **Credit risk**

**Overview**

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

**Credit risk governance**

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

The Bank has instituted several levels of Financing Committees, which assess and approve credits at their specified authority levels. The MRCC is responsible under the authority delegated by the BRC for managing credit risk at strategic level.

The MRCC reviews the Bank’s credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

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

**Management of credit risk**

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

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

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

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

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counter parties limits and permissible acquisition of private debt securities, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(b) **Credit risk** (cont’d)

**Maximum exposure to credit risk**

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term funds</td>
<td>4,185,561</td>
<td>3,963,268</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>–</td>
<td>100,000</td>
</tr>
<tr>
<td>Financial assets held-for-trading</td>
<td>375,664</td>
<td>569,750</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>68,319</td>
<td>124,572</td>
</tr>
<tr>
<td>Financial assets available-for-sale</td>
<td>9,253,140</td>
<td>9,957,743</td>
</tr>
<tr>
<td>Financial assets held-to-maturity</td>
<td>–</td>
<td>57,703</td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>42,113,420</td>
<td>39,189,274</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>55,996,104</td>
<td>53,962,310</td>
</tr>
</tbody>
</table>

Credit related obligation:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit commitments</td>
<td>9,941,346</td>
<td>9,750,962</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>9,941,346</td>
<td>9,750,962</td>
</tr>
</tbody>
</table>

**Total credit exposures**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total credit exposures</strong></td>
<td>65,937,450</td>
<td>63,713,272</td>
</tr>
</tbody>
</table>

There is no disclosure for the Group as the Group’s maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments are not materially different from the Bank.
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(b) **Credit risk** (cont’d)

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

<table>
<thead>
<tr>
<th>GROUP AS AT 31 DECEMBER 2017</th>
<th>CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM’000</th>
<th>FINANCIAL ASSETS HELD-FOR-TRADE RM’000</th>
<th>DERIVATIVE FINANCIAL ASSETS RM’000</th>
<th>FINANCIAL ASSETS AVAILABLE-FOR-SALE RM’000</th>
<th>FINANCIAL ASSETS HELD-TO-MATURITY RM’000</th>
<th>FINANCING, ADVANCES AND OTHERS RM’000</th>
<th>ON-BALANCE SHEETS TOTAL RM’000</th>
<th>COMMITMENTS AND CONTINGENCIES* RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary agriculture</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>481,879</td>
<td>481,879</td>
<td>111,992</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7,906</td>
<td>7,906</td>
<td>383,585</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>–</td>
<td>–</td>
<td>22</td>
<td>–</td>
<td>–</td>
<td>800,040</td>
<td>800,040</td>
<td>1,094,810</td>
</tr>
<tr>
<td>(including agro-based)</td>
<td>–</td>
<td>–</td>
<td>22</td>
<td>–</td>
<td>–</td>
<td>800,040</td>
<td>800,040</td>
<td>1,094,810</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>–</td>
<td>–</td>
<td>2,129,021</td>
<td>–</td>
<td>–</td>
<td>330,767</td>
<td>2,459,788</td>
<td>442,008</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade,</td>
<td>–</td>
<td>–</td>
<td>81,146</td>
<td>–</td>
<td>1,187,262</td>
<td>1,268,408</td>
<td>611,688</td>
<td></td>
</tr>
<tr>
<td>and hotels &amp; restaurants</td>
<td>–</td>
<td>–</td>
<td>81,146</td>
<td>–</td>
<td>1,187,262</td>
<td>1,268,408</td>
<td>611,688</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>–</td>
<td>1</td>
<td>572,282</td>
<td>–</td>
<td>–</td>
<td>2,089,099</td>
<td>2,791,447</td>
<td>1,615,417</td>
</tr>
<tr>
<td>Real estate</td>
<td>–</td>
<td>1</td>
<td>508,410</td>
<td>–</td>
<td>–</td>
<td>1,569,501</td>
<td>2,079,446</td>
<td>7,910</td>
</tr>
<tr>
<td>Transport, storage and</td>
<td>15,041</td>
<td>1</td>
<td>925,993</td>
<td>–</td>
<td>–</td>
<td>637,669</td>
<td>1,578,704</td>
<td>486,025</td>
</tr>
<tr>
<td>communications</td>
<td>–</td>
<td>1</td>
<td>925,993</td>
<td>–</td>
<td>–</td>
<td>637,669</td>
<td>1,578,704</td>
<td>486,025</td>
</tr>
<tr>
<td>Finance, insurance and</td>
<td>3,263,920</td>
<td>365,883</td>
<td>66,696</td>
<td>4,905,831</td>
<td>–</td>
<td>2,112,629</td>
<td>10,714,959</td>
<td>1,680,118</td>
</tr>
<tr>
<td>business activities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,197,840</td>
<td>1,197,840</td>
<td>1,787,146</td>
</tr>
<tr>
<td>Education, health and others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,197,840</td>
<td>1,197,840</td>
<td>1,787,146</td>
</tr>
<tr>
<td>Household sectors</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>31,698,828</td>
<td>31,698,828</td>
<td>479,715</td>
<td></td>
</tr>
<tr>
<td>Other sectors</td>
<td>921,777</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>921,777</td>
<td>1,240,932</td>
<td>9,941,346</td>
</tr>
</tbody>
</table>

| **Total**                  | **4,185,697**                                    | **380,925**                            | **68,319**                       | **9,252,683**                           | –                                       | **42,113,420**                    | **56,001,044**                     | **9,941,346**                     |

*Commitments and contingencies excluding derivative financial assets*
39. FINANCIAL RISK MANAGEMENT (cont’d)

(b) Credit risk (cont’d)

(i) Concentration of credit risk for Group and Bank (cont’d)

<table>
<thead>
<tr>
<th>GROUP AS AT 31 DECEMBER 2016</th>
<th>CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM’000</th>
<th>FINANCIAL ASSETS HELD-FOR-TRADING RM’000</th>
<th>DERIVATIVE FINANCIAL ASSETS RM’000</th>
<th>FINANCIAL ASSETS AVAILABLE-FOR-SALE RM’000</th>
<th>FINANCIAL ASSETS HELD-TO-MATURITY RM’000</th>
<th>FINANCING, ADVANCES AND OTHERS RM’000</th>
<th>ON-BALANCE SHEETS TOTAL RM’000</th>
<th>COMMITMENTS AND CONTINGENCIES* RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary agriculture</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>370,064</td>
<td>370,064</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12,563</td>
<td>12,563</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>–</td>
<td>–</td>
<td>2,948</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>712,228</td>
<td>715,176</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>–</td>
<td>–</td>
<td>2,109,964</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>852,028</td>
<td>2,961,992</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade, and hotels &amp; restaurants</td>
<td>–</td>
<td>–</td>
<td>1,609</td>
<td>95,959</td>
<td>–</td>
<td>1,220,744</td>
<td>1,318,312</td>
<td>600,832</td>
</tr>
<tr>
<td>Construction</td>
<td>–</td>
<td>5,092</td>
<td>–</td>
<td>650,738</td>
<td>57,703</td>
<td>2,126,845</td>
<td>2,840,378</td>
<td>1,544,578</td>
</tr>
<tr>
<td>Real estate</td>
<td>–</td>
<td>–</td>
<td>1,780</td>
<td>435,171</td>
<td>–</td>
<td>1,183,849</td>
<td>1,620,800</td>
<td>21,003</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>994,468</td>
<td>–</td>
<td>843,398</td>
<td>1,837,866</td>
<td>411,536</td>
</tr>
<tr>
<td>Finance, insurance and business activities</td>
<td>3,130,743</td>
<td>569,743</td>
<td>118,235</td>
<td>5,670,986</td>
<td>–</td>
<td>2,032,703</td>
<td>11,522,410</td>
<td>1,538,418</td>
</tr>
<tr>
<td>Education, health and others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,240,340</td>
<td>1,240,340</td>
<td>1,595,137</td>
</tr>
<tr>
<td>Household sectors</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>28,594,512</td>
<td>28,594,512</td>
<td>592,299</td>
</tr>
<tr>
<td>Other sectors</td>
<td>932,674</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>932,674</td>
<td>1,245,584</td>
<td>9,750,962</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,063,417</td>
<td>574,835</td>
<td>124,572</td>
<td>9,957,286</td>
<td>57,703</td>
<td>39,189,274</td>
<td>53,967,087</td>
<td>9,750,962</td>
</tr>
</tbody>
</table>

*Commitments and contingencies excluding derivative financial assets
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(b) **Credit risk** (cont’d)

(i) **Concentration of credit risk for Group and Bank** (cont’d)

<table>
<thead>
<tr>
<th>BANK AS AT 31 DECEMBER 2017</th>
<th>CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM’000</th>
<th>FINANCIAL ASSETS HELD-FOR-TRADING RM’000</th>
<th>DERIVATIVE FINANCIAL ASSETS RM’000</th>
<th>FINANCIAL ASSETS AVAILABLE-FOR-SALE RM’000</th>
<th>FINANCIAL ASSETS HELD-TO-MATURITY RM’000</th>
<th>FINANCING, ADVANCES AND OTHERS RM’000</th>
<th>ON-BALANCE SHEETS TOTAL RM’000</th>
<th>COMMITMENTS AND CONTINGENCIES* RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary agriculture</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>481,879</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7,906</td>
<td>383,585</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>–</td>
<td>–</td>
<td>22</td>
<td>–</td>
<td>–</td>
<td>800,040</td>
<td>800,062</td>
<td>1,094,810</td>
</tr>
<tr>
<td>Manufacturing (including agro-based)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,129,021</td>
<td>–</td>
<td>330,767</td>
<td>2,459,788</td>
<td>442,008</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,129,021</td>
<td>–</td>
<td>330,767</td>
<td>2,459,788</td>
<td>442,008</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade, and hotels &amp; restaurants</td>
<td>–</td>
<td>–</td>
<td>81,146</td>
<td>–</td>
<td>1,187,262</td>
<td>1,268,408</td>
<td>611,688</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>–</td>
<td>1</td>
<td>65</td>
<td>702,282</td>
<td>–</td>
<td>2,089,099</td>
<td>2,791,447</td>
<td>1,615,417</td>
</tr>
<tr>
<td>Real estate</td>
<td>–</td>
<td>–</td>
<td>1,535</td>
<td>508,410</td>
<td>–</td>
<td>1,569,501</td>
<td>2,079,446</td>
<td>7,910</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>–</td>
<td>15,041</td>
<td>1</td>
<td>925,993</td>
<td>–</td>
<td>637,669</td>
<td>1,578,704</td>
<td>486,025</td>
</tr>
<tr>
<td>Finance, insurance and business activities</td>
<td>3,263,920</td>
<td>360,622</td>
<td>66,696</td>
<td>4,906,288</td>
<td>–</td>
<td>2,112,629</td>
<td>10,710,155</td>
<td>1,680,118</td>
</tr>
<tr>
<td>Education, health and others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,197,840</td>
<td>1,197,840</td>
<td>1,787,146</td>
</tr>
<tr>
<td>Household sectors</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>31,698,828</td>
<td>31,698,828</td>
<td>479,715</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other sectors</td>
<td>921,641</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>921,641</td>
<td>1,240,932</td>
<td></td>
</tr>
</tbody>
</table>

|                                | **4,185,561**                                  | **375,664**                    | **68,319**                      | **9,253,140**                   | –                               | **55,996,104**                  | **9,941,346**                   |                                 |

*Commitments and contingencies excluding derivative financial assets
39. FINANCIAL RISK MANAGEMENT (cont’d)

(b) Credit risk (cont’d)

(i) Concentration of credit risk for Group and Bank (cont’d)

<table>
<thead>
<tr>
<th>BANK AS AT 31 DECEMBER 2016</th>
<th>CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM’000</th>
<th>FINANCIAL ASSETS HELD-FOR-TRADEING RM’000</th>
<th>DERIVATIVE FINANCIAL ASSETS RM’000</th>
<th>FINANCIAL ASSETS AVAILABLE-FOR-SALE RM’000</th>
<th>FINANCIAL ASSETS HELD-TO-MATURITY RM’000</th>
<th>FINANCING, ADVANCES AND OTHERS RM’000</th>
<th>ON-BALANCE SHEETS TOTAL RM’000</th>
<th>COMMITMENTS AND CONTINGENCIES* RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary agriculture</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>370,064</td>
<td>370,064</td>
<td>111,408</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12,563</td>
<td>12,563</td>
<td>409,084</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>–</td>
<td>–</td>
<td>2,948</td>
<td>–</td>
<td>–</td>
<td>1,228,303</td>
<td></td>
<td>1,228,303</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>–</td>
<td>–</td>
<td>2,109,964</td>
<td>–</td>
<td>–</td>
<td>852,028</td>
<td>2,961,992</td>
<td>452,780</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade,</td>
<td>–</td>
<td>1,609</td>
<td>95,959</td>
<td>–</td>
<td>1,220,744</td>
<td>1,318,312</td>
<td></td>
<td>600,832</td>
</tr>
<tr>
<td>and hotels &amp; restaurants</td>
<td>–</td>
<td>5,092</td>
<td>650,738</td>
<td>57,703</td>
<td>2,126,845</td>
<td>2,840,378</td>
<td>1,544,578</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>–</td>
<td>1,780</td>
<td>435,171</td>
<td>–</td>
<td>1,183,849</td>
<td>1,620,800</td>
<td></td>
<td>21,003</td>
</tr>
<tr>
<td>Real estate</td>
<td>–</td>
<td>–</td>
<td>994,468</td>
<td>–</td>
<td>843,398</td>
<td>1,837,866</td>
<td>411,536</td>
<td></td>
</tr>
<tr>
<td>Transport, storage and</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>118,235</td>
<td>5,671,443</td>
<td>2,032,703</td>
<td>11,517,782</td>
<td>1,538,418</td>
</tr>
<tr>
<td>communications</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>564,658</td>
<td>11,240,340</td>
<td>1,595,137</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance, insurance and</td>
<td>3,130,743</td>
<td>564,658</td>
<td>118,235</td>
<td>5,671,443</td>
<td>–</td>
<td>2,032,703</td>
<td>11,517,782</td>
<td>1,538,418</td>
</tr>
<tr>
<td>business activities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,240,340</td>
<td>1,240,340</td>
<td>1,595,137</td>
</tr>
<tr>
<td>Education, health and</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>28,594,512</td>
<td>28,594,512</td>
<td>592,299</td>
</tr>
<tr>
<td>others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>932,525</td>
<td></td>
<td>1,245,584</td>
</tr>
<tr>
<td>Household sectors</td>
<td>932,525</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>932,525</td>
<td></td>
<td>1,245,584</td>
</tr>
<tr>
<td>Other sectors</td>
<td>4,063,268</td>
<td>569,750</td>
<td>124,572</td>
<td>9,957,743</td>
<td>57,703</td>
<td>39,189,274</td>
<td>53,962,310</td>
<td>9,750,962</td>
</tr>
</tbody>
</table>

*Commitments and contingencies excluding derivative financial assets
(b) Credit risk (cont’d)

(ii) Collateral

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

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

(iii) Credit quality of gross financing and advances

Gross financing and advances are classified as follows:

- Neither past due nor impaired financing
  Financing for which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment.
- Past due but not impaired financing
  Financing for which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.
- Impaired financing
  Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness, or when the financing is classified as rescheduled and restructured in Central Credit Reference Information System (“CCRIS”).

The table below summarises the credit quality of the Group’s and the Bank’s gross financing according to the above classifications.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td>41,736,562</td>
<td>38,788,825</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>551,097</td>
<td>694,173</td>
</tr>
<tr>
<td>Impaired</td>
<td>398,277</td>
<td>389,445</td>
</tr>
<tr>
<td>Total</td>
<td>42,685,936</td>
<td>39,872,443</td>
</tr>
<tr>
<td>Allowance for impairment on financing, advances and others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- collective assessment allowance</td>
<td>(446,069)</td>
<td>(554,971)</td>
</tr>
<tr>
<td>- individual assessment allowance</td>
<td>(126,447)</td>
<td>(128,198)</td>
</tr>
<tr>
<td>Total</td>
<td>42,113,420</td>
<td>39,189,274</td>
</tr>
</tbody>
</table>
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(b) **Credit risk** (cont’d)

(iii) **Credit quality of gross financing and advances** (cont’d)

Neither past due nor impaired financing

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td></td>
<td>RM’000</td>
</tr>
<tr>
<td>Excellent to good</td>
<td>35,144,157</td>
<td>31,981,235</td>
<td></td>
</tr>
<tr>
<td>Satisfactory</td>
<td>6,092,349</td>
<td>6,352,707</td>
<td></td>
</tr>
<tr>
<td>Fair</td>
<td>500,056</td>
<td>454,883</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,736,562</strong></td>
<td><strong>38,788,825</strong></td>
<td></td>
</tr>
</tbody>
</table>

Internal rating definition:-

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

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

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

### Past due but not impaired financing

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>% TO GROSS FINANCING</td>
<td>RM’000</td>
</tr>
<tr>
<td>Month-in-arrears 1</td>
<td>362,240</td>
<td>0.85%</td>
<td>439,600</td>
</tr>
<tr>
<td>Month-in-arrears 2</td>
<td>188,857</td>
<td>0.44%</td>
<td>254,573</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>551,097</strong></td>
<td><strong>1.29%</strong></td>
<td><strong>694,173</strong></td>
</tr>
</tbody>
</table>

### Impaired financing

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Month-in-arrears 0</td>
<td>20,060</td>
<td>15,614</td>
<td></td>
</tr>
<tr>
<td>Month-in-arrears 1</td>
<td>69,204</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td>Month-in-arrears 2</td>
<td>3,317</td>
<td>7,623</td>
<td></td>
</tr>
<tr>
<td>Month-in-arrears 3 and above</td>
<td>124,628</td>
<td>179,897</td>
<td></td>
</tr>
<tr>
<td>Collectively assessed</td>
<td>181,068</td>
<td>186,071</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>398,277</strong></td>
<td><strong>389,445</strong></td>
<td></td>
</tr>
</tbody>
</table>
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(b) **Credit risk** (cont’d)

(iii) **Credit quality of gross financing and advances** (cont’d)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td></td>
<td>21,264</td>
<td>25,950</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td>8,117</td>
<td>73,093</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>29,381</strong></td>
<td><strong>99,043</strong></td>
</tr>
</tbody>
</table>

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

Financing, advances and others by line of business assessed by reference to the Bank’s internal rating system:

<table>
<thead>
<tr>
<th>GROUP AND BANK AS AT 31 DECEMBER 2017</th>
<th>CONSUMER</th>
<th>BUSINESS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent to good</td>
<td>26,212,600</td>
<td>8,931,557</td>
<td>35,144,157</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>4,564,174</td>
<td>1,528,175</td>
<td>6,092,349</td>
</tr>
<tr>
<td>Fair</td>
<td>499,291</td>
<td>765</td>
<td>500,056</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>362,240</td>
<td>188,857</td>
<td>551,097</td>
</tr>
<tr>
<td>Impaired</td>
<td>216,461</td>
<td>181,816</td>
<td>398,277</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,854,766</strong></td>
<td><strong>10,831,170</strong></td>
<td><strong>42,685,936</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GROUP AND BANK AS AT 31 DECEMBER 2016</th>
<th>CONSUMER</th>
<th>BUSINESS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent to good</td>
<td>23,435,587</td>
<td>8,545,648</td>
<td>31,981,235</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>4,286,898</td>
<td>2,065,809</td>
<td>6,352,707</td>
</tr>
<tr>
<td>Fair</td>
<td>454,484</td>
<td>399</td>
<td>454,883</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>559,685</td>
<td>134,488</td>
<td>694,173</td>
</tr>
<tr>
<td>Impaired</td>
<td>222,349</td>
<td>167,096</td>
<td>389,445</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,959,003</strong></td>
<td><strong>10,913,440</strong></td>
<td><strong>39,872,443</strong></td>
</tr>
</tbody>
</table>
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(b) **Credit risk** (cont’d)

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

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

<table>
<thead>
<tr>
<th></th>
<th>FINANCIAL ASSETS HELD-FOR-TRADE RM’000</th>
<th>DERIVATIVE FINANCIAL ASSETS RM’000</th>
<th>FINANCIAL ASSETS AVAILABLE FOR-SALE RM’000</th>
<th>FINANCIAL ASSETS HELD-TO-MATURITY RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bonds and treasury bills</td>
<td>355,681</td>
<td>–</td>
<td>1,757,129</td>
<td>–</td>
<td>2,112,810</td>
</tr>
<tr>
<td>Sukuk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rated AAA</td>
<td>1</td>
<td>–</td>
<td>2,004,390</td>
<td>–</td>
<td>2,004,391</td>
</tr>
<tr>
<td>Rated AA1 to AA3</td>
<td>–</td>
<td>–</td>
<td>1,046,033</td>
<td>–</td>
<td>1,046,033</td>
</tr>
<tr>
<td>Rated A1 to A3</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9</td>
</tr>
<tr>
<td>Lower than A</td>
<td>–</td>
<td>–</td>
<td>20,000</td>
<td>–</td>
<td>20,000</td>
</tr>
<tr>
<td>Unrated – Government guaranteed bonds</td>
<td>19,973</td>
<td>–</td>
<td>4,388,282</td>
<td>–</td>
<td>4,408,255</td>
</tr>
<tr>
<td>Other unrated financial assets</td>
<td>–</td>
<td>–</td>
<td>37,306</td>
<td>–</td>
<td>37,306</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank and financial institution counterparties</td>
<td>–</td>
<td>66,694</td>
<td>–</td>
<td>–</td>
<td>66,694</td>
</tr>
<tr>
<td>Corporate</td>
<td>–</td>
<td>1,625</td>
<td>–</td>
<td>–</td>
<td>1,625</td>
</tr>
</tbody>
</table>

|                                | 375,664                                | 68,319                            | 9,253,140                                   | –                                        | 9,697,123    |

There is no disclosure for Group as the Group’s financial assets are not materially different from the Bank’s financial assets.
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(b) **Credit risk** (cont’d)

(iv) **Credit quality of other financial assets** (cont’d)

Credit quality of other financial assets by external rating is as follows (cont’d):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank As at 31 December 2016</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Government bonds and treasury</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bills</td>
<td>324,500</td>
<td>–</td>
<td>2,359,521</td>
<td>–</td>
</tr>
<tr>
<td>Sukuk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rated AAA</td>
<td>225,237</td>
<td>–</td>
<td>1,915,961</td>
<td>–</td>
</tr>
<tr>
<td>Rated AA1 to AA3</td>
<td>–</td>
<td>–</td>
<td>1,585,060</td>
<td>–</td>
</tr>
<tr>
<td>Rated A1 to A3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Lower than A</td>
<td>–</td>
<td>–</td>
<td>20,415</td>
<td>–</td>
</tr>
<tr>
<td>Unrated – Government guaranteed bonds</td>
<td>20,013</td>
<td>–</td>
<td>4,040,610</td>
<td>–</td>
</tr>
<tr>
<td>Other unrated financial assets</td>
<td>–</td>
<td>–</td>
<td>36,176</td>
<td>57,703</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank and financial institution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>counterparties</td>
<td>–</td>
<td>118,234</td>
<td>–</td>
<td>118,234</td>
</tr>
<tr>
<td>Corporate</td>
<td>–</td>
<td>6,338</td>
<td>–</td>
<td>6,338</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>569,750</td>
<td>124,572</td>
<td>9,957,743</td>
<td>57,703</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10,709,768</td>
</tr>
</tbody>
</table>

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

(c) **Market risk**

**Overview**

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

- **Profit Rate Risk**: also known as the Rate of Return Risk, is the potential impact on the Bank’s profitability caused by changes in the market rate of return, either due to general market movements or due to issuer/customer specific reasons;

- **Foreign Exchange Risk**: the impact of exchange rate movements on the Bank’s currency positions;

- **Equity Investment Risk**: the profitability impact on the Bank’s equity positions or investments caused by changes in equity prices or values;

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

**Market risk governance**

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

The ALCO is responsible under the authority delegated by the BRC for managing market risk at strategic level.
NOTES TO THE FINANCIAL STATEMENTS 
for the financial year ended 31 December 2017 
(cont’d)

39. FINANCIAL RISK MANAGEMENT (cont’d)

(c) Market risk (cont’d)

Management of market risk

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

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

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

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

(i) Profit rate risk

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

<table>
<thead>
<tr>
<th>GROUP AS AT 31 DECEMBER 2017</th>
<th>UP TO 1 MONTH RM’000</th>
<th>&gt;1-3 MONTHS RM’000</th>
<th>&gt;3-12 MONTHS RM’000</th>
<th>1-5 YEARS RM’000</th>
<th>OVER 5 YEARS RM’000</th>
<th>NON PROFIT SENSITIVE RM’000</th>
<th>TRADING BOOK RM’000</th>
<th>TOTAL RM’000</th>
<th>EFFECTIVE PROFIT RATE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds and deposits and placements with financial institutions</td>
<td>3,263,920</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>921,777</td>
<td>–</td>
<td>4,185,697</td>
<td>1.57%</td>
</tr>
<tr>
<td>Financial assets held-for-trading</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>380,925</td>
<td>380,925</td>
<td>4.40%</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>68,319</td>
<td>68,319</td>
<td>1.79%</td>
</tr>
<tr>
<td>Financial assets available-for-sale</td>
<td>209,960</td>
<td>147,227</td>
<td>732,806</td>
<td>5,140,778</td>
<td>3,021,912</td>
<td>–</td>
<td>–</td>
<td>9,252,683</td>
<td>4.08%</td>
</tr>
<tr>
<td>Financial assets held-to-maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>37,200,376</td>
<td>559,077</td>
<td>73,727</td>
<td>1,474,789</td>
<td>2,979,690</td>
<td>–</td>
<td>–</td>
<td>42,287,659</td>
<td>5.56%</td>
</tr>
<tr>
<td>- non-impaired</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(174,239)</td>
<td>–</td>
<td>(174,239)</td>
</tr>
<tr>
<td>- impaired net of allowances*</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,741,870</td>
<td>–</td>
<td>1,741,870</td>
</tr>
<tr>
<td>Other assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,741,870</td>
<td>–</td>
<td>1,741,870</td>
</tr>
<tr>
<td>Total assets</td>
<td>40,674,256</td>
<td>706,304</td>
<td>806,533</td>
<td>6,615,567</td>
<td>6,001,602</td>
<td>2,489,408</td>
<td>449,244</td>
<td>57,742,914</td>
<td></td>
</tr>
</tbody>
</table>

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

**(c) Market risk** (cont’d)

**(i) Profit rate risk** (cont’d)

<table>
<thead>
<tr>
<th>GROUP AS AT 31 DECEMBER 2017</th>
<th>NON TRADING BOOK</th>
<th>EFFECTIVE PROFIT RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UP TO 1 MONTH RM’000</td>
<td>&gt;1-3 MONTHS RM’000</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>8,164,490</td>
<td>13,367,794</td>
</tr>
<tr>
<td>Investment accounts of</td>
<td>711,299</td>
<td>1,171,831</td>
</tr>
<tr>
<td>customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills and acceptance</td>
<td>130,846</td>
<td>35,636</td>
</tr>
<tr>
<td>payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated SukukMurabahah</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>9,006,635</td>
<td>14,575,261</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>holders of the Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total liabilities and</td>
<td>9,006,635</td>
<td>14,575,261</td>
</tr>
<tr>
<td>shareholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-balance sheet profit</td>
<td>31,667,621</td>
<td>(13,868,957)</td>
</tr>
<tr>
<td>sensitivity gap</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-balance sheet profit</td>
<td>100,000</td>
<td>300,000</td>
</tr>
<tr>
<td>sensitivity gap (profit rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>swaps)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Total profit sensitivity</td>
<td>31,767,621</td>
<td>(13,568,957)</td>
</tr>
<tr>
<td>gap</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
39. **FINANCIAL RISK MANAGEMENT** (cont'd)

(c) **Market risk** (cont'd)

(i) **Profit rate risk** (cont’d)

<table>
<thead>
<tr>
<th>GROUP As at 31 December 2016</th>
<th>UP TO 1 MONTH RM’000</th>
<th>&gt;1-3 MONTHS RM’000</th>
<th>&gt;3-12 MONTHS RM’000</th>
<th>1-5 YEARS RM’000</th>
<th>OVER 5 YEARS RM’000</th>
<th>NON PROFIT SENSITIVE RM’000</th>
<th>TRADING BOOK RM’000</th>
<th>TOTAL RM’000</th>
<th>EFFECTIVE PROFIT RATE %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds and deposits and placements with financial institutions</td>
<td>3,030,743</td>
<td>100,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>932,674</td>
<td>–</td>
<td>4,063,417</td>
<td>1.80%</td>
</tr>
<tr>
<td>Financial assets held-for-trading</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>574,835</td>
<td>574,835</td>
<td>4.08%</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>124,572</td>
<td>124,572</td>
<td>3.15%</td>
</tr>
<tr>
<td>Financial assets available-for-sale</td>
<td>35,719</td>
<td>214,317</td>
<td>1,475,514</td>
<td>4,775,032</td>
<td>3,456,704</td>
<td>–</td>
<td>–</td>
<td>9,957,286</td>
<td>4.53%</td>
</tr>
<tr>
<td>Financial assets held-to-maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>57,703</td>
<td>–</td>
<td>57,703</td>
<td>8.71%</td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>33,880,805</td>
<td>583,532</td>
<td>73,579</td>
<td>1,471,045</td>
<td>3,474,037</td>
<td>–</td>
<td>–</td>
<td>39,482,998</td>
<td>5.77%</td>
</tr>
<tr>
<td>- non-impaired</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(293,724)</td>
<td>–</td>
<td>(293,724)</td>
<td>–</td>
</tr>
<tr>
<td>- impaired net of allowances*</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,709,610</td>
<td>–</td>
<td>1,709,610</td>
</tr>
<tr>
<td>Other assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>36,947,267</td>
<td>897,849</td>
<td>1,549,093</td>
<td>6,246,077</td>
<td>6,988,444</td>
<td>2,348,560</td>
<td>699,407</td>
<td>55,676,697</td>
<td>–</td>
</tr>
</tbody>
</table>

*This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.*
### 39. FINANCIAL RISK MANAGEMENT (cont’d)

(c) **Market risk** (cont’d)

(i) **Profit rate risk** (cont’d)

<table>
<thead>
<tr>
<th>GROUP As at 31 December 2016</th>
<th>Liabilities</th>
<th>NON TRADING BOOK</th>
<th>( \text{Profit rate risk} )</th>
<th>( \text{Effective profit rate} )</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \text{RM'000} )</td>
<td>( \text{RM'000} )</td>
<td>( \text{RM'000} )</td>
<td>( \text{RM'000} )</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>16,904,998</td>
<td>9,948,300</td>
<td>4,436,940</td>
<td>410,072</td>
</tr>
<tr>
<td>Investment accounts of</td>
<td>923,998</td>
<td>1,177,432</td>
<td>193,987</td>
<td>–</td>
</tr>
<tr>
<td>customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits and placements</td>
<td>30,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>of banks and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills and acceptance</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>700,000</td>
</tr>
<tr>
<td>Murabahah</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>17,858,996</td>
<td>11,125,732</td>
<td>4,630,927</td>
<td>1,110,072</td>
</tr>
<tr>
<td>Equity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Equity attributable to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>equity holder of the Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and</strong></td>
<td>17,858,996</td>
<td>11,125,732</td>
<td>4,630,927</td>
<td>1,110,072</td>
</tr>
<tr>
<td><strong>Total liabilities and</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>shareholders’ equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-balance sheet profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sensitivity gap</td>
<td>19,088,271</td>
<td>(10,227,883)</td>
<td>(3,081,834)</td>
<td>5,136,005</td>
</tr>
<tr>
<td>Off-balance sheet profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sensitivity gap</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(profit rate swaps)</td>
<td>300,000</td>
<td>300,000</td>
<td>(200,000)</td>
<td>(400,000)</td>
</tr>
<tr>
<td><strong>Total profit sensitivity</strong></td>
<td>19,388,271</td>
<td>(9,927,883)</td>
<td>(3,281,834)</td>
<td>4,736,005</td>
</tr>
</tbody>
</table>
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(c) **Market risk** (cont’d)

(i) **Profit rate risk** (cont’d)

<table>
<thead>
<tr>
<th>BANK As at 31 December 2017</th>
<th>UP TO 1 MONTH RM’000</th>
<th>&gt;1-3 MONTHS RM’000</th>
<th>&gt;3-12 MONTHS RM’000</th>
<th>1-5 YEARS RM’000</th>
<th>OVER 5 YEARS RM’000</th>
<th>NON PROFIT SENSITIVE RM’000</th>
<th>TRADING BOOK RM’000</th>
<th>TOTAL RM’000</th>
<th>EFFECTIVE PROFIT RATE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, balances and placements with banks</td>
<td>3,263,920</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>921,641</td>
<td>–</td>
<td>4,185,561</td>
<td>1.56%</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-for-trading</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>375,664</td>
<td>375,664</td>
<td>4.41%</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>68,319</td>
<td>68,319</td>
<td>1.79%</td>
</tr>
<tr>
<td>Financial assets available-for-sale</td>
<td>210,417</td>
<td>147,227</td>
<td>732,806</td>
<td>5,140,778</td>
<td>3,021,912</td>
<td>–</td>
<td>–</td>
<td>9,253,140</td>
<td>4.08%</td>
</tr>
<tr>
<td>Financial assets held-to-maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>37,200,376</td>
<td>559,077</td>
<td>73,727</td>
<td>1,474,789</td>
<td>2,979,690</td>
<td>–</td>
<td>–</td>
<td>42,287,659</td>
<td>5.56%</td>
</tr>
<tr>
<td>- non-impaired</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(174,239)</td>
<td>–</td>
<td>(174,239)</td>
<td></td>
</tr>
<tr>
<td>- impaired net of allowances*</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,754,136</td>
<td>–</td>
<td>1,754,136</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>40,674,713</td>
<td>706,304</td>
<td>806,533</td>
<td>6,615,567</td>
<td>6,001,602</td>
<td>2,501,538</td>
<td>443,983</td>
<td>57,750,240</td>
<td></td>
</tr>
</tbody>
</table>

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.
### 39. FINANCIAL RISK MANAGEMENT (cont’d)

**(c) Market risk (cont’d)**

**(i) Profit rate risk (cont’d)**

<table>
<thead>
<tr>
<th>BANK</th>
<th>LIABILITY</th>
<th>NON TRADING BOOK</th>
<th>EFFECTIVE PROFIT RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deposits from customers</td>
<td>8,166,979</td>
<td>13,370,765</td>
</tr>
<tr>
<td></td>
<td>Investment accounts of customers</td>
<td>711,299</td>
<td>1,171,831</td>
</tr>
<tr>
<td></td>
<td>Deposits and placements of banks and other financial institutions</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Bills and acceptance payable</td>
<td>130,846</td>
<td>35,636</td>
</tr>
<tr>
<td></td>
<td>Subordinated Sukuk Murabahah</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Other liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total liabilities</td>
<td>9,009,124</td>
<td>14,578,232</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equity attributable to equity holder of the Bank</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total equity</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Total liabilities and shareholders’ equity</td>
<td>9,009,124</td>
<td>14,578,232</td>
</tr>
<tr>
<td></td>
<td>On-balance sheet profit sensitivity gap</td>
<td>31,665,589</td>
<td>(13,651,928)</td>
</tr>
<tr>
<td></td>
<td>Off-balance sheet profit sensitivity gap (profit rate swaps)</td>
<td>100,000</td>
<td>300,000</td>
</tr>
<tr>
<td></td>
<td>Total profit sensitivity gap</td>
<td>31,765,589</td>
<td>(13,551,928)</td>
</tr>
</tbody>
</table>
39. FINANCIAL RISK MANAGEMENT (cont’d)

(c) Market risk (cont’d)

(i) Profit rate risk (cont’d)

<table>
<thead>
<tr>
<th>BANK As at 31 December 2016</th>
<th>NON TRADING BOOK</th>
<th>EFFECTIVE PROFIT RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UP TO 1 MONTH RM’000</td>
<td>&gt;1-3 MONTHS RM’000</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, balances and placements with banks</td>
<td>3,030,743</td>
<td>100,000</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-for-trading</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>available-for-sale</td>
<td>36,176</td>
<td>214,317</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-to-maturity</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- non-impaired</td>
<td>33,880,805</td>
<td>583,522</td>
</tr>
<tr>
<td>- impaired net of allowances*</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other assets</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total assets</td>
<td>36,947,724</td>
<td>897,849</td>
</tr>
</tbody>
</table>

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(c) **Market risk** (cont’d)

(i) **Profit rate risk** (cont’d)

<table>
<thead>
<tr>
<th>BANK</th>
<th>NON TRADING BOOK</th>
<th>EFFECTIVE PROFIT RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>16,907,009</td>
<td>9,951,240</td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>923,998</td>
<td>1,177,432</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>30,000</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Bills and acceptance payable</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>17,861,007</td>
<td>11,128,672</td>
</tr>
</tbody>
</table>

Equity

Equity attributable to equity holder of the Bank | – | – | – | – | – | 4,385,955 | – | 4,385,955 | – |

Total equity | – | – | – | – | – | 4,385,955 | – | 4,385,955 | – |

Total liabilities and shareholders’ equity | 17,861,007 | 11,128,672 | 4,632,648 | 1,110,072 | – | 20,839,813 | 111,089 | 55,683,301 | – |

| | On-balance sheet profit sensitivity gap | ~ | ~ | ~ | ~ | ~ | ~ |
| | Off-balance sheet profit sensitivity gap (profit rate swaps) | 300,000 | 300,000 | (200,000) | (400,000) | – | – | – | – |
| | Total profit sensitivity gap | 19,386,717 | (9,930,823) | (3,283,555) | 4,736,005 | 6,988,444 | (18,480,021) | 583,233 | – | – |
Financial Risk Management (cont’d)

(c) Market risk (cont’d)

(i) Profit rate risk (cont’d)

Profit rate risk in the non-trading portfolio

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

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-100BPS</td>
<td>+100BPS</td>
<td>-100BPS</td>
<td>+100BPS</td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on EaR</td>
<td>(85.41)</td>
<td>85.41</td>
<td>(28.46)</td>
<td>28.46</td>
</tr>
<tr>
<td>Impact on EVE</td>
<td>168.00</td>
<td>(168.00)</td>
<td>266.25</td>
<td>(266.25)</td>
</tr>
</tbody>
</table>

Other control to manage the profit rate risk in the non-trading portfolio includes present value of a 1 basis point change (“PV01”) which measures the portfolio’s sensitivity to market rates movement.
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(c) **Market risk** (cont’d)

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit rate risk</td>
<td>1.74</td>
<td>1.88</td>
<td>3.29</td>
<td>0.59</td>
</tr>
<tr>
<td>Foreign exchange risk</td>
<td>0.43</td>
<td>0.29</td>
<td>0.86</td>
<td>0.01</td>
</tr>
<tr>
<td>Overall</td>
<td>2.17</td>
<td>2.17</td>
<td>3.67</td>
<td>0.62</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit rate risk</td>
<td>1.39</td>
<td>2.09</td>
<td>4.34</td>
<td>0.94</td>
</tr>
<tr>
<td>Foreign exchange risk</td>
<td>0.04</td>
<td>0.13</td>
<td>0.52</td>
<td>0.01</td>
</tr>
<tr>
<td>Overall</td>
<td>1.43</td>
<td>2.22</td>
<td>4.81</td>
<td>0.95</td>
</tr>
</tbody>
</table>

In addition to VaR, the Bank has put in place the maximum loss limits, position limits, tenor limits and PV01 limits in monitoring the trading portfolio.
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(c) **Market risk** (cont’d)

(iii) **Foreign exchange risk**

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

**Sensitivity Analysis**

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-1% DEPRECIATION RM’000</td>
<td>+1% APPRECIATION RM’000</td>
</tr>
<tr>
<td><strong>Group and Bank</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Dollar</td>
<td>9,331</td>
<td>(9,331)</td>
</tr>
<tr>
<td>Euro</td>
<td>5,197</td>
<td>(5,197)</td>
</tr>
<tr>
<td>Others</td>
<td>826</td>
<td>(826)</td>
</tr>
</tbody>
</table>

(d) **Liquidity risk**

**Overview**

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

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

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

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

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

(d) **Liquidity risk** (cont’d)

**Overview** (cont’d)

The Bank’s liquidity and funding management process includes:

- Daily projection of cash flows and ensuring that the Bank has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

**Liquidity risk governance**

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

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

**Management of liquidity risk**

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

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

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

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

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

### (d) Liquidity risk (cont’d)

#### Maturity analysis

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

<table>
<thead>
<tr>
<th>GROUP AS AT 31 DECEMBER 2017</th>
<th>ON DEMAND RM'000</th>
<th>UP TO 1 MONTH RM'000</th>
<th>&gt;1 TO 3 MONTHS RM'000</th>
<th>&gt;3 TO 6 MONTHS RM'000</th>
<th>&gt;6 TO 12 MONTHS RM'000</th>
<th>OVER 1 YEAR RM'000</th>
<th>TOTAL RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds and deposits with financial institutions</td>
<td>921,777</td>
<td>3,263,920</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,185,697</td>
</tr>
<tr>
<td>Securities portfolio</td>
<td>–</td>
<td>215,221</td>
<td>147,227</td>
<td>351,798</td>
<td>381,008</td>
<td>8,538,354</td>
<td>9,633,608</td>
</tr>
<tr>
<td>Derivatives financial assets</td>
<td>–</td>
<td>1,658</td>
<td>31,572</td>
<td>15,940</td>
<td>14,657</td>
<td>4,492</td>
<td>68,319</td>
</tr>
<tr>
<td>Financing and advances</td>
<td>–</td>
<td>1,275,604</td>
<td>2,132,544</td>
<td>430,257</td>
<td>453,015</td>
<td>37,822,000</td>
<td>42,113,420</td>
</tr>
<tr>
<td>Other assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,741,870</td>
<td>1,741,870</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>921,777</td>
<td>4,756,403</td>
<td>2,311,343</td>
<td>797,995</td>
<td>848,680</td>
<td>48,106,716</td>
<td>57,742,914</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>15,575,021</td>
<td>8,164,490</td>
<td>13,367,794</td>
<td>5,377,330</td>
<td>1,993,598</td>
<td>1,714,677</td>
<td>46,192,910</td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>1,994,491</td>
<td>711,299</td>
<td>1,171,831</td>
<td>379,555</td>
<td>3,009</td>
<td>–</td>
<td>4,260,185</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>3,958</td>
<td>29,334</td>
<td>27,218</td>
<td>12,257</td>
<td>1,901</td>
<td>74,668</td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,486</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>–</td>
<td>130,846</td>
<td>35,636</td>
<td>–</td>
<td>–</td>
<td>1,082,479</td>
<td>1,248,961</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>17,569,512</td>
<td>9,010,593</td>
<td>14,604,595</td>
<td>5,784,103</td>
<td>2,015,350</td>
<td>3,799,057</td>
<td>52,783,210</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity holders of the Bank</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,959,704</td>
</tr>
<tr>
<td><strong>Net liquidity gap on statement of financial position</strong></td>
<td>(16,647,735)</td>
<td>(4,254,190)</td>
<td>(12,293,252)</td>
<td>(4,986,108)</td>
<td>(1,166,670)</td>
<td>39,347,955</td>
<td>–</td>
</tr>
<tr>
<td><strong>Commitments and contingencies</strong></td>
<td>–</td>
<td>3,187,616</td>
<td>1,941,359</td>
<td>1,526,040</td>
<td>3,270,632</td>
<td>3,842,515</td>
<td>13,768,162</td>
</tr>
<tr>
<td><strong>Net liquidity gap</strong></td>
<td>(16,647,735)</td>
<td>7,441,806</td>
<td>(14,234,611)</td>
<td>(6,512,148)</td>
<td>(4,437,302)</td>
<td>35,505,440</td>
<td>(13,768,162)</td>
</tr>
</tbody>
</table>
### 39. FINANCIAL RISK MANAGEMENT (cont’d)

**d) Liquidity risk (cont’d)**

#### Maturity analysis

<table>
<thead>
<tr>
<th>GROUP AS AT 31 DECEMBER 2016</th>
<th>ON DEMAND RM’000</th>
<th>UP TO 1 MONTH RM’000</th>
<th>&gt;1 TO 3 MONTHS RM’000</th>
<th>&gt;3 TO 6 MONTHS RM’000</th>
<th>&gt;6 TO 12 MONTHS RM’000</th>
<th>OVER 1 YEAR RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds and deposits with financial institutions</td>
<td>932,674</td>
<td>3,030,743</td>
<td>100,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,063,417</td>
</tr>
<tr>
<td>Securities portfolio</td>
<td>–</td>
<td>45,896</td>
<td>434,461</td>
<td>545,248</td>
<td>930,266</td>
<td>8,633,953</td>
<td>10,589,824</td>
</tr>
<tr>
<td>Derivatives financial assets</td>
<td>–</td>
<td>2,210</td>
<td>36,151</td>
<td>55,080</td>
<td>25,401</td>
<td>5,730</td>
<td>124,572</td>
</tr>
<tr>
<td>Financing and advances</td>
<td>–</td>
<td>1,879,099</td>
<td>1,628,096</td>
<td>363,191</td>
<td>342,024</td>
<td>34,976,864</td>
<td>39,189,274</td>
</tr>
<tr>
<td>Other assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,709,610</td>
<td>1,709,610</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>932,674</td>
<td>4,957,948</td>
<td>2,198,708</td>
<td>963,519</td>
<td>1,297,691</td>
<td>45,326,157</td>
<td>55,676,697</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>14,240,104</td>
<td>16,904,998</td>
<td>9,948,300</td>
<td>2,890,179</td>
<td>1,546,761</td>
<td>410,072</td>
<td>45,940,414</td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>1,516,844</td>
<td>923,998</td>
<td>1,177,432</td>
<td>192,268</td>
<td>1,719</td>
<td>–</td>
<td>3,812,261</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>–</td>
<td>30,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>30,000</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>2,448</td>
<td>16,618</td>
<td>66,606</td>
<td>23,334</td>
<td>2,083</td>
<td>111,089</td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,393</td>
<td>700,000</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>693,074</td>
<td>693,074</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>15,756,948</td>
<td>17,861,444</td>
<td>11,142,350</td>
<td>3,149,053</td>
<td>1,805,229</td>
<td>15,365,145</td>
<td>51,291,231</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity holders of the Bank</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,385,466</td>
</tr>
<tr>
<td><strong>Net liquidity gap on statement of financial position</strong></td>
<td>(14,824,274)</td>
<td>(12,903,496)</td>
<td>(8,943,642)</td>
<td>(2,185,534)</td>
<td>(278,516)</td>
<td>39,135,462</td>
<td>–</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td>3,614</td>
<td>2,075,726</td>
<td>2,969,757</td>
<td>2,415,705</td>
<td>1,870,769</td>
<td>4,368,988</td>
<td>13,704,559</td>
</tr>
<tr>
<td><strong>Net liquidity gap</strong></td>
<td>(14,827,888)</td>
<td>(14,979,222)</td>
<td>(11,913,399)</td>
<td>(4,601,239)</td>
<td>(2,149,285)</td>
<td>34,766,474</td>
<td>(13,704,559)</td>
</tr>
</tbody>
</table>

Financial Statement
INTEGRATED ANNUAL REPORT 2017
39.  FINANCIAL RISK MANAGEMENT  

(d)  Liquidity risk  

Maturity analysis  

<table>
<thead>
<tr>
<th>BANK AS AT 31 DECEMBER 2017</th>
<th>ON DEMAND RM’000</th>
<th>1 MONTH RM’000</th>
<th>&gt;1 TO 3 MONTHS RM’000</th>
<th>&gt;3 TO 6 MONTHS RM’000</th>
<th>&gt;6 TO 12 MONTHS RM’000</th>
<th>OVER 1 YEAR RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term</td>
<td>921,641</td>
<td>3,263,920</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,185,561</td>
</tr>
<tr>
<td>funds and deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and placements with</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities portfolio</td>
<td>–</td>
<td>210,417</td>
<td>147,227</td>
<td>351,798</td>
<td>381,008</td>
<td>8,538,354</td>
<td>9,628,804</td>
</tr>
<tr>
<td>Derivatives financial</td>
<td>–</td>
<td>1,658</td>
<td>31,572</td>
<td>15,940</td>
<td>14,657</td>
<td>4,492</td>
<td>68,319</td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing and advances</td>
<td>–</td>
<td>1,275,604</td>
<td>2,132,544</td>
<td>430,257</td>
<td>453,015</td>
<td>37,822,000</td>
<td>42,113,420</td>
</tr>
<tr>
<td>Other assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,754,136</td>
<td>1,754,136</td>
</tr>
<tr>
<td>Total assets</td>
<td>921,641</td>
<td>4,751,599</td>
<td>2,311,343</td>
<td>797,995</td>
<td>848,680</td>
<td>48,118,982</td>
<td>57,750,240</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>15,584,437</td>
<td>8,166,979</td>
<td>13,370,765</td>
<td>5,377,859</td>
<td>1,994,311</td>
<td>1,714,677</td>
<td>46,209,028</td>
</tr>
<tr>
<td>Investment accounts of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>customers</td>
<td>1,994,491</td>
<td>711,299</td>
<td>1,171,831</td>
<td>379,555</td>
<td>3,009</td>
<td>–</td>
<td>4,260,185</td>
</tr>
<tr>
<td>Deposits and placements</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>of banks and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial</td>
<td>–</td>
<td>3,958</td>
<td>29,334</td>
<td>27,218</td>
<td>12,257</td>
<td>1,901</td>
<td>74,668</td>
</tr>
<tr>
<td>liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,486</td>
<td>1,000,000</td>
<td>1,006,486</td>
</tr>
<tr>
<td>Murabahah</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>–</td>
<td>130,846</td>
<td>35,636</td>
<td>–</td>
<td>–</td>
<td>1,073,885</td>
<td>1,240,367</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>17,578,928</td>
<td>9,013,082</td>
<td>14,607,566</td>
<td>5,784,632</td>
<td>2,016,063</td>
<td>3,790,463</td>
<td>52,790,734</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,959,506</td>
<td>4,959,506</td>
</tr>
<tr>
<td>equity holders of the Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net liquidity gap on</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitments and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>contingencies</td>
<td>–</td>
<td>3,187,616</td>
<td>1,941,359</td>
<td>1,526,040</td>
<td>3,270,632</td>
<td>3,842,515</td>
<td>13,768,162</td>
</tr>
</tbody>
</table>
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(d) **Liquidity risk** (cont’d)

**Maturity analysis** (cont’d)

<table>
<thead>
<tr>
<th>BANK AS AT 31 DECEMBER 2016</th>
<th>ON DEMAND RM’000</th>
<th>1 UP TO 1 MONTH RM’000</th>
<th>&gt;1 TO 3 MONTHS RM’000</th>
<th>&gt;3 TO 6 MONTHS RM’000</th>
<th>&gt;6 TO 12 MONTHS RM’000</th>
<th>OVER 1 YEAR RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds and deposits with financial institutions</td>
<td>932,525</td>
<td>3,030,743</td>
<td>100,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,063,268</td>
</tr>
<tr>
<td>Securities portfolio</td>
<td>–</td>
<td>41,268</td>
<td>434,461</td>
<td>545,248</td>
<td>930,266</td>
<td>8,633,953</td>
<td>10,585,196</td>
</tr>
<tr>
<td>Derivatives financial assets</td>
<td>–</td>
<td>2,210</td>
<td>36,151</td>
<td>55,080</td>
<td>25,401</td>
<td>5,730</td>
<td>124,572</td>
</tr>
<tr>
<td>Financing and advances</td>
<td>–</td>
<td>1,879,099</td>
<td>1,628,096</td>
<td>363,191</td>
<td>342,024</td>
<td>34,976,864</td>
<td>39,189,274</td>
</tr>
<tr>
<td>Other assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,720,991</td>
<td>1,720,991</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>932,525</td>
<td>4,953,320</td>
<td>2,198,708</td>
<td>963,519</td>
<td>1,297,691</td>
<td>45,337,538</td>
<td>55,683,301</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>14,242,733</td>
<td>16,907,009</td>
<td>9,951,240</td>
<td>2,891,900</td>
<td>1,546,761</td>
<td>410,072</td>
<td>45,949,715</td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>1,516,844</td>
<td>923,998</td>
<td>1,177,432</td>
<td>192,268</td>
<td>1,719</td>
<td>–</td>
<td>3,812,261</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>–</td>
<td>30,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>30,000</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>2,448</td>
<td>16,618</td>
<td>66,606</td>
<td>23,334</td>
<td>2,083</td>
<td>111,089</td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,393</td>
<td>700,000</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>689,888</td>
<td>689,888</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>15,759,577</td>
<td>17,863,455</td>
<td>11,145,290</td>
<td>3,150,774</td>
<td>1,802,043</td>
<td>51,297,346</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity holders of the Bank</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,385,955</td>
<td>4,385,955</td>
</tr>
<tr>
<td>Net liquidity gap on statement of financial position</td>
<td>(14,827,052)</td>
<td>(12,910,135)</td>
<td>(8,946,582)</td>
<td>(2,187,255)</td>
<td>(278,516)</td>
<td>39,149,540</td>
<td>–</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td>3,614</td>
<td>2,075,726</td>
<td>2,969,757</td>
<td>2,415,705</td>
<td>1,870,769</td>
<td>4,368,988</td>
<td>13,704,559</td>
</tr>
<tr>
<td><strong>Net liquidity gap</strong></td>
<td>(14,830,666)</td>
<td>(14,985,861)</td>
<td>(11,916,339)</td>
<td>(4,602,960)</td>
<td>(2,149,285)</td>
<td>34,780,552</td>
<td>(13,704,559)</td>
</tr>
</tbody>
</table>
39. **FINANCIAL RISK MANAGEMENT** (cont’d)

(d) **Liquidity risk** (cont’d)

**Contractual maturity of financial liabilities on an undiscounted basis**

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

<table>
<thead>
<tr>
<th>BANK AS AT 31 DECEMBER 2017</th>
<th>UP TO 1 MONTH RM’000</th>
<th>&gt;1 TO 3 MONTHS RM’000</th>
<th>&gt;3 TO 6 MONTHS RM’000</th>
<th>&gt;6 TO 12 MONTHS RM’000</th>
<th>OVER 1 YEAR RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposit from customer</td>
<td>23,584,211</td>
<td>13,441,816</td>
<td>5,408,437</td>
<td>1,919,920</td>
<td>1,924,218</td>
<td>46,278,602</td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>2,805,598</td>
<td>1,172,136</td>
<td>360,269</td>
<td>24,049</td>
<td>523</td>
<td>4,362,575</td>
</tr>
<tr>
<td>Deposit from placements of banks and other financial institutions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Derivatives financial liabilities</td>
<td>5,347</td>
<td>29,846</td>
<td>27,218</td>
<td>12,257</td>
<td>–</td>
<td>74,668</td>
</tr>
<tr>
<td>Forward contract</td>
<td>3,958</td>
<td>29,334</td>
<td>27,218</td>
<td>12,257</td>
<td>–</td>
<td>72,767</td>
</tr>
<tr>
<td>Islamic Profit Rate Swap</td>
<td>1,389</td>
<td>512</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,901</td>
</tr>
<tr>
<td>Bills and acceptance payable</td>
<td>420,258</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>420,258</td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>–</td>
<td>10,970</td>
<td>28,353</td>
<td>96,196</td>
<td>1,005,519</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>817,113</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>817,113</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27,632,527</td>
<td>14,643,798</td>
<td>5,806,894</td>
<td>1,984,579</td>
<td>2,890,937</td>
<td>52,958,735</td>
</tr>
</tbody>
</table>

| **Commitment and Contingencies** |           |                       |                       |                        |                  |              |
| Direct credit substitutes    | 32,823     | 66,569                | 27,583                | 96,056                 | 214,424          | 437,455      |
| Transaction related contingent items | 105,664   | 111,197               | 102,293               | 271,506                | 476,445          | 1,067,105    |
| Short term self liquidating trade related contingencies | 210,585 | 57,984                | 21,956                | 27,528                 | 42,684           | 360,737      |
| **Total**                   | 349,072    | 235,750               | 151,832               | 395,090                | 733,553          | 1,865,297    |

There is no disclosure for Group as the Group’s figures are not materially different from the Bank’s figures.
### 39. FINANCIAL RISK MANAGEMENT (cont’d)

**(d) Liquidity risk (cont’d)**

**Contractual maturity of financial liabilities on an undiscounted basis (cont’d)**

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

<table>
<thead>
<tr>
<th>BANK AS AT 31 DECEMBER 2016</th>
<th>UP TO 1 MONTH RM’000</th>
<th>&gt;1 TO 3 MONTHS RM’000</th>
<th>&gt;3 TO 6 MONTHS RM’000</th>
<th>&gt;6 TO 12 MONTHS RM’000</th>
<th>OVER 1 YEAR RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>31,213,148</td>
<td>10,035,417</td>
<td>2,934,954</td>
<td>1,577,290</td>
<td>475,389</td>
<td>46,236,198</td>
</tr>
<tr>
<td>Investment accounts of customers</td>
<td>2,243,331</td>
<td>1,442,873</td>
<td>190,963</td>
<td>1,710</td>
<td>–</td>
<td>3,878,877</td>
</tr>
<tr>
<td>Deposit from placements of banks and other financial institutions</td>
<td>30,005</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>30,005</td>
</tr>
<tr>
<td>Derivatives financial liabilities</td>
<td>5,528</td>
<td>17,158</td>
<td>65,069</td>
<td>23,334</td>
<td>–</td>
<td>111,089</td>
</tr>
<tr>
<td>Forward contract</td>
<td>2,448</td>
<td>16,618</td>
<td>65,069</td>
<td>23,334</td>
<td>–</td>
<td>107,469</td>
</tr>
<tr>
<td>Islamic Profit Rate Swap</td>
<td>3,080</td>
<td>540</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,620</td>
</tr>
<tr>
<td>Bills and acceptance payable</td>
<td>46,278</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>46,278</td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>–</td>
<td>–</td>
<td>19,571</td>
<td>19,632</td>
<td>1,005,519</td>
<td>1,044,722</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>643,610</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>643,610</td>
</tr>
<tr>
<td></td>
<td>34,181,900</td>
<td>11,495,448</td>
<td>3,210,557</td>
<td>1,621,966</td>
<td>1,480,908</td>
<td>51,990,779</td>
</tr>
</tbody>
</table>

| **Commitment and Contingencies** | | | | | | |
| Direct credit substitutes    | 26,791               | 61,781                 | 22,339                 | 82,479                  | 94,571            | 287,961      |
| Transaction related contingent items | 116,380            | 57,291                 | 61,654                 | 225,820                 | 491,042           | 952,187      |
| Short term self liquidating trade related contingencies | 190,681            | 83,402                 | 16,076                 | 10,330                  | 11,763            | 312,252      |
|                            | 333,852              | 202,474                | 100,069                | 318,629                 | 597,376           | 1,552,400    |

There is no disclosure for Group as the Group’s figures are not materially different from the Bank’s figures.
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017
(cont’d)

39. FINANCIAL RISK MANAGEMENT (cont’d)

(e) Operational Risk

Overview

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

Management of operational risk

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

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

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

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

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

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

ISG is responsible in managing IT risk by establishing, maintaining and enforcing IT risk policies/guidelines and it works closely with Information Technology Division in identifying, assessing, mitigating and monitoring of IT risk in the Bank.

• 3rd line of defence – Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.
40. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

**Deposits and placements with banks and other financial institutions**

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

**Financial assets held-for-trading, available-for-sale and held-to-maturity**

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

**Financing, advances and others**

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

**Deposits from customers and investment accounts of customers**

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

**Deposits and placements of banks and other financial institutions**

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

**Bills and acceptance payable**

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.
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 and debt instruments.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rates swap and structured debt. 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.

<table>
<thead>
<tr>
<th>GROUP 31 DECEMBER 2017 RM'000</th>
<th>FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE</th>
<th>FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3</th>
<th>TOTAL FAIR VALUE</th>
<th>CARRYING AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-for-trading</td>
<td>– 380,925</td>
<td>– 380,925</td>
<td>– 380,925</td>
<td>380,925</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>available-for-sale</td>
<td>17,612</td>
<td>9,229,771</td>
<td>– 9,247,383</td>
<td>9,252,683</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-to-maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financing, advances</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>and others</td>
<td>–</td>
<td>–</td>
<td>42,299,796</td>
<td>42,113,420</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>– 74,668</td>
<td>– 74,668</td>
<td>– 74,668</td>
<td>74,668</td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
<td>1,050,750</td>
<td>1,006,486</td>
</tr>
</tbody>
</table>
40. **FAIR VALUE OF FINANCIAL INSTRUMENTS** (cont’d)

**Fair value hierarchy** (cont’d)

<table>
<thead>
<tr>
<th>GROUP 31 DECEMBER 2016</th>
<th>FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE LEVEL 1</th>
<th>LEVEL 2</th>
<th>LEVEL 3</th>
<th>TOTAL</th>
<th>FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3</th>
<th>TOTAL FAIR VALUE</th>
<th>CARRYING AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-for-trading</td>
<td>–</td>
<td>574,835</td>
<td>–</td>
<td>574,835</td>
<td>–</td>
<td>574,835</td>
<td>574,835</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>124,572</td>
<td>–</td>
<td>124,572</td>
<td>–</td>
<td>124,572</td>
<td>124,572</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>available-for-sale</td>
<td>21,124</td>
<td>9,930,862</td>
<td>–</td>
<td>9,951,986</td>
<td>5,300</td>
<td>9,957,286</td>
<td>9,957,286</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-to-maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>57,703</td>
<td>57,703</td>
<td>57,703</td>
</tr>
<tr>
<td>Financing, advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>39,233,082</td>
<td>39,233,082</td>
<td>39,189,274</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murabahah</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>740,110</td>
<td>740,110</td>
<td>704,393</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BANK 31 DECEMBER 2017</th>
<th>FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE LEVEL 1</th>
<th>LEVEL 2</th>
<th>LEVEL 3</th>
<th>TOTAL</th>
<th>FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3</th>
<th>TOTAL FAIR VALUE</th>
<th>CARRYING AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-for-trading</td>
<td>–</td>
<td>375,664</td>
<td>–</td>
<td>375,664</td>
<td>–</td>
<td>375,664</td>
<td>375,664</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>available-for-sale</td>
<td>17,612</td>
<td>9,230,228</td>
<td>–</td>
<td>9,247,840</td>
<td>5,300</td>
<td>9,253,140</td>
<td>9,253,140</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-to-maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financing, advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>42,299,796</td>
<td>42,299,796</td>
<td>42,113,420</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>–</td>
<td>74,668</td>
<td>–</td>
<td>74,668</td>
<td>–</td>
<td>74,668</td>
<td>74,668</td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murabahah</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,050,750</td>
<td>1,050,750</td>
<td>1,006,486</td>
</tr>
</tbody>
</table>
40. **FAIR VALUE OF FINANCIAL INSTRUMENTS**  

    (cont’d)

    **Fair value hierarchy**  (cont’d)

<table>
<thead>
<tr>
<th>BANK 31 DECEMBER 2016 RM’000</th>
<th>FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE</th>
<th>FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE</th>
<th>TOTAL FAIR VALUE</th>
<th>CARRYING AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LEVEL 1</td>
<td>LEVEL 2</td>
<td>LEVEL 3</td>
<td>TOTALLEVEL 3</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-for-trading</td>
<td>–</td>
<td>569,750</td>
<td>–</td>
<td>569,750</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>–</td>
<td>124,572</td>
<td>–</td>
<td>124,572</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>available-for-sale</td>
<td>21,124</td>
<td>9,931,319</td>
<td>–</td>
<td>9,952,443</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>held-to-maturity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financing, advances</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>and others</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Murabahah</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

**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**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>VALUATION TECHNIQUE</th>
<th>SIGNIFICANT UNOBSERVABLE INPUTS</th>
<th>INTER-RELATIONSHIP BETWEEN SIGNIFICANT UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>available-for-sale</td>
<td>Valued at cost less</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>
40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont’d)

Unobservable inputs used in measuring fair value (cont’d)

(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.

(iii) Subordinated Sukuk Murabahah

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

41. LEASE COMMITMENTS

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Within one year</td>
<td>47,177</td>
<td>47,378</td>
<td>46,775</td>
<td>46,916</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>119,198</td>
<td>123,950</td>
<td>118,678</td>
<td>123,851</td>
</tr>
<tr>
<td>More than five years</td>
<td>245,014</td>
<td>264,744</td>
<td>245,014</td>
<td>264,744</td>
</tr>
<tr>
<td></td>
<td><strong>411,389</strong></td>
<td><strong>436,072</strong></td>
<td><strong>410,467</strong></td>
<td><strong>435,511</strong></td>
</tr>
</tbody>
</table>

Included in the above are lease rentals with the ultimate holding entity amounting to RM384,811,000 (2016: RM404,184,000).

42. CAPITAL COMMITMENTS

<table>
<thead>
<tr>
<th></th>
<th>GROUP AND BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment</td>
<td></td>
</tr>
<tr>
<td>Contracted but not provided for in the financial statements</td>
<td><strong>88,459</strong></td>
</tr>
</tbody>
</table>
43. COMMITMENTS AND CONTINGENCIES

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

### 31 December 2017

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

Total: 9,941,346 | 4,092,988 | 3,184,392

<table>
<thead>
<tr>
<th>Derivative Financial Instruments</th>
<th>Principal</th>
<th>Fair Value</th>
<th>Credit</th>
<th>Risk Weighted Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange related contracts</td>
<td><strong>Principal</strong></td>
<td><strong>Fair Value</strong></td>
<td><strong>Credit</strong></td>
<td><strong>Asset</strong></td>
</tr>
<tr>
<td>- less than one year</td>
<td>3,218,824</td>
<td>63,827</td>
<td>112,875</td>
<td>41,796</td>
</tr>
<tr>
<td>Profit rate related contracts</td>
<td><strong>Principal</strong></td>
<td><strong>Fair Value</strong></td>
<td><strong>Credit</strong></td>
<td><strong>Asset</strong></td>
</tr>
<tr>
<td>- less than one year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>- one year to less than five years</td>
<td>400,000</td>
<td>2,132</td>
<td>4,921</td>
<td>984</td>
</tr>
<tr>
<td>- five years and above</td>
<td>207,992</td>
<td>2,360</td>
<td>14,351</td>
<td>8,895</td>
</tr>
</tbody>
</table>

Total: 3,826,816 | 68,319 | 132,147 | 51,675

**Total:** 13,768,162 | 68,319 | 4,225,135 | 3,236,067
43. COMMITMENTS AND CONTINGENCIES (cont’d)

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follow: (cont’d)

31 December 2016

<table>
<thead>
<tr>
<th>Nature of item</th>
<th>Principal Amount RM’000</th>
<th>Credit Equivalent Amount RM’000</th>
<th>Risk Weighted Asset RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit related exposures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct credit substitutes</td>
<td>294,460</td>
<td>294,460</td>
<td>293,848</td>
</tr>
<tr>
<td>Transaction related contingent items</td>
<td>952,188</td>
<td>476,094</td>
<td>443,165</td>
</tr>
<tr>
<td>Short term self-liquidating trade related</td>
<td>341,524</td>
<td>68,305</td>
<td>67,309</td>
</tr>
<tr>
<td>contigencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other commitments, such as formal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>standby facilities and credit lines, with an original</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>maturity of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- not exceeding one year</td>
<td>591,031</td>
<td>118,206</td>
<td>88,979</td>
</tr>
<tr>
<td>- exceeding one year</td>
<td>1,792,008</td>
<td>896,004</td>
<td>715,873</td>
</tr>
<tr>
<td>Unutilised credit card lines</td>
<td>1,140,141</td>
<td>228,028</td>
<td>171,563</td>
</tr>
<tr>
<td>Any commitments that are unconditionally cancelled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at any time by the bank without prior notice or that</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>effectively provide for automatic cancellation due</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to deterioration in a borrower’s creditworthiness</td>
<td>4,639,610</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,750,962</td>
<td>2,081,097</td>
<td>1,780,737</td>
</tr>
</tbody>
</table>

**Derivative Financial Instruments**

<table>
<thead>
<tr>
<th></th>
<th>Principal Amount RM’000</th>
<th>Positive Fair Value of Derivative Contracts RM’000</th>
<th>Credit Equivalent Amount RM’000</th>
<th>Risk Weighted Asset RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange related contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than one year</td>
<td>3,117,570</td>
<td>117,445</td>
<td>163,823</td>
<td>79,734</td>
</tr>
<tr>
<td>Profit rate related contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than one year</td>
<td>200,000</td>
<td>1,397</td>
<td>200</td>
<td>40</td>
</tr>
<tr>
<td>- one year to less than five years</td>
<td>400,000</td>
<td>2,729</td>
<td>9,497</td>
<td>1,899</td>
</tr>
<tr>
<td>- five years and above</td>
<td>236,027</td>
<td>3,001</td>
<td>18,971</td>
<td>11,606</td>
</tr>
<tr>
<td></td>
<td>3,953,597</td>
<td>124,572</td>
<td>192,491</td>
<td>93,279</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,704,559</td>
<td>124,572</td>
<td>2,273,588</td>
<td>1,874,016</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2017
(cont’d)

44. CAPITAL ADEQUACY

Total capital and capital adequacy ratios of the Bank have been computed based on Bank Negara Malaysia (“BNM”)’s Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 4 August 2017 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 2 March 2017. The Bank is required to meet minimum Common Equity Tier I (“CET I”), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively in 2017. To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer (“CCB”) of 2.5% above the minimum capital adequacy was introduced by BNM. The CCB is maintained in the form of CET I capital at 1.25% on 1 January 2017 and progressively increases by 0.625% each year to reach 2.5% on 1 January 2019.

As a result, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 5.750%, 7.250% and 9.250% respectively for year 2017 (2016: 5.125%, 6.625% and 8.625%). 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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Equity Tier I (“CET I”) Capital Ratio</td>
<td>12.729%</td>
<td>12.397%</td>
<td>12.701%</td>
<td>12.362%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>16.435%</td>
<td>15.518%</td>
<td>16.411%</td>
<td>15.484%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid-up share capital</td>
<td>2,869,498</td>
<td>2,404,384</td>
<td>2,869,498</td>
<td>2,404,384</td>
</tr>
<tr>
<td>Share premium</td>
<td>–</td>
<td>264,790</td>
<td>–</td>
<td>264,790</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>2,150,402</td>
<td>523,247</td>
<td>2,150,345</td>
<td>523,959</td>
</tr>
<tr>
<td>Other reserves*</td>
<td>(124,841)</td>
<td>1,193,045</td>
<td>(124,982)</td>
<td>1,192,822</td>
</tr>
<tr>
<td>Less: Deferred tax assets</td>
<td>(37,288)</td>
<td>(48,378)</td>
<td>(37,288)</td>
<td>(48,378)</td>
</tr>
<tr>
<td>Less: Investment in subsidiaries</td>
<td>–</td>
<td>(15,525)</td>
<td>(15,525)</td>
<td></td>
</tr>
<tr>
<td><strong>Total CET I and Tier I Capital</strong></td>
<td><strong>4,857,771</strong></td>
<td><strong>4,337,088</strong></td>
<td><strong>4,842,048</strong></td>
<td><strong>4,322,052</strong></td>
</tr>
<tr>
<td>Sukuk Murabahah</td>
<td>1,000,000</td>
<td>700,000</td>
<td>1,000,000</td>
<td>700,000</td>
</tr>
<tr>
<td>Collective assessment allowance and regulatory reserve^</td>
<td>414,193</td>
<td>391,782</td>
<td>414,193</td>
<td>391,727</td>
</tr>
<tr>
<td><strong>Total Tier II Capital</strong></td>
<td><strong>1,414,193</strong></td>
<td><strong>1,091,782</strong></td>
<td><strong>1,414,193</strong></td>
<td><strong>1,091,727</strong></td>
</tr>
<tr>
<td><strong>Total Capital</strong></td>
<td><strong>6,271,964</strong></td>
<td><strong>5,428,870</strong></td>
<td><strong>6,256,241</strong></td>
<td><strong>5,413,779</strong></td>
</tr>
</tbody>
</table>

* Other reserves exclude regulatory reserve amounting to RM64,645,000 (2016: RMNil).
^ Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets less credit absorbed by unrestricted investment accounts.
44. **CAPITAL ADEQUACY** (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>GROUP</th>
<th></th>
<th>GROUP</th>
<th></th>
<th>BANK</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit risk</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>37,442,256</td>
<td>33,908,778</td>
<td>37,437,855</td>
<td>33,904,311</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Credit risk absorbed by unrestricted investment accounts</td>
<td>(3,034,004)</td>
<td>(2,566,180)</td>
<td>(3,034,004)</td>
<td>(2,566,180)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>34,408,252</td>
<td>31,342,598</td>
<td>34,403,851</td>
<td>31,338,131</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market risk</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>602,089</td>
<td>609,931</td>
<td>586,043</td>
<td>609,931</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational risk</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,152,951</td>
<td>3,031,801</td>
<td>3,132,745</td>
<td>3,014,802</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>38,163,292</td>
<td>34,984,330</td>
<td>38,122,639</td>
<td>34,962,864</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

45. **RELATED PARTY TRANSACTIONS**

**Identity of related parties**

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

The Group has a related party relationship with its subsidiaries (see Note 13), holding company and substantial shareholders of the holding company.

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

<table>
<thead>
<tr>
<th></th>
<th>GROUP</th>
<th></th>
<th>BANK</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Ultimate holding entity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wakalah performance incentive fee</td>
<td>2,595</td>
<td>5,328</td>
<td>2,595</td>
<td>5,328</td>
</tr>
<tr>
<td>Office rental</td>
<td>78</td>
<td>73</td>
<td>78</td>
<td>73</td>
</tr>
<tr>
<td>Fees and commission</td>
<td>156</td>
<td>1</td>
<td>156</td>
<td>1</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income attributable to depositors</td>
<td>21,170</td>
<td>27,196</td>
<td>21,170</td>
<td>27,196</td>
</tr>
<tr>
<td>Finance cost on Subordinated Sukuk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murabahah</td>
<td>5,750</td>
<td>5,782</td>
<td>5,750</td>
<td>5,782</td>
</tr>
<tr>
<td>Office rental</td>
<td>23,947</td>
<td>22,942</td>
<td>23,947</td>
<td>22,942</td>
</tr>
<tr>
<td>Other rental</td>
<td>415</td>
<td>412</td>
<td>415</td>
<td>412</td>
</tr>
<tr>
<td>Holding company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office rental</td>
<td>1,009</td>
<td>986</td>
<td>1,009</td>
<td>986</td>
</tr>
<tr>
<td>Others</td>
<td>200</td>
<td>82</td>
<td>200</td>
<td>82</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income attributable to depositors</td>
<td>7</td>
<td>3</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Income attributable to investment account holders</td>
<td>8,294</td>
<td>10,382</td>
<td>8,294</td>
<td>10,382</td>
</tr>
</tbody>
</table>
### 45. RELATED PARTY TRANSACTIONS (cont’d)

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

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>GROUP TRANSACTIONS AMOUNT FOR</th>
<th>BANK TRANSACTIONS AMOUNT FOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees and commission</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Office rental</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees and commission</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Income attributable to depositors</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Other related companies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from financing, advances and others</td>
<td>101</td>
<td>547</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>204</td>
<td>49</td>
</tr>
<tr>
<td>Bancatakalfee service fee</td>
<td>24,592</td>
<td>29,059</td>
</tr>
<tr>
<td>Others</td>
<td>81</td>
<td>61</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income attributable to depositors</td>
<td>13,787</td>
<td>11,243</td>
</tr>
<tr>
<td>Income attributable to investment account holders</td>
<td>1,559</td>
<td>1,230</td>
</tr>
<tr>
<td>Finance cost on Subordinated Sukuk Murabahah</td>
<td>2,750</td>
<td>2,765</td>
</tr>
<tr>
<td>Office rental</td>
<td>3,272</td>
<td>3,119</td>
</tr>
<tr>
<td>Other rental</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Takaful fee</td>
<td>6,093</td>
<td>6,243</td>
</tr>
<tr>
<td><strong>Co-operative society in which the employees have interest</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from financing, advances and others</td>
<td>2,379</td>
<td>2,389</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income attributable to depositors</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Other rental</td>
<td>463</td>
<td>2,130</td>
</tr>
<tr>
<td>Others</td>
<td>193</td>
<td>173</td>
</tr>
</tbody>
</table>
45. RELATED PARTY TRANSACTIONS (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ultimate holding entity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount due from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Amount due to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>1,505,971</td>
<td>1,505,971</td>
</tr>
<tr>
<td>Income payable to depositors</td>
<td>873</td>
<td>873</td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murabahah</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Finance cost payable on Subordinated Sukuk Murabahah</td>
<td>1,118</td>
<td>1,118</td>
</tr>
<tr>
<td>Commitment and contingencies</td>
<td>2,380</td>
<td>2,380</td>
</tr>
<tr>
<td>Other payables</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td><strong>Holding company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount due from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>161</td>
<td>161</td>
</tr>
<tr>
<td>Amount due to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>414</td>
<td>414</td>
</tr>
<tr>
<td>Investment account of customers</td>
<td>240,656</td>
<td>240,656</td>
</tr>
<tr>
<td>Income payable to investment account holders</td>
<td>1,160</td>
<td>1,160</td>
</tr>
<tr>
<td>Other payables</td>
<td>219</td>
<td>219</td>
</tr>
<tr>
<td><strong>Subsidiaries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount due from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable non-cumulative preference shares</td>
<td>–</td>
<td>2,011</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>843</td>
</tr>
<tr>
<td>Amount due to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>–</td>
<td>12,247</td>
</tr>
<tr>
<td>Income payable to depositors</td>
<td>–</td>
<td>47</td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>10</td>
</tr>
</tbody>
</table>
45. RELATED PARTY TRANSACTIONS (cont’d)

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

<table>
<thead>
<tr>
<th>Other related companies</th>
<th>GROUP NET BALANCE</th>
<th>BANK NET BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount due from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>782</td>
<td>3,590</td>
</tr>
<tr>
<td>Other receivables</td>
<td>76</td>
<td>–</td>
</tr>
<tr>
<td>Amount due to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>552,419</td>
<td>709,037</td>
</tr>
<tr>
<td>Investment account of customers</td>
<td>50,185</td>
<td>33,655</td>
</tr>
<tr>
<td>Income payable to depositors</td>
<td>1,722</td>
<td>2,381</td>
</tr>
<tr>
<td>Income payable to investment account holders</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td>Subordinated Sukuk Murabahah</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Finance cost payable on Subordinated Sukuk Murabahah</td>
<td>136</td>
<td>136</td>
</tr>
<tr>
<td>Commitment and contingencies</td>
<td>8,152</td>
<td>6,772</td>
</tr>
<tr>
<td>Co-operative society in which the employees have interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount due from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing, advances and others</td>
<td>39,351</td>
<td>38,357</td>
</tr>
<tr>
<td>Amount due to Deposits from customers</td>
<td>87</td>
<td>2,138</td>
</tr>
</tbody>
</table>

46. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding credit exposures with connected parties</td>
<td>1,228,469</td>
<td>2,235,730</td>
</tr>
<tr>
<td>Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures</td>
<td>2.88%</td>
<td>5.61%</td>
</tr>
<tr>
<td>Percentage of outstanding credit exposures with connected parties which is non-performing or in default</td>
<td>0.001%</td>
<td>0.001%</td>
</tr>
</tbody>
</table>

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

47. SUBSEQUENT EVENT

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


The Group has adopted the Standardised Approach in determining the capital requirements for credit and market risk and has applied the Basic Indicator Approach for operational risk for the Pillar 1 since January 2008. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit and market risk whilst the capital required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the Group’s average gross income for a fixed number of quarterly periods.

As required under Pillar 2, the Group has also developed an Internal Capital Adequacy Assessment Process (“ICAAP”) framework which closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support the Group’s current and projected demand for capital under expected and stressed conditions. The ICAAP was adopted in 2012 and has been fully implemented in year 2013. The ICAAP is updated and approved on an annual basis by the Management Committee, Board Risk Committee and Board.

In compliance with the Pillar 3 Disclosure Policy, the Pillar 3 Disclosure for the Group is being regularly prepared for two periods: 30 June and 31 December. The Group’s Pillar 3 Disclosure will be made available under the Corporate Info section of the Bank’s website at www.bankislam.com.my, attached to its annual and the half-yearly financial reports after the notes to the financial statements.

The Group’s main activity is Islamic banking business which focuses on retail banking and financing operations. The following tables show the minimum regulatory capital requirement to support the Group’s and the Bank’s risk weighted assets.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RISK WEIGHTED ASSETS RM’000</td>
<td>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</td>
</tr>
<tr>
<td>Credit Risk</td>
<td>37,442,256</td>
<td>2,995,380</td>
</tr>
<tr>
<td>Less: Credit Risk absorbed by Investment Account</td>
<td>(3,034,004)</td>
<td>(242,720)</td>
</tr>
<tr>
<td>Market Risk</td>
<td>602,089</td>
<td>48,167</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>3,152,951</td>
<td>252,236</td>
</tr>
<tr>
<td>Total</td>
<td>38,163,292</td>
<td>3,053,063</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RISK WEIGHTED ASSETS RM’000</td>
<td>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</td>
</tr>
<tr>
<td>Credit Risk</td>
<td>37,437,855</td>
<td>2,995,028</td>
</tr>
<tr>
<td>Less: Credit Risk absorbed by Investment Account</td>
<td>(3,034,004)</td>
<td>(242,720)</td>
</tr>
<tr>
<td>Market Risk</td>
<td>586,043</td>
<td>46,883</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>3,132,745</td>
<td>250,620</td>
</tr>
<tr>
<td>Total</td>
<td>38,122,639</td>
<td>3,049,811</td>
</tr>
</tbody>
</table>

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM’s CAFIB.
PILLAR 3 DISCLOSURE
as at 31 December 2017
(cont’d)

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

2. CAPITAL ADEQUACY

2.1 Capital Management

The Group’s primary objective when managing capital is to maintain a strong capital position to support business growth and to maintain investor, depositor, customer and market confidence. In line with this, the Group manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Group, are above the regulatory minimum requirement.

To ensure that the Group has sufficient capital to support all its business and risk taking activities, the Group has implemented a sound capital management process in its management systems and processes. A comprehensive capital management framework has been adopted by the Group as a key enabler for value creation which is important to the long-term survival of the Group. This comprehensive capital management process includes thorough risk assessment and risk management techniques that are embedded within the Group’s risk governance.

The assessment is based on the approved business plan, its estimation of current risks inherent in the Group and the impact of capital stress tests on the Group’s capital plan. The Group aims to achieve the following capital management objectives:

• Meeting regulatory capital requirements;
• Sustainable returns to shareholders;
• Maintaining adequate levels and an optimum mix of different sources of capital to support the underlying risks of its business;
• Ensuring adequate capital to withstand shocks and stress;
• Ensuring sufficient capital to expand its business ventures and inorganic growth; and
• Allocating an appropriate amount of capital to business units to optimise return on capital.

The Group’s capital management is guided by the Capital Management Plan, approved by the Board, to ensure management of capital is consistent and aligned with the Risk Appetite Statement and ICAAP Document Policy of the Group.

The Group’s capital management processes comprise:

• Capital Structuring – ensuring that the amount of regulatory and statutory capital available is consistent with the Group’s growth plan, risk appetite, and desired level of capital adequacy. Capital structuring focuses on selecting the appropriate, most cost-effective mix of capital instruments;
• Capital Allocation – ensuring that the capital is employed efficiently across the Group based on risk-adjusted return on capital; and
• Capital Optimisation – seeking an optimal level of capital by facilitating the optimisation of the risk profile of the balance sheet. This will be done through:
  • reshaping of the balance sheet;
  • capital planning, allocation and optimisation; and
  • a sound management of the capital buffer.
2. CAPITAL ADEQUACY (cont’d)

2.1 Capital Management (cont’d)

As such, the four fundamental components of a sound capital planning process include:

- Internal control and governance;
- Capital policy and risk capture;
- Forward-looking view; and
- Management framework for preserving capital.

The Group’s Capital Management Plan is updated annually and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three year horizon and takes into account, amongst others, the Group’s strategic objectives and business plans, regulatory capital requirements, capital benchmarking against industry, available supply of capital and capital raising options, performance of business sectors based on a Risk Adjusted Return on Capital (“RAROC”) approach as well as ICAAP and stress testing results.

The Group has fully issued its Subordinated Sukuk Murabahah Programme of RM1.0 Billion in Nominal Value (“Subordinated Sukuk Murabahah Programme”). The purpose of the Subordinated Sukuk Murabahah Programme is to enhance the capital adequacy of the Group in line with the requirements under the Basel III capital framework. The Subordinated Sukuk Murabahah qualifies as Tier 2 regulatory capital of the Group in compliance with CAFIB.

<table>
<thead>
<tr>
<th>CAPITAL INSTRUMENT</th>
<th>CAPITAL COMPONENT</th>
<th>MAIN FEATURES</th>
</tr>
</thead>
</table>
| 1) Tranche 1 : RM300 million at 5.75%  
- Issued on 22 April 2015  
- Mature on 22 April 2025 | Tier II Capital | • The tenure of the Subordinated Sukuk Murabahah Programme shall be up to thirty (30) years from the date of the first issue under the Subordinated Sukuk Murabahah Programme.  
• The tenure of each issuance of the Subordinated Sukuk Murabahah shall be not less than five (5) years and up to thirty (30) years from the issue date.  
• Each of the Subordinated Sukuk Murabahah may have a call option to allow Bank Islam, to redeem the relevant tranche of the Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after a minimum period of five (5) years from the issue date of that tranche, subject to the relevant early redemption conditions being satisfied.  
• Unsecured.  
• Subordinated Sukuk Murabahah shall be utilised to finance its Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding Subordinated Sukuk Murabahah issued under the Subordinated Sukuk Murabahah Programme. All utilisation shall be Shariah Compliant.  
• Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off.  
• No Conversion into Equity. |
2. CAPITAL ADEQUACY (cont’d)

2.2 Internal Capital Adequacy Assessment Process (“ICAAP”)

The Group has carried out the internal assessment process on capital as prescribed in BNM’s CAFIB - ICAAP (“Pillar 2”) to complement its current capital management practices. The ICAAP Framework has been formalised and approved by the Board in March 2013. The Group’s ICAAP helps to suggest the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures, its risk management practices towards its material risks and potential capital planning buffer required in the event of stress.

The Group’s ICAAP is conducted on a consolidated basis covering all the Bank’s legal entities as suggested by BNM’s Pillar 2 Guideline.

The Group’s ICAAP methodology can be summarized as follows:

- Material Risk Assessment
- Initial Capital Assessment
- Economic Capital Definition
- Capital Supply
- Capital Demand
- Capital Stress Test
- Internal Capital Target Ratio

Under ICAAP, the following risk types are identified and measured:

- Risks captured under Pillar 1 (i.e. Credit Risk, Market Risk, and Operational Risk);
- Risk not fully captured under Pillar 1 (e.g. Migration and Residual Risk);
- Risk not covered under Pillar 1 (e.g. Credit Concentration Risk, Profit Rate Risk in the Banking Book, Shariah Compliance Risk, Compliance Risk, IT Risk, Business & Strategy Risk, and Reputational Risk)

2.3 Stress Testing

Regular stress testing is performed to assess the Group’s ability to maintain adequate capital under both a normal business cycle and unfavorable economic conditions. The stress testing is embedded within the risk and capital management process of the Group, and is a key function of capital planning and business planning processes.

Stress Testing also plays an important role in:-

- Identifying the possible events or future changes in the financial and economic conditions of the country and globally that could potentially have unfavourable effects on the Group’s exposures;
- Identifying the different portfolios response to changes in key economic variables (profit rate, foreign exchange rate, GDP, etc);
- Evaluating the Group’s ability to withstand such changes, i.e. its capacity in terms of its capital and earnings, to absorb potentially significant losses;
- Analysing the Group’s ability to meet the minimum regulatory capital requirement at all times throughout a reasonably severe economic crisis.

In line with the revised Stress Testing Policy Document issued by BNM on 15 June 2017, enhancement to the Group’s current stress testing programme has been conducted accordingly. The revised Stress Testing has taken into account all risks deem material to the Group, namely credit risk, market risk, liquidity risk and operational risk including Shariah non-compliance risk, and regulatory compliance risk.
2. CAPITAL ADEQUACY (cont'd)

2.4 Capital Adequacy Ratios

The Group is required to comply with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio as prescribed by BNM. The Group has been in compliance with all prescribed capital adequacy ratios throughout the period.

Effective 1 January 2016, total capital and capital adequacy ratios of the Group have been computed based on the updated BNM’s CAFIB - Capital Components issued on 13 October 2015 and its subsequent updates. The minimum regulatory capital adequacy ratios requirement for Common Equity Tier 1 (“CET 1”) capital ratio, Tier 1 capital ratio and total capital ratio are 5.75%, 7.25% and 9.25% respectively for year 2017.

The Group’s capital adequacy ratios remained strong. The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2017 determined by the requirements of the CAFIB.

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

(a) The capital adequacy ratios of the Group and of the Bank:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Equity Tier 1 (CET 1) Capital Ratio</td>
<td>12.73%</td>
<td>12.70%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>12.73%</td>
<td>12.70%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>16.44%</td>
<td>16.41%</td>
</tr>
</tbody>
</table>

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier I Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid-up share capital</td>
<td>2,869,498</td>
<td>2,869,498</td>
</tr>
<tr>
<td>Share Premium</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>2,150,402</td>
<td>2,150,345</td>
</tr>
<tr>
<td>Other reserves</td>
<td>(124,841)</td>
<td>(124,982)</td>
</tr>
<tr>
<td>Less: Deferred tax assets</td>
<td>(37,288)</td>
<td>(37,288)</td>
</tr>
<tr>
<td>Less: 55% of fair value</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Less: Investment in subsidiaries</td>
<td>–</td>
<td>(15,525)</td>
</tr>
<tr>
<td>Total Common Equity Tier I Capital</td>
<td>4,857,771</td>
<td>4,842,048</td>
</tr>
<tr>
<td>Total Additional Tier I Capital</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total Tier I Capital</td>
<td>4,857,771</td>
<td>4,842,048</td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Collective assessment allowance ^</td>
<td>414,193</td>
<td>414,193</td>
</tr>
<tr>
<td>Total Tier II Capital</td>
<td>1,414,193</td>
<td>1,414,193</td>
</tr>
<tr>
<td>Total Capital</td>
<td>6,271,964</td>
<td>6,256,241</td>
</tr>
</tbody>
</table>

^ Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets. Includes the regulatory reserve attributable to financing for both Group and Bank of RM64.645 million (2016: NIL).
2. CAPITAL ADEQUACY (cont’d)

2.4 Capital Adequacy Ratios (cont’d)

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank: (cont’d)

<table>
<thead>
<tr>
<th></th>
<th>GROUP RM’000</th>
<th>BANK RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid-up share capital</td>
<td>2,404,384</td>
<td>2,404,384</td>
</tr>
<tr>
<td>Share Premium</td>
<td>264,790</td>
<td>264,790</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>523,247</td>
<td>523,959</td>
</tr>
<tr>
<td>Other reserves</td>
<td>1,193,045</td>
<td>1,192,822</td>
</tr>
<tr>
<td>Less: Deferred tax assets</td>
<td>(48,378)</td>
<td>(48,378)</td>
</tr>
<tr>
<td>Less: Investment in subsidiaries</td>
<td>–</td>
<td>(15,525)</td>
</tr>
<tr>
<td><strong>Total Common Equity Tier I Capital</strong></td>
<td>4,337,088</td>
<td>4,322,052</td>
</tr>
<tr>
<td><strong>Total Additional Tier I Capital</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Tier I Capital</strong></td>
<td>4,337,088</td>
<td>4,322,052</td>
</tr>
<tr>
<td>Subordinated Sukuk</td>
<td>700,000</td>
<td>700,000</td>
</tr>
<tr>
<td>Collective assessment allowance ^</td>
<td>391,782</td>
<td>391,727</td>
</tr>
<tr>
<td><strong>Total Tier II Capital</strong></td>
<td>1,091,782</td>
<td>1,091,727</td>
</tr>
<tr>
<td><strong>Total Capital</strong></td>
<td>5,428,870</td>
<td>5,413,779</td>
</tr>
</tbody>
</table>

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

(c) The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category is as follows:

(i) Group

<table>
<thead>
<tr>
<th>31 DECEMBER 2017 EXPOSURE CLASS</th>
<th>GROSS EXPOSURE RM’000</th>
<th>NET EXPOSURE RM’000</th>
<th>RISK-WEIGHTED ASSET RM’000</th>
<th>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,741,745</td>
<td>5,741,745</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>650,704</td>
<td>644,727</td>
<td>325,612</td>
<td>26,049</td>
</tr>
<tr>
<td>Banks, Developments Financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)</td>
<td>98,586</td>
<td>98,586</td>
<td>21,139</td>
<td>1,691</td>
</tr>
<tr>
<td>Corporate</td>
<td>16,047,139</td>
<td>15,882,596</td>
<td>7,990,055</td>
<td>639,204</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>15,629,546</td>
<td>15,519,309</td>
<td>14,941,072</td>
<td>1,195,286</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>16,165,970</td>
<td>16,160,844</td>
<td>10,172,572</td>
<td>813,806</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>9,756</td>
<td>9,756</td>
<td>14,634</td>
<td>1,171</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,679,847</td>
<td>2,679,847</td>
<td>400,362</td>
<td>32,029</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>335,133</td>
<td>320,999</td>
<td>323,317</td>
<td>25,865</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>57,358,426</td>
<td>57,058,409</td>
<td>34,188,763</td>
<td>2,735,101</td>
</tr>
</tbody>
</table>
2. CAPITAL ADEQUACY (cont’d)

2.4 Capital Adequacy Ratios (cont’d)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont’d)

(i) Group (cont’d)

<table>
<thead>
<tr>
<th>31 DECEMBER 2017 EXPOSURE CLASS</th>
<th>GROSS EXPOSURE RM’000</th>
<th>NET EXPOSURE RM’000</th>
<th>RISK-WEIGHTED ASSET RM’000</th>
<th>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>4,068,803</td>
<td>3,997,869</td>
<td>3,170,037</td>
<td>253,603</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>132,147</td>
<td>132,147</td>
<td>51,675</td>
<td>4,134</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>24,185</td>
<td>22,400</td>
<td>31,781</td>
<td>2,542</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>4,225,135</td>
<td>4,152,416</td>
<td>3,253,493</td>
<td>260,279</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>61,583,561</td>
<td>61,210,825</td>
<td>37,442,256</td>
<td>2,995,380</td>
</tr>
<tr>
<td>Less: Credit Risk absorbed by IA</td>
<td></td>
<td></td>
<td></td>
<td>(3,034,004)</td>
</tr>
</tbody>
</table>

Note: As at 31 December 2017, the Group did not have any exposures under securitisation.

<table>
<thead>
<tr>
<th></th>
<th>Long Position</th>
<th>Short Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>3,599,755</td>
<td>(3,218,620)</td>
</tr>
<tr>
<td>Foreign Exchange Risk</td>
<td>23,190</td>
<td>(366,771)</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>–</td>
<td>(343,581)</td>
</tr>
<tr>
<td>Total Market Risk</td>
<td>3,622,945</td>
<td>(3,585,391)</td>
</tr>
<tr>
<td>Operational Risk</td>
<td></td>
<td>3,152,951</td>
</tr>
<tr>
<td>Total RWA and Capital Requirements</td>
<td>38,163,292</td>
<td>3,053,063</td>
</tr>
</tbody>
</table>

Note: As at 31 December 2017, the Group did not have any exposures under securitisation.

<table>
<thead>
<tr>
<th></th>
<th>BEFORE EFFECT OF IA</th>
<th>AFTER EFFECT OF IA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 Capital Ratio</td>
<td>11.79%</td>
<td>12.73%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>11.79%</td>
<td>12.73%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>15.22%</td>
<td>16.44%</td>
</tr>
</tbody>
</table>
2. CAPITAL ADEQUACY (cont’d)

2.4 Capital Adequacy Ratios (cont’d)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont’d)

(i) Group (cont’d)

<table>
<thead>
<tr>
<th>31 DECEMBER 2016 EXPOSURE CLASS</th>
<th>GROSS EXPOSURE RM’000</th>
<th>NET EXPOSURE RM’000</th>
<th>RISK-WEIGHTED ASSET RM’000</th>
<th>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,390,134</td>
<td>5,390,134</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>2,718,672</td>
<td>2,705,677</td>
<td>237,542</td>
<td>19,003</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>1,102,730</td>
<td>1,102,730</td>
<td>181,393</td>
<td>14,511</td>
</tr>
<tr>
<td>Corporate</td>
<td>14,148,639</td>
<td>14,022,573</td>
<td>8,245,107</td>
<td>659,609</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>14,629,753</td>
<td>14,519,386</td>
<td>13,877,865</td>
<td>1,110,229</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>14,005,484</td>
<td>14,001,390</td>
<td>8,741,181</td>
<td>699,295</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>68,091</td>
<td>68,091</td>
<td>102,137</td>
<td>8,171</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,542,621</td>
<td>2,542,622</td>
<td>312,100</td>
<td>24,968</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>322,788</td>
<td>312,972</td>
<td>337,438</td>
<td>26,994</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>54,928,912</td>
<td>54,665,575</td>
<td>32,034,763</td>
<td>2,562,780</td>
</tr>
<tr>
<td><strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>2,071,862</td>
<td>2,037,639</td>
<td>1,767,436</td>
<td>141,396</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>192,491</td>
<td>192,491</td>
<td>93,278</td>
<td>7,462</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>9,235</td>
<td>8,955</td>
<td>13,301</td>
<td>1,064</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>2,273,588</td>
<td>2,239,085</td>
<td>1,874,015</td>
<td>149,922</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>57,202,500</td>
<td>56,904,660</td>
<td>33,908,778</td>
<td>2,712,702</td>
</tr>
<tr>
<td>Less: Credit Risk absorbed by IA</td>
<td>(2,566,180)</td>
<td></td>
<td>(205,294)</td>
<td></td>
</tr>
</tbody>
</table>
2. **CAPITAL ADEQUACY** (cont’d)

2.4 **Capital Adequacy Ratios** (cont’d)

(c) **The breakdown of risk-weighted assets by exposures in each major risk category is as follows:** (cont’d)

(i) **Group** (cont’d)

<table>
<thead>
<tr>
<th>Exposures Class</th>
<th>Long Position</th>
<th>Short Position</th>
<th>(\text{Gross Exposure} \ RM’000)</th>
<th>(\text{Net Exposure} \ RM’000)</th>
<th>(\text{Risk-weighted Asset} \ RM’000)</th>
<th>(\text{Minimum Capital Requirement at 8% RM’000})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>3,687,320</td>
<td>(3,117,954)</td>
<td>569,366</td>
<td>174,282</td>
<td>13,943</td>
<td></td>
</tr>
<tr>
<td>Foreign Exchange Risk</td>
<td>27,707</td>
<td>(434,963)</td>
<td>(407,256)</td>
<td>434,963</td>
<td>34,797</td>
<td></td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>–</td>
<td>–</td>
<td>686</td>
<td>686</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td><strong>Total Market Risk</strong></td>
<td>3,715,027</td>
<td>(3,552,917)</td>
<td>162,796</td>
<td>609,931</td>
<td>48,795</td>
<td></td>
</tr>
<tr>
<td><strong>Operational Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,031,801</td>
<td>242,544</td>
</tr>
<tr>
<td><strong>Total RWA and Capital Requirements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34,984,330</td>
<td>2,798,747</td>
</tr>
</tbody>
</table>

Note: As at 31 December 2016, the Group did not have any exposures under securitisation.

<table>
<thead>
<tr>
<th></th>
<th><strong>Before Effect of IA</strong></th>
<th><strong>After Effect of IA</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 Capital Ratio</td>
<td>11.55%</td>
<td>12.40%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>11.55%</td>
<td>12.40%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>14.54%</td>
<td>15.52%</td>
</tr>
</tbody>
</table>
2. CAPITAL ADEQUACY (cont’d)

2.4 Capital Adequacy Ratios (cont’d)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont’d)

(ii) Bank

<table>
<thead>
<tr>
<th>31 DECEMBER 2017 EXPOSURE CLASS</th>
<th>GROSS EXPOSURE RM’000</th>
<th>NET EXPOSURE RM’000</th>
<th>RISK-WEIGHTED ASSET RM’000</th>
<th>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,741,745</td>
<td>5,741,745</td>
<td>325,612</td>
<td>26,049</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>650,704</td>
<td>644,727</td>
<td>325,612</td>
<td>26,049</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>98,450</td>
<td>98,450</td>
<td>21,111</td>
<td>1,689</td>
</tr>
<tr>
<td>Corporate</td>
<td>16,047,139</td>
<td>15,882,596</td>
<td>7,990,055</td>
<td>639,204</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>15,629,546</td>
<td>15,519,309</td>
<td>14,941,072</td>
<td>1,195,286</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>16,165,970</td>
<td>16,160,844</td>
<td>10,172,572</td>
<td>813,806</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>9,756</td>
<td>9,756</td>
<td>14,634</td>
<td>1,171</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,677,045</td>
<td>2,677,045</td>
<td>395,989</td>
<td>31,679</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>335,133</td>
<td>320,999</td>
<td>323,317</td>
<td>25,865</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>57,355,488</td>
<td>57,055,471</td>
<td>34,184,362</td>
<td>2,734,749</td>
</tr>
<tr>
<td><strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>4,068,802</td>
<td>3,997,869</td>
<td>3,170,037</td>
<td>253,603</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>132,147</td>
<td>132,147</td>
<td>51,675</td>
<td>4,134</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>24,185</td>
<td>22,400</td>
<td>31,781</td>
<td>2,542</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>4,225,135</td>
<td>4,152,416</td>
<td>3,253,493</td>
<td>260,279</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>61,580,623</td>
<td>61,207,887</td>
<td>37,437,855</td>
<td>2,995,028</td>
</tr>
<tr>
<td>Less: Credit Risk absorbed by IA</td>
<td>(3,034,004)</td>
<td>(242,720)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. CAPITAL ADEQUACY (cont’d)

2.4 Capital Adequacy Ratios (cont’d)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont’d)

(ii) Bank (cont’d)

<table>
<thead>
<tr>
<th>31 DECEMBER 2017</th>
<th>GROSS EXPOSURE RM’000</th>
<th>NET EXPOSURE RM’000</th>
<th>RISK-WEIGHTED ASSET RM’000</th>
<th>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Long Position</td>
<td>Short Position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>3,594,494</td>
<td>(3,218,620)</td>
<td>375,874</td>
<td>219,033</td>
</tr>
<tr>
<td>Foreign Exchange Risk</td>
<td>23,190</td>
<td>(366,771)</td>
<td>(343,581)</td>
<td>366,770</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>–</td>
<td>–</td>
<td>240</td>
<td>240</td>
</tr>
<tr>
<td>Total Market Risk</td>
<td>3,617,684</td>
<td>(3,585,391)</td>
<td>32,533</td>
<td>586,043</td>
</tr>
<tr>
<td>Operational Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total RWA and Capital Requirements</td>
<td></td>
<td></td>
<td>3,132,745</td>
<td>250,620</td>
</tr>
</tbody>
</table>

Note: As at 31 December 2017, the Bank did not have any exposures under securitisation.

<table>
<thead>
<tr>
<th></th>
<th>BEFORE EFFECT OF IA</th>
<th>AFTER EFFECT OF IA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 Capital Ratio</td>
<td>11.77%</td>
<td>12.70%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>11.77%</td>
<td>12.70%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>15.20%</td>
<td>16.41%</td>
</tr>
</tbody>
</table>
2. CAPITAL ADEQUACY (cont’d)

2.4 Capital Adequacy Ratios (cont’d)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont’d)

(ii) Bank (cont’d)

<table>
<thead>
<tr>
<th>31 DECEMBER 2016 EXPOSURE CLASS</th>
<th>GROSS EXPOSURE RM’000</th>
<th>NET EXPOSURE RM’000</th>
<th>RISK-WEIGHTED ASSET RM’000</th>
<th>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,390,134</td>
<td>5,390,134</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>2,718,672</td>
<td>2,705,677</td>
<td>237,542</td>
<td>19,003</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>1,102,582</td>
<td>1,102,582</td>
<td>181,363</td>
<td>14,509</td>
</tr>
<tr>
<td>Corporate</td>
<td>14,148,639</td>
<td>14,022,573</td>
<td>8,245,107</td>
<td>659,609</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>14,629,753</td>
<td>14,519,386</td>
<td>13,877,865</td>
<td>1,110,229</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>14,005,484</td>
<td>14,001,390</td>
<td>8,741,181</td>
<td>699,295</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>68,091</td>
<td>68,091</td>
<td>102,137</td>
<td>8,171</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,538,932</td>
<td>2,538,933</td>
<td>307,662</td>
<td>24,613</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>322,788</td>
<td>312,972</td>
<td>337,438</td>
<td>26,995</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>54,925,075</td>
<td>54,661,738</td>
<td>32,030,295</td>
<td>2,562,424</td>
</tr>
<tr>
<td><strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>2,071,862</td>
<td>2,037,640</td>
<td>1,767,437</td>
<td>141,395</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>192,491</td>
<td>192,491</td>
<td>93,278</td>
<td>7,462</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>9,235</td>
<td>8,955</td>
<td>13,301</td>
<td>1,064</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>2,273,588</td>
<td>2,239,086</td>
<td>1,874,016</td>
<td>149,921</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>57,198,663</td>
<td>56,900,824</td>
<td>33,904,311</td>
<td>2,712,345</td>
</tr>
<tr>
<td>Less: Credit Risk absorbed by IA</td>
<td>(2,566,180)</td>
<td>(205,294)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. **CAPITAL ADEQUACY** (cont’d)

2.4 **Capital Adequacy Ratios** (cont’d)

(c) **The breakdown of risk-weighted assets by exposures in each major risk category is as follows:** (cont’d)

(ii) **Bank** (cont’d)

<table>
<thead>
<tr>
<th>31 DECEMBER 2016 EXPOSURE CLASS</th>
<th>Long Position</th>
<th>Short Position</th>
<th>GROSS EXPOSURE RM’000</th>
<th>NET EXPOSURE RM’000</th>
<th>RISK-WEIGHTED ASSET RM’000</th>
<th>MINIMUM CAPITAL REQUIREMENT AT 8% RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>3,687,320</td>
<td>(3,117,954)</td>
<td>569,366</td>
<td>174,282</td>
<td>13,943</td>
<td></td>
</tr>
<tr>
<td>Foreign Exchange Risk</td>
<td>27,707</td>
<td>(434,963)</td>
<td>(407,256)</td>
<td>434,963</td>
<td>34,797</td>
<td></td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>–</td>
<td>–</td>
<td>686</td>
<td>686</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td><strong>Total Market Risk</strong></td>
<td>3,715,027</td>
<td>(3,552,917)</td>
<td>162,796</td>
<td>609,931</td>
<td>48,795</td>
<td></td>
</tr>
<tr>
<td><strong>Operational Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total RWA and Capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34,962,864</td>
</tr>
<tr>
<td>Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: As at 31 December 2016, the Bank did not have any exposures under securitisation.

<table>
<thead>
<tr>
<th></th>
<th>BEFORE EFFECT OF IA</th>
<th>AFTER EFFECT OF IA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 Capital Ratio</td>
<td>11.52%</td>
<td>12.36%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>11.52%</td>
<td>12.36%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>14.51%</td>
<td>15.48%</td>
</tr>
</tbody>
</table>
3. RISK MANAGEMENT

3.1 Overview
The Group’s mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

In that regard, the objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Group;
- Establish a standard approach and methodology in managing credit, market, liquidity, operational and business risks across the Group;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, scoring models and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets; and
- Ensure that the Group’s capital can support current and planned business needs in terms of risk exposures.

3.2 Risk Management Functional and Governance Structure
The Group has realigned its risk organisational responsibilities with the objective of ensuring a common view of risks across the Group. As a matter of good business practice and prudence, the Group’s core risk management functions, which report to the Board Risk Committee (“BRC”), are independent and clearly segregated from the business divisions and centralised at head office.
3. **RISK MANAGEMENT** (cont’d)

3.2 **Risk Management Functional and Governance Structure** (cont’d)

The following illustrates the Group’s governance structure:

* Capital Management is part of Management Committee
3. **RISK MANAGEMENT** (cont’d)

3.2 **Risk Management Functional and Governance Structure** (cont’d)

The Group recognises the fact that the essence of banking and financial services is centered on risk taking. The Group therefore:

- Recognises that it has to manage risks effectively to achieve its business targets;
- Reach an optimum level of risk-return in order to maximise stakeholders’ value; and
- Ensure effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Group within its risk appetite and tolerance.

The Group has established a Risk Appetite Statement Policy that forms an integral part of the Group’s strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Group is prepared to accept in support of a stated strategy, impacting all businesses from a credit, market and operational risk viewpoint.

4. **CREDIT RISK**

4.1 **Overview**

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

4.2 **Credit Risk Governance**

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the Management Risk Control Committee (“MRCC”) and/or BRC, guided by the Board of Directors’ approved Risk Appetite Statement Policy.

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

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

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

4.3 **Management of Credit Risk**

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

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

4.3 **Management of Credit Risk (cont’d)**

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

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

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

4.4 **Capital Treatment for Credit Risk**

The Group adopts the Standardised Approach to compute the credit risk capital requirement under BNM’s CAFIB.

4.5 **Credit Quality of Gross Financing and Advances**

The table below presents the Group's and the Bank’s gross financing and advances analysed by credit quality:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RR’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>41,736,562</td>
<td>38,788,825</td>
<td></td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>551,097</td>
<td>694,173</td>
<td></td>
</tr>
<tr>
<td>Impaired</td>
<td>398,277</td>
<td>389,445</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>42,685,936</td>
<td>39,872,443</td>
</tr>
<tr>
<td>Gross Impaired Financing as a</td>
<td>0.93%</td>
<td>0.98%</td>
<td></td>
</tr>
</tbody>
</table>
4. CREDIT RISK (cont’d)

4.5 Credit Quality of Gross Financing and Advances (cont’d)

(a) Neither Past Due Nor Impaired

Financings classified as neither past due nor impaired are financings of which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired as there is no objective evidence of impairment of the financing.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent to Good</td>
<td>35,144,157</td>
<td>31,981,235</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>6,092,349</td>
<td>6,352,707</td>
</tr>
<tr>
<td>Fair</td>
<td>500,056</td>
<td>454,883</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,736,562</strong></td>
<td><strong>38,788,825</strong></td>
</tr>
</tbody>
</table>

Internal rating definition:-

- **Excellent to Good**: Sound financial position of the customer with no difficulty in meeting its obligations.
- **Satisfactory**: Adequate safety of the customer meeting its current obligations but more time is required to meet the entire obligations in full.
- **Fair**: High risks on payment obligations. Financial performance may continue to deteriorate.

(b) Past Due But Not Impaired

Financings classified as past due but not impaired are financings of which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by aging analysis:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>By ageing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Month-in-arrears 1</td>
<td>362,240</td>
<td>439,600</td>
</tr>
<tr>
<td>Month-in-arrears 2</td>
<td>188,857</td>
<td>254,573</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>551,097</strong></td>
<td><strong>694,173</strong></td>
</tr>
</tbody>
</table>
4. CREDIT RISK (cont’d)

4.5 Credit Quality of Gross Financing and Advances (cont’d)

(b) Past Due But Not Impaired (cont’d)

Analysis of the past due but not impaired financing and advances by sector:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary agriculture</td>
<td>13</td>
<td>7,817</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Manufacturing (including Agro-based)</td>
<td>3,892</td>
<td>6,989</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade, and hotels &amp; restaurants</td>
<td>3,444</td>
<td>5,829</td>
</tr>
<tr>
<td>Construction</td>
<td>9,317</td>
<td>49,483</td>
</tr>
<tr>
<td>Real estate</td>
<td>2,861</td>
<td>55,855</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>4,681</td>
<td>3,903</td>
</tr>
<tr>
<td>Finance, insurance and business activities</td>
<td>321</td>
<td>1,277</td>
</tr>
<tr>
<td>Education, health and others</td>
<td>6,597</td>
<td>3,335</td>
</tr>
<tr>
<td>Household sectors</td>
<td>519,971</td>
<td>559,685</td>
</tr>
<tr>
<td>Other sectors</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>551,097</strong></td>
<td><strong>694,173</strong></td>
</tr>
</tbody>
</table>

(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financing (a ‘loss event’) and that the loss event has an impact on the estimated future cash flows of the financing or group of financings that can be reliably estimated.

The Group and the Bank first assess individually whether the objective evidence of impairment exists individually for financings which are individually significant, and collectively for financings which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financings with similar credit risk characteristic and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing’s carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.
4. CREDIT RISK (cont’d)

4.5 Credit Quality of Gross Financing and Advances (cont’d)

(c) Impaired Financing and Advances (cont’d)

Impaired financing by assessment type:

<table>
<thead>
<tr>
<th></th>
<th>GROUP AND BANK</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Individually Assessed</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Month-in-Arrears 0</td>
<td>217,209</td>
<td>203,374</td>
<td></td>
</tr>
<tr>
<td>Month-in-Arrears 1</td>
<td>20,060</td>
<td>15,614</td>
<td></td>
</tr>
<tr>
<td>Month-in-Arrears 2</td>
<td>69,204</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td>Month-in-Arrears 3 and above</td>
<td>3,317</td>
<td>7,623</td>
<td></td>
</tr>
<tr>
<td>Collectively Assessed</td>
<td>181,068</td>
<td>186,071</td>
<td></td>
</tr>
<tr>
<td></td>
<td>398,277</td>
<td>389,445</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Agriculture</td>
<td>–</td>
<td>1,059</td>
<td>(1,059)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,800</td>
<td>4,800</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>174</td>
<td>174</td>
</tr>
<tr>
<td>Manufacturing (including Agro-based)</td>
<td>35,448</td>
<td>24,794</td>
<td>1,962</td>
<td>–</td>
<td>26,756</td>
<td>8,473</td>
<td>35,229</td>
<td></td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,621</td>
<td>6,621</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade and Restaurants &amp; Hotels</td>
<td>38,433</td>
<td>10,200</td>
<td>2,578</td>
<td>(3,065)</td>
<td>9,713</td>
<td>31,706</td>
<td>41,419</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>86,357</td>
<td>3,089</td>
<td>68,853</td>
<td>–</td>
<td>71,942</td>
<td>15,411</td>
<td>87,353</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>13,030</td>
<td>13,030</td>
</tr>
<tr>
<td>Transport, Storage and Communication</td>
<td>12,604</td>
<td>8,531</td>
<td>(4,617)</td>
<td>–</td>
<td>3,914</td>
<td>14,050</td>
<td>17,964</td>
<td></td>
</tr>
<tr>
<td>Finance, Insurance and Business Services</td>
<td>3,799</td>
<td>69,709</td>
<td>2,460</td>
<td>(70,421)</td>
<td>1,748</td>
<td>32,740</td>
<td>34,488</td>
<td></td>
</tr>
<tr>
<td>Education, Health and Others</td>
<td>5,106</td>
<td>632</td>
<td>414</td>
<td>–</td>
<td>1,046</td>
<td>11,171</td>
<td>12,217</td>
<td></td>
</tr>
<tr>
<td>Household Sectors</td>
<td>216,530</td>
<td>10,184</td>
<td>1,144</td>
<td>–</td>
<td>11,328</td>
<td>307,893</td>
<td>319,221</td>
<td></td>
</tr>
<tr>
<td>Other Sectors</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>398,277</td>
<td>128,198</td>
<td>71,735</td>
<td>(73,486)</td>
<td>126,447</td>
<td>446,069</td>
<td>572,516</td>
<td></td>
</tr>
</tbody>
</table>
4. CREDIT RISK (cont’d)

4.5 Credit Quality of Gross Financing and Advances (cont’d)

(c) Impaired Financing and Advances (cont’d)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Agriculture</td>
<td>1,311</td>
<td>963</td>
<td>96</td>
<td>–</td>
<td>1,059</td>
<td>6,161</td>
<td>7,220</td>
<td></td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>368</td>
<td>368</td>
<td></td>
</tr>
<tr>
<td>Manufacturing (including Agro-based)</td>
<td>36,739</td>
<td>1,667</td>
<td>24,880</td>
<td>(1,753)</td>
<td>24,794</td>
<td>10,389</td>
<td>35,183</td>
<td></td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>16,291</td>
<td>16,291</td>
<td></td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade and Restaurants &amp; Hotels</td>
<td>25,651</td>
<td>11,641</td>
<td>(1,441)</td>
<td>–</td>
<td>10,200</td>
<td>44,010</td>
<td>54,210</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>13,714</td>
<td>18,377</td>
<td>12,886</td>
<td>(28,174)</td>
<td>3,089</td>
<td>31,281</td>
<td>34,370</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>21,891</td>
<td>21,891</td>
<td></td>
</tr>
<tr>
<td>Transport, Storage and</td>
<td>15,579</td>
<td>16,693</td>
<td>(8,162)</td>
<td>–</td>
<td>8,531</td>
<td>18,629</td>
<td>27,160</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>Finance, Insurance and Business Services</td>
<td>70,948</td>
<td>66,504</td>
<td>213</td>
<td>2,992</td>
<td>69,709</td>
<td>32,536</td>
<td>102,245</td>
</tr>
<tr>
<td>Education, Health and Others</td>
<td>3,076</td>
<td>2,092</td>
<td>(1,460)</td>
<td>–</td>
<td>632</td>
<td>15,238</td>
<td>15,870</td>
<td></td>
</tr>
<tr>
<td>Household Sectors</td>
<td>222,427</td>
<td>6,534</td>
<td>3,650</td>
<td>–</td>
<td>10,184</td>
<td>358,177</td>
<td>368,361</td>
<td></td>
</tr>
<tr>
<td>Other Sectors</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>389,445</strong></td>
<td><strong>124,471</strong></td>
<td><strong>30,662</strong></td>
<td><strong>(26,935)</strong></td>
<td><strong>128,198</strong></td>
<td><strong>554,971</strong></td>
<td><strong>683,169</strong></td>
<td></td>
</tr>
</tbody>
</table>
### 4. CREDIT RISK (cont’d)

#### 4.5 Credit Quality of Gross Financing and Advances (cont’d)

**(d) Gross Financing and Advances – Exposures by Geographical Areas**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GROSS FINANCING</td>
<td>PAST DUE BUT NOT IMPAIRED FINANCING</td>
<td>IMPAIRED FINANCING</td>
<td>INDIVIDUAL ALLOWANCES</td>
<td>COLLECTIVE ALLOWANCES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Region</td>
<td>20,673,380</td>
<td>288,837</td>
<td>223,305</td>
<td>89,877</td>
<td>225,342</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Region</td>
<td>6,860,968</td>
<td>80,312</td>
<td>107,422</td>
<td>35,318</td>
<td>63,540</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Region</td>
<td>6,121,471</td>
<td>71,614</td>
<td>28,710</td>
<td>–</td>
<td>70,406</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern Region</td>
<td>5,908,526</td>
<td>73,970</td>
<td>22,915</td>
<td>1,252</td>
<td>50,833</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Malaysia Region</td>
<td>3,121,591</td>
<td>36,364</td>
<td>15,925</td>
<td>–</td>
<td>35,948</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>42,685,936</strong></td>
<td><strong>551,097</strong></td>
<td><strong>398,277</strong></td>
<td><strong>126,447</strong></td>
<td><strong>446,069</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 December 2016</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GROSS FINANCING</td>
<td>PAST DUE BUT NOT IMPAIRED FINANCING</td>
<td>IMPAIRED FINANCING</td>
<td>INDIVIDUAL ALLOWANCES</td>
<td>COLLECTIVE ALLOWANCES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Region</td>
<td>18,853,925</td>
<td>334,621</td>
<td>142,841</td>
<td>24,400</td>
<td>283,895</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Region</td>
<td>6,534,376</td>
<td>110,505</td>
<td>92,848</td>
<td>32,750</td>
<td>72,174</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Region</td>
<td>5,864,200</td>
<td>89,741</td>
<td>36,299</td>
<td>1,433</td>
<td>79,118</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern Region</td>
<td>5,499,121</td>
<td>89,657</td>
<td>31,329</td>
<td>758</td>
<td>64,112</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Malaysia Region</td>
<td>3,120,821</td>
<td>69,649</td>
<td>86,128</td>
<td>68,857</td>
<td>55,672</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>39,872,443</strong></td>
<td><strong>694,173</strong></td>
<td><strong>389,445</strong></td>
<td><strong>128,198</strong></td>
<td><strong>554,971</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. **CREDIT RISK** (cont’d)

### 4.6 Gross Credit Exposures

#### (a) Geographic Distribution of Credit Exposures

#### (i) Group

<table>
<thead>
<tr>
<th>31 DECEMBER 2017 EXPOSURE CLASS</th>
<th>CENTRAL REGION RM’000</th>
<th>EASTERN REGION RM’000</th>
<th>NORTHERN REGION RM’000</th>
<th>SOUTHERN REGION RM’000</th>
<th>EAST MALAYSIA REGION RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,741,745</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,741,745</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>244,295</td>
<td>170,601</td>
<td>15,687</td>
<td>220,121</td>
<td>–</td>
<td>650,704</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>93,662</td>
<td>392</td>
<td>–</td>
<td>122</td>
<td>4,410</td>
<td>98,586</td>
</tr>
<tr>
<td>Corporate</td>
<td>13,487,402</td>
<td>797,774</td>
<td>912,213</td>
<td>555,285</td>
<td>519,377</td>
<td>16,272,051</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>6,643,074</td>
<td>2,895,645</td>
<td>2,356,204</td>
<td>2,248,838</td>
<td>1,543,257</td>
<td>15,687,018</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>6,489,429</td>
<td>2,963,336</td>
<td>2,829,307</td>
<td>2,880,801</td>
<td>1,055,845</td>
<td>16,218,718</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>2,605</td>
<td>2,292</td>
<td>2,812</td>
<td>295</td>
<td>1,753</td>
<td>9,757</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,679,544</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>303</td>
<td>2,679,847</td>
</tr>
<tr>
<td><strong>Total for On-Balance Sheet Exposures</strong></td>
<td><strong>35,381,756</strong></td>
<td><strong>6,830,040</strong></td>
<td><strong>6,116,223</strong></td>
<td><strong>5,905,462</strong></td>
<td><strong>3,124,945</strong></td>
<td><strong>57,358,426</strong></td>
</tr>
<tr>
<td><strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>4,092,988</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,092,988</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>132,147</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>132,147</td>
</tr>
<tr>
<td><strong>Total for Off-Balance Sheet Exposures</strong></td>
<td><strong>4,225,135</strong></td>
<td><strong>–</strong></td>
<td><strong>–</strong></td>
<td><strong>–</strong></td>
<td><strong>–</strong></td>
<td><strong>4,225,135</strong></td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td><strong>39,606,891</strong></td>
<td><strong>6,830,040</strong></td>
<td><strong>6,116,223</strong></td>
<td><strong>5,905,462</strong></td>
<td><strong>3,124,945</strong></td>
<td><strong>61,583,561</strong></td>
</tr>
</tbody>
</table>
4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures (cont'd)

(a) Geographic Distribution of Credit Exposures (cont'd)

(i) Group (cont'd)

<table>
<thead>
<tr>
<th>31 DECEMBER 2016</th>
<th>CENTRAL REGION</th>
<th>EASTERN REGION</th>
<th>NORTHERN REGION</th>
<th>SOUTHERN REGION</th>
<th>EAST MALAYSIA REGION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPOSURE CLASS</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,390,134</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,390,134</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>2,375,452</td>
<td>189,345</td>
<td>18,236</td>
<td>135,639</td>
<td>–</td>
<td>2,718,672</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>1,098,655</td>
<td>695</td>
<td>–</td>
<td>134</td>
<td>3,246</td>
<td>1,102,730</td>
</tr>
<tr>
<td>Corporate</td>
<td>11,751,561</td>
<td>714,642</td>
<td>844,319</td>
<td>473,739</td>
<td>535,717</td>
<td>14,319,978</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>5,108,528</td>
<td>3,054,404</td>
<td>2,493,729</td>
<td>2,475,656</td>
<td>1,574,608</td>
<td>14,706,925</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>5,682,036</td>
<td>2,559,410</td>
<td>2,497,322</td>
<td>2,413,949</td>
<td>927,042</td>
<td>14,079,759</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>59,894</td>
<td>2,429</td>
<td>3,807</td>
<td>407</td>
<td>1,555</td>
<td>68,092</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,542,068</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>554</td>
<td>2,542,622</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>34,008,328</td>
<td>6,520,925</td>
<td>5,857,413</td>
<td>5,499,524</td>
<td>3,042,722</td>
<td>54,928,912</td>
</tr>
<tr>
<td>Off-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>2,077,388</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,709</td>
<td>2,081,097</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>192,491</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>192,491</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>2,269,879</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,709</td>
<td>2,273,588</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>36,278,207</td>
<td>6,520,925</td>
<td>5,857,413</td>
<td>5,499,524</td>
<td>3,046,431</td>
<td>57,202,500</td>
</tr>
</tbody>
</table>
4. **CREDIT RISK** (cont’d)

4.6 Gross Credit Exposures (cont’d)

(a) Geographic Distribution of Credit Exposures (cont’d)

(ii) Bank

<table>
<thead>
<tr>
<th>31 DECEMBER 2017 EXPOSURE CLASS</th>
<th>CENTRAL REGION RM’000</th>
<th>EASTERN REGION RM’000</th>
<th>NORTHERN REGION RM’000</th>
<th>SOUTHERN REGION RM’000</th>
<th>EAST MALAYSIA REGION RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Risk On-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,741,745</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,741,745</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>244,295</td>
<td>170,601</td>
<td>15,687</td>
<td>220,121</td>
<td>–</td>
<td>650,704</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>93,526</td>
<td>392</td>
<td>–</td>
<td>122</td>
<td>4,410</td>
<td>98,450</td>
</tr>
<tr>
<td>Corporate</td>
<td>13,487,402</td>
<td>797,774</td>
<td>912,213</td>
<td>555,285</td>
<td>519,377</td>
<td>16,272,051</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>6,643,074</td>
<td>2,895,645</td>
<td>2,356,204</td>
<td>2,248,838</td>
<td>1,543,257</td>
<td>15,687,018</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>6,489,429</td>
<td>2,963,336</td>
<td>2,829,307</td>
<td>2,880,801</td>
<td>1,055,845</td>
<td>16,218,718</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>2,605</td>
<td>2,292</td>
<td>2,812</td>
<td>295</td>
<td>1,753</td>
<td>9,757</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,676,742</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>303</td>
<td>2,677,045</td>
</tr>
<tr>
<td><strong>Total for On-Balance Sheet Exposures</strong></td>
<td>35,378,818</td>
<td>6,830,040</td>
<td>6,116,223</td>
<td>5,905,462</td>
<td>3,124,945</td>
<td>57,355,488</td>
</tr>
</tbody>
</table>

**Off-Balance Sheet Exposures**

| Credit-related Exposures | – | – | – | – | – | 4,092,988 |
| Derivative Financial Instruments | 132,147 | – | – | – | – | 132,147 |
| **Total for Off-Balance Sheet Exposures** | 4,225,135 | – | – | – | – | 4,225,135 |

**Total On and Off-Balance Sheet Exposures**

| 39,603,953 | 6,830,040 | 6,116,223 | 5,905,462 | 3,124,945 | 61,580,623 |
4. CREDIT RISK (cont’d)

4.6 Gross Credit Exposures (cont’d)

(a) Geographic Distribution of Credit Exposures (cont’d)

(ii) Bank (cont’d)

<table>
<thead>
<tr>
<th>31 DECEMBER 2016</th>
<th>CENTRAL REGION RM'000</th>
<th>EASTERN REGION RM'000</th>
<th>NORTHERN REGION RM'000</th>
<th>SOUTHERN REGION RM'000</th>
<th>EAST MALAYSIA REGION RM'000</th>
<th>TOTAL RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,390,134</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,390,134</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>2,375,452</td>
<td>189,345</td>
<td>18,236</td>
<td>135,639</td>
<td>–</td>
<td>2,718,672</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>1,098,507</td>
<td>695</td>
<td>–</td>
<td>134</td>
<td>3,246</td>
<td>1,102,582</td>
</tr>
<tr>
<td>Corporate</td>
<td>11,751,561</td>
<td>714,642</td>
<td>844,319</td>
<td>473,739</td>
<td>535,717</td>
<td>14,319,978</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>5,108,528</td>
<td>3,054,404</td>
<td>2,493,729</td>
<td>2,475,656</td>
<td>1,574,608</td>
<td>14,706,925</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>5,682,036</td>
<td>2,559,410</td>
<td>2,497,322</td>
<td>2,413,949</td>
<td>927,042</td>
<td>14,079,759</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>59,894</td>
<td>2,429</td>
<td>3,807</td>
<td>407</td>
<td>1,555</td>
<td>68,092</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,538,379</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>554</td>
<td>2,538,933</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>34,004,491</td>
<td>6,520,925</td>
<td>5,857,413</td>
<td>5,499,524</td>
<td>3,042,722</td>
<td>54,925,075</td>
</tr>
<tr>
<td>Off-Balance Sheet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>2,077,388</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,081,097</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>192,491</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>192,491</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>2,269,879</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,709</td>
<td>2,273,588</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>36,274,370</td>
<td>6,520,925</td>
<td>5,857,413</td>
<td>5,499,524</td>
<td>3,046,431</td>
<td>57,198,663</td>
</tr>
</tbody>
</table>
4. **CREDIT RISK** (cont’d)

4.6 **Gross Credit Exposures** (cont’d)

(b) Distribution of Credit Exposures by Sector

(i) **Group**

<table>
<thead>
<tr>
<th>EXPOSURE CLASS</th>
<th>PRIMARY AGRICULTURE</th>
<th>MINING AND QUARRYING</th>
<th>MANUFACTURING</th>
<th>ELECTRICITY, GAS AND WATER</th>
<th>WHOLESALE TRADE AND RESTAURANT</th>
<th>CONSTRUCTION</th>
<th>REAL ESTATE</th>
<th>TRANSPORT, STORAGE &amp; COMMUNICATION</th>
<th>FINANCE, INSURANCE AND SERVICES</th>
<th>EDUCATION AND TRAINING</th>
<th>HEALTH AND SOCIAL WORK</th>
<th>PRIMARY MINING</th>
<th>TRADING, MANUFACTURING, AND TRADING SERVICES</th>
<th>WATER AND öffENTLIC UTILITY SERVICES</th>
<th>REAL ESTATE AND COMMUNITY SERVICES</th>
<th>OTHERS</th>
<th>SECTOR TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 DECEMBER 2017</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Risk On-Balance Sheet Exposures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,16,651</td>
<td>-</td>
<td>-</td>
<td>1,525,094</td>
<td>5,741,745</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,16,651</td>
<td>-</td>
<td>-</td>
<td>1,525,094</td>
<td>5,741,745</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>510</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>185,977</td>
<td>-</td>
<td>89,647</td>
<td>372,683</td>
<td>1,887</td>
<td>650,704</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,937</td>
<td>-</td>
<td>514</td>
<td>48,135</td>
<td>98,586</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>479,966</td>
<td>8,247</td>
<td>968,481</td>
<td>2,002,984</td>
<td>114,519</td>
<td>2,681,447</td>
<td>2,079,447</td>
<td>1,627,597</td>
<td>4,206,122</td>
<td>395,718</td>
<td>107,984</td>
<td>298,768</td>
<td>15,272,051</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>9,563</td>
<td>-</td>
<td>31,574</td>
<td>196</td>
<td>74,731</td>
<td>28,002</td>
<td>15,132</td>
<td>54,408</td>
<td>41,306</td>
<td>15,353,933</td>
<td>1,077</td>
<td>15,687,018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,757</td>
<td>-</td>
<td>9,757</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,678,847</td>
<td>2,678,847</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,678,847</td>
<td>2,678,847</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>490,039</td>
<td>8,247</td>
<td>1,000,055</td>
<td>2,303,160</td>
<td>1,189,250</td>
<td>2,293,426</td>
<td>1,642,729</td>
<td>8,657,355</td>
<td>789,707</td>
<td>31,692,663</td>
<td>4,552,921</td>
<td>57,358,426</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-Balance Sheet Exposures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>50,900</td>
<td>17,942</td>
<td>205,737</td>
<td>114,774</td>
<td>198,716</td>
<td>271,177</td>
<td>247,216</td>
<td>141,133</td>
<td>99,835</td>
<td>217,200</td>
<td>1,402,445</td>
<td>8,872</td>
<td>4,092,988</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>-</td>
<td>-</td>
<td>92</td>
<td>-</td>
<td>59,469</td>
<td>78</td>
<td>-</td>
<td>1</td>
<td>21,533</td>
<td>22,701</td>
<td>-</td>
<td>28,253</td>
<td>132,147</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>50,900</td>
<td>17,942</td>
<td>205,737</td>
<td>114,774</td>
<td>257,655</td>
<td>271,177</td>
<td>247,216</td>
<td>141,133</td>
<td>643,388</td>
<td>239,901</td>
<td>1,402,445</td>
<td>37,125</td>
<td>4,225,135</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total On and Off-Balance Sheet Exposures: 540,939, 26,189, 1,205,319, 2,417,634, 1,446,905, 3,626,065, 2,540,642, 1,783,863, 9,300,743, 1,009,608, 33,095,108, 4,590,046, 61,583,561.
4. CREDIT RISK (cont’d)

4.6 Gross Credit Exposures (cont’d)

(b) Distribution of Credit Exposures by Sector (cont’d)

(i) Group (cont’d)

<table>
<thead>
<tr>
<th>EXPOSURE CLASS</th>
<th>31 DECEMBER 2016</th>
<th>PRIMARY AGRICULTURE</th>
<th>MINING AND QUARRYING</th>
<th>MANUFACTURING</th>
<th>ELECTRICITY, GAS AND WATER</th>
<th>WHOLESALE &amp; RETAIL TRADE AND RESTAURANT &amp; HOTELS</th>
<th>CONSTRUCTION</th>
<th>REAL ESTATE</th>
<th>TRANSPORT, STORAGE &amp; COMMUNICATION, BUSINESS SERVICES</th>
<th>FINANCE, INSURANCE AND BUSINESS SERVICES</th>
<th>EDUCATION AND HEALTH, AND OTHERS</th>
<th>HOUSEHOLD</th>
<th>OTHER SECTORS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,332,810</td>
<td>–</td>
<td>–</td>
<td>2,057,324</td>
<td>5,390,134</td>
<td></td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>644,887</td>
<td>1,717,950</td>
<td>154,813</td>
<td>904</td>
<td>–</td>
<td>2,718,672</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>582,553</td>
<td>–</td>
<td>810</td>
<td>519,347</td>
<td>1,102,730</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>390,477</td>
<td>12,886</td>
<td>916,484</td>
<td>2,793,398</td>
<td>1,118,175</td>
<td>2,687,613</td>
<td>1,890,896</td>
<td>1,309,267</td>
<td>2,596,791</td>
<td>407,759</td>
<td>104,974</td>
<td>171,258</td>
<td>43,918</td>
<td>14,319,978</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>11,379</td>
<td>–</td>
<td>17,991</td>
<td>–</td>
<td>60,988</td>
<td>66,904</td>
<td>28,449</td>
<td>9,586</td>
<td>47,052</td>
<td>34,423</td>
<td>14,425,216</td>
<td>317</td>
<td>14,706,925</td>
<td></td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>14,079,759</td>
<td>–</td>
<td>14,079,759</td>
<td></td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>56,627</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>11,465</td>
<td>–</td>
<td>68,092</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,542,622</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>401,856</td>
<td>12,886</td>
<td>954,475</td>
<td>2,793,398</td>
<td>1,118,175</td>
<td>2,810,744</td>
<td>2,119,463</td>
<td>1,863,740</td>
<td>8,277,196</td>
<td>596,995</td>
<td>28,623,168</td>
<td>5,290,868</td>
<td>54,928,912</td>
<td></td>
</tr>
<tr>
<td>Off-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>27,187</td>
<td>10,824</td>
<td>144,431</td>
<td>149,406</td>
<td>140,111</td>
<td>430,738</td>
<td>232,943</td>
<td>79,774</td>
<td>219,651</td>
<td>99,482</td>
<td>539,791</td>
<td>3,759</td>
<td>2,081,097</td>
<td></td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>–</td>
<td>1</td>
<td>3,867</td>
<td>–</td>
<td>33,721</td>
<td>176</td>
<td>9,764</td>
<td>–</td>
<td>8,309</td>
<td>131,027</td>
<td>–</td>
<td>5,626</td>
<td>192,491</td>
<td></td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>429,043</td>
<td>22,711</td>
<td>1,102,773</td>
<td>2,942,904</td>
<td>1,360,995</td>
<td>3,241,658</td>
<td>2,362,170</td>
<td>1,943,514</td>
<td>8,905,116</td>
<td>827,504</td>
<td>28,162,959</td>
<td>5,300,253</td>
<td>57,202,500</td>
<td></td>
</tr>
</tbody>
</table>
4. **CREDIT RISK** (cont'd)

4.6 **Gross Credit Exposures** (cont’d)

(b) **Distribution of Credit Exposures by Sector** (cont’d)

(ii) **Bank**

<table>
<thead>
<tr>
<th>Exposure Class</th>
<th>PRIMARY AGRICULTURE</th>
<th>MINING AND QUARRYING</th>
<th>MANUFACTURING</th>
<th>ELECTRICITY, GAS AND WATER</th>
<th>WHOLESALE TRADE AND RESTAURANT</th>
<th>CONSTRUCTION</th>
<th>REAL ESTATE</th>
<th>TRANSPORT, STORAGE &amp; COMMUNICATION</th>
<th>FINANCE, INSURANCE AND BUSINESS SERVICES</th>
<th>EDUCATION HEALTH AND AND BUSINESS</th>
<th>HOUSEHOLD AND OTHER SECTORS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td>479,966</td>
<td>8,247</td>
<td>968,481</td>
<td>2,362,984</td>
<td>1,114,519</td>
<td>2,681,748</td>
<td>2,079,447</td>
<td>1,827,597</td>
<td>4,346,712</td>
<td>395,718</td>
<td>107,884</td>
<td>298,768</td>
</tr>
<tr>
<td>Sovereign/Central</td>
<td>510</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>185,977</td>
<td>-</td>
<td>89,647</td>
<td>372,683</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,937</td>
<td>-</td>
<td>514</td>
<td>47,999</td>
</tr>
<tr>
<td>Corporate</td>
<td>9,563</td>
<td>-</td>
<td>3,1574</td>
<td>74,731</td>
<td>77,126</td>
<td>28,002</td>
<td>15,132</td>
<td>54,408</td>
<td>41,306</td>
<td>15,353</td>
<td>1,077</td>
<td>15,687</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>47,937</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retail Mortgages</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>490,039</td>
<td>8,247</td>
<td>1,000,055</td>
<td>2,363,160</td>
<td>1,189,250</td>
<td>2,258,874</td>
<td>2,283,426</td>
<td>1,642,729</td>
<td>8,657,355</td>
<td>769,707</td>
<td>31,692</td>
<td>4,548,983</td>
</tr>
<tr>
<td>Off-Balance Sheet Exposures</td>
<td>50,900</td>
<td>17,942</td>
<td>205,372</td>
<td>114,774</td>
<td>198,186</td>
<td>867,113</td>
<td>247,216</td>
<td>141,133</td>
<td>621,835</td>
<td>217,200</td>
<td>1,402</td>
<td>8,872</td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>-</td>
<td>-</td>
<td>92</td>
<td>-</td>
<td>59,469</td>
<td>21,553</td>
<td>22,701</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>50,900</td>
<td>17,942</td>
<td>205,464</td>
<td>114,774</td>
<td>257,655</td>
<td>867,113</td>
<td>247,216</td>
<td>141,133</td>
<td>643,388</td>
<td>239,901</td>
<td>1,402</td>
<td>37,126</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>540,939</td>
<td>26,189</td>
<td>1,205,319</td>
<td>2,417,534</td>
<td>1,446,905</td>
<td>3,626,065</td>
<td>2,540,642</td>
<td>1,783,863</td>
<td>9,300,743</td>
<td>3,009,608</td>
<td>33,095</td>
<td>4,637,108</td>
</tr>
</tbody>
</table>
### 4. CREDIT RISK (cont’d)

#### 4.6 Gross Credit Exposures (cont’d)

(b) Distribution of Credit Exposures by Sector (cont’d)

(ii) Bank (cont’d)

<table>
<thead>
<tr>
<th>Exposure Class</th>
<th>PRIMARY AGRICULTURE</th>
<th>MINING AND QUARRYING</th>
<th>MANUFACTURING</th>
<th>ELECTRICITY, GAS AND WATER</th>
<th>WHOLESALE &amp; RETAIL TRADE AND RESTAURANT &amp; HOTELS</th>
<th>CONSTRUCTION</th>
<th>REAL ESTATE</th>
<th>TRANSPORT, STORAGE &amp; COMMUNICATION</th>
<th>FINANCE, INSURANCE AND SERVICES</th>
<th>EDUCATION HEALTH AND HOUSING</th>
<th>HOUSEHOLD</th>
<th>OTHER SECTORS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 DECEMBER 2016</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Credit Risk</td>
<td>On-Balance Sheet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/central Banks</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>582,553</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Corporate</td>
<td>390,477</td>
<td>12,886</td>
<td>916,484</td>
<td>2,793,398</td>
<td>1,118,175</td>
<td>1,687,613</td>
<td>1,800,896</td>
<td>1,209,267</td>
<td>2,966,791</td>
<td>407,759</td>
<td>–</td>
<td>1,102,582</td>
<td></td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>11,379</td>
<td>–</td>
<td>17,991</td>
<td>–</td>
<td>63,988</td>
<td>66,504</td>
<td>28,449</td>
<td>9,586</td>
<td>47,052</td>
<td>34,423</td>
<td>317</td>
<td>14,706,925</td>
<td></td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,079,759</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>11,465</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other Assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>68,092</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total for On-Balance Sheet</td>
<td>401,856</td>
<td>12,886</td>
<td>954,475</td>
<td>2,793,398</td>
<td>1,184,163</td>
<td>2,810,744</td>
<td>1,863,740</td>
<td>8,277,196</td>
<td>5,287,031</td>
<td>54,925,075</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-Balance Sheet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>27,187</td>
<td>10,824</td>
<td>144,431</td>
<td>149,406</td>
<td>143,111</td>
<td>430,738</td>
<td>232,943</td>
<td>79,774</td>
<td>219,651</td>
<td>539,791</td>
<td>3,759</td>
<td>2,524,672</td>
<td></td>
</tr>
<tr>
<td>Derivative Financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruments</td>
<td>–</td>
<td>1</td>
<td>3,867</td>
<td>–</td>
<td>33,721</td>
<td>176</td>
<td>9,764</td>
<td>–</td>
<td>8,309</td>
<td>131,027</td>
<td>–</td>
<td>5,626</td>
<td>192,491</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet</td>
<td>27,187</td>
<td>10,825</td>
<td>149,406</td>
<td>176,832</td>
<td>430,914</td>
<td>242,707</td>
<td>79,774</td>
<td>227,960</td>
<td>230,509</td>
<td>539,791</td>
<td>9,385</td>
<td>2,273,588</td>
<td></td>
</tr>
<tr>
<td>Total On and Off Balance</td>
<td>429,043</td>
<td>21,711</td>
<td>1,102,773</td>
<td>2,942,304</td>
<td>1,306,995</td>
<td>3,241,658</td>
<td>2,362,170</td>
<td>1,943,514</td>
<td>8,505,116</td>
<td>827,504</td>
<td>5,296,416</td>
<td>57,198,663</td>
<td></td>
</tr>
</tbody>
</table>
4. **CREDIT RISK (cont’d)**

4.6 **Gross Credit Exposures (cont’d)**

(c) **Residual Contractual Maturity Breakdown**

(i) **Group**

<table>
<thead>
<tr>
<th>31 DECEMBER 2017</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPOSURE CLASS</td>
<td>UP TO 1 YEAR RM’000</td>
<td>&gt; 1 – 5 YEARS RM’000</td>
<td>OVER 5 YEARS RM’000</td>
<td>TOTAL RM’000</td>
</tr>
<tr>
<td>Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>3,514,011</td>
<td>1,578,434</td>
<td>649,300</td>
<td>5,741,745</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>35,689</td>
<td>108,949</td>
<td>506,066</td>
<td>650,704</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>48,140</td>
<td>46,781</td>
<td>3,665</td>
<td>98,586</td>
</tr>
<tr>
<td>Corporate</td>
<td>4,021,994</td>
<td>4,635,595</td>
<td>7,614,462</td>
<td>16,272,051</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>244,950</td>
<td>2,701,312</td>
<td>12,740,756</td>
<td>15,687,018</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>11,033</td>
<td>107,138</td>
<td>16,100,547</td>
<td>16,218,718</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>66</td>
<td>31</td>
<td>9,660</td>
<td>9,757</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,503,401</td>
<td>–</td>
<td>176,446</td>
<td>2,679,847</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>10,379,284</td>
<td>9,178,240</td>
<td>37,800,902</td>
<td>57,358,426</td>
</tr>
<tr>
<td>Off-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>2,099,737</td>
<td>1,363,471</td>
<td>629,780</td>
<td>4,092,988</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>115,614</td>
<td>4,000</td>
<td>12,533</td>
<td>132,147</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>2,215,351</td>
<td>1,367,471</td>
<td>642,313</td>
<td>4,225,135</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>12,594,635</td>
<td>10,545,711</td>
<td>38,443,215</td>
<td>61,583,561</td>
</tr>
</tbody>
</table>
### 4. CREDIT RISK (cont’d)

#### 4.6 Gross Credit Exposures (cont’d)

**(c) Residual Contractual Maturity Breakdown (cont’d)**

**Group (cont’d)**

<table>
<thead>
<tr>
<th>31 December 2016 Exposure Class</th>
<th>Up to 1 Year RM’000</th>
<th>&gt; 1 – 5 Years RM’000</th>
<th>Over 5 Years RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>3,035,639</td>
<td>1,899,789</td>
<td>454,706</td>
<td>5,390,134</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>488,347</td>
<td>658,915</td>
<td>1,571,410</td>
<td>2,718,672</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>1,056,260</td>
<td>45,640</td>
<td>830</td>
<td>1,102,730</td>
</tr>
<tr>
<td>Corporate</td>
<td>3,591,596</td>
<td>3,343,479</td>
<td>7,384,903</td>
<td>14,319,978</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>236,144</td>
<td>2,608,421</td>
<td>11,862,360</td>
<td>14,706,925</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>6,960</td>
<td>87,388</td>
<td>13,985,411</td>
<td>14,079,759</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>–</td>
<td>184</td>
<td>67,908</td>
<td>68,092</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,208,692</td>
<td>–</td>
<td>333,930</td>
<td>2,542,622</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>10,623,638</td>
<td>8,643,816</td>
<td>35,661,458</td>
<td>54,928,912</td>
</tr>
<tr>
<td>Off-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>742,597</td>
<td>749,930</td>
<td>588,570</td>
<td>2,081,097</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>164,023</td>
<td>9,497</td>
<td>18,971</td>
<td>192,491</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>906,620</td>
<td>759,427</td>
<td>607,541</td>
<td>2,273,588</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>11,530,258</td>
<td>9,403,243</td>
<td>36,268,999</td>
<td>57,202,500</td>
</tr>
</tbody>
</table>
4. CREDIT RISK (cont’d)

4.6 Gross Credit Exposures (cont’d)

(c) Residual Contractual Maturity Breakdown (cont’d)

(ii) Bank

<table>
<thead>
<tr>
<th>31 DECEMBER 2017</th>
<th>UP TO 1 YEAR RM’000</th>
<th>&gt; 1 – 5 YEARS RM’000</th>
<th>OVER 5 YEARS RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>3,514,011</td>
<td>1,578,434</td>
<td>649,300</td>
<td>5,741,745</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>35,689</td>
<td>108,949</td>
<td>506,066</td>
<td>650,704</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>48,004</td>
<td>46,781</td>
<td>3,665</td>
<td>98,450</td>
</tr>
<tr>
<td>Corporate</td>
<td>4,021,994</td>
<td>4,635,595</td>
<td>7,614,462</td>
<td>16,272,051</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>244,950</td>
<td>2,701,312</td>
<td>12,740,756</td>
<td>15,687,018</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>11,033</td>
<td>107,138</td>
<td>16,100,547</td>
<td>16,218,718</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>66</td>
<td>31</td>
<td>9,660</td>
<td>9,757</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,500,599</td>
<td>–</td>
<td>176,446</td>
<td>2,677,045</td>
</tr>
<tr>
<td>Total for On-Balance Sheet Exposures</td>
<td>10,376,346</td>
<td>9,178,240</td>
<td>37,800,902</td>
<td>57,355,488</td>
</tr>
</tbody>
</table>

Off-Balance Sheet Exposures

<table>
<thead>
<tr>
<th>31 DECEMBER 2017</th>
<th>UP TO 1 YEAR RM’000</th>
<th>&gt; 1 – 5 YEARS RM’000</th>
<th>OVER 5 YEARS RM’000</th>
<th>TOTAL RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit-related Exposures</td>
<td>2,099,737</td>
<td>1,363,471</td>
<td>629,780</td>
<td>4,092,988</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>115,614</td>
<td>4,000</td>
<td>12,533</td>
<td>132,147</td>
</tr>
<tr>
<td>Total for Off-Balance Sheet Exposures</td>
<td>2,215,351</td>
<td>1,367,471</td>
<td>642,313</td>
<td>4,225,135</td>
</tr>
</tbody>
</table>

Total On and Off-Balance Sheet Exposures 12,591,697 10,545,711 38,443,215 61,580,623
### Credit Risk (cont’d)

#### 4.6 Gross Credit Exposures (cont’d)

**(c) Residual Contractual Maturity Breakdown (cont’d)**

**(ii) Bank (cont’d)**

<table>
<thead>
<tr>
<th>31 December 2016 Exposure Class</th>
<th>Up to 1 Year RM’000</th>
<th>&gt; 1 – 5 Years RM’000</th>
<th>Over 5 Years RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign/Central Banks</td>
<td>3,035,639</td>
<td>1,899,789</td>
<td>454,706</td>
<td>5,390,134</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>488,347</td>
<td>658,915</td>
<td>1,571,410</td>
<td>2,718,672</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>1,056,112</td>
<td>45,640</td>
<td>830</td>
<td>1,102,582</td>
</tr>
<tr>
<td>Corporate</td>
<td>3,591,596</td>
<td>3,343,479</td>
<td>7,384,903</td>
<td>14,319,978</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>236,144</td>
<td>2,608,421</td>
<td>11,862,360</td>
<td>14,706,925</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>6,960</td>
<td>87,388</td>
<td>13,985,411</td>
<td>14,079,759</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>–</td>
<td>184</td>
<td>67,908</td>
<td>68,092</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,205,003</td>
<td>–</td>
<td>333,930</td>
<td>2,538,933</td>
</tr>
<tr>
<td><strong>Total for On-Balance Sheet Exposures</strong></td>
<td><strong>10,619,801</strong></td>
<td><strong>8,643,816</strong></td>
<td><strong>35,661,458</strong></td>
<td><strong>54,925,075</strong></td>
</tr>
<tr>
<td><strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>742,597</td>
<td>749,930</td>
<td>588,570</td>
<td>2,081,097</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>164,023</td>
<td>9,497</td>
<td>18,971</td>
<td>192,491</td>
</tr>
<tr>
<td><strong>Total for Off-Balance Sheet Exposures</strong></td>
<td><strong>906,620</strong></td>
<td><strong>759,427</strong></td>
<td><strong>607,541</strong></td>
<td><strong>2,273,588</strong></td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td><strong>11,526,421</strong></td>
<td><strong>9,403,243</strong></td>
<td><strong>36,268,999</strong></td>
<td><strong>57,198,663</strong></td>
</tr>
</tbody>
</table>
4.  CREDIT RISK (cont’d)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in the calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions (“ECAI”) ratings used by the Group and are recognised by BNM as per the CAFIB Guideline:

(a) Standard & Poor’s (“S&P”)
(b) Moody’s Investors Services (“MOODY’S”)
(c) Fitch Ratings (“FITCH”)
(d) RAM Rating Services Berhad (“RAM”)
(e) Malaysian Rating Corporation Berhad (“MARC”)

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and central banks
(b) Banking institutions
(c) Corporates

Unrated and Rated Counterparties

As a general rule, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor an issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the CAFIB Guideline.

Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The below table summarises the rules governing the assignment of risk weights under the Standardised Approach:

<table>
<thead>
<tr>
<th>RATING CATEGORY</th>
<th>S &amp; P</th>
<th>MOODY’S</th>
<th>FITCH</th>
<th>RAM</th>
<th>MARC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AAA to AA-</td>
<td>Aaa to Aa3</td>
<td>AAA to AA-</td>
<td>AAA to Aa3</td>
<td>AAA to AA-</td>
</tr>
<tr>
<td>2</td>
<td>A+ to A-</td>
<td>A1 to A3</td>
<td>A+ to A-</td>
<td>A1 to A3</td>
<td>A+ to A-</td>
</tr>
<tr>
<td>3</td>
<td>BBB+ to BBB-</td>
<td>Baa1 to Baa3</td>
<td>BBB+ to BBB-</td>
<td>BBB1 to BBB3</td>
<td>BBB+ to BBB-</td>
</tr>
<tr>
<td>4</td>
<td>BB+ to BB-</td>
<td>Ba1 to Ba3</td>
<td>BB+ to BB-</td>
<td>BB1 to BB3</td>
<td>BB+ to BB-</td>
</tr>
<tr>
<td>5</td>
<td>B+ to B-</td>
<td>B1 to B3</td>
<td>B+ to B-</td>
<td>B1 to B3</td>
<td>B+ to B-</td>
</tr>
<tr>
<td>6</td>
<td>CCC+ and below</td>
<td>Caa1 and below</td>
<td>CCC+ and below</td>
<td>C1 and below</td>
<td>C+ and below</td>
</tr>
</tbody>
</table>
4. CREDIT RISK (cont’d)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont’d)

The below table summarises risk weight mapping matrix for each credit quality rating category:

<table>
<thead>
<tr>
<th>RATING CATEGORY</th>
<th>SOVEREIGN AND CENTRAL BANKS</th>
<th>CORPORATE</th>
<th>BANKING INSTITUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SOVEREIGNS/ CENTRAL BANKS</td>
<td>BANKS, DIBS &amp; MIBS</td>
<td>CORPORATE</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>1</td>
<td>0%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>2</td>
<td>20%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>3</td>
<td>50%</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>4</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>5</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>6</td>
<td>150%</td>
<td>150%</td>
<td>150%</td>
</tr>
<tr>
<td>Unrated</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Under CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia are accorded a preferential sovereign risk weight of 0%.

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

(i) As at 31 December 2017

<table>
<thead>
<tr>
<th>RISK WEIGHTS</th>
<th>SOVEREIGNS/ CENTRAL BANKS</th>
<th>PUBLIC SECTOR ENTITIES</th>
<th>BANKS, DIBS &amp; MIBS</th>
<th>CORPORATE</th>
<th>REGULATORY RETAIL</th>
<th>RESIDENTIAL MORTGAGES</th>
<th>HIGHER RISK ASSETS</th>
<th>OTHER ASSETS</th>
<th>TOTAL EXPOSURES</th>
<th>TOTAL RISK WEIGHTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>5,741,857</td>
<td>84,623</td>
<td>–</td>
<td>3,859,637</td>
<td>4,933</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,279,485</td>
<td>11,970,535</td>
</tr>
<tr>
<td>20%</td>
<td>–</td>
<td>20,181</td>
<td>397,547</td>
<td>3,018,103</td>
<td>1,617</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,437,448</td>
<td>687,490</td>
</tr>
<tr>
<td>35%</td>
<td>–</td>
<td>–</td>
<td>548,077</td>
<td>2,652,726</td>
<td>3,875,570</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7,076,373</td>
<td>1,783,271</td>
</tr>
<tr>
<td>50%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,095,061</td>
<td>3,522,263</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>8,146,995</td>
<td>4,073,498</td>
</tr>
<tr>
<td>75%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,095,061</td>
<td>3,522,263</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>8,146,995</td>
<td>4,073,498</td>
</tr>
<tr>
<td>100%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,095,061</td>
<td>3,522,263</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>8,146,995</td>
<td>4,073,498</td>
</tr>
<tr>
<td>150%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,095,061</td>
<td>3,522,263</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>8,146,995</td>
<td>4,073,498</td>
</tr>
</tbody>
</table>


RWA by Exposures: – 454,766 149,761 10,099,088 15,893,464 10,417,958 27,217 400,362 37,442,256

Average Risk Weight: 0.0% 57.9% 27.8% 55.3% 94.8% 63.4% 150.0% 14.9% 61.2%
4. **CREDIT RISK** (cont’d)

4.7 **Assignment of Risk Weights for Portfolios Under the Standardised Approach** (cont’d)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group (cont’d):

(ii) **As at 31 December 2016**

<table>
<thead>
<tr>
<th>RISK WEIGHTS</th>
<th>SOVEREIGNS/ CENTRAL BANKS RM’000</th>
<th>PUBLIC SECTOR ENTITIES RM’000</th>
<th>BANKS, DFIs &amp; MDBs RM’000</th>
<th>CORPORATE RM’000</th>
<th>REGULATORY RETAIL RM’000</th>
<th>RESIDENTIAL MORTGAGES RM’000</th>
<th>HIGHER RISK ASSETS RM’000</th>
<th>OTHER ASSETS RM’000</th>
<th>TOTAL EXPOSURES AFTER NETTING &amp; CRM RM’000</th>
<th>TOTAL RISK WEIGHTED ASSET RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>5,390,725</td>
<td>2,341,996</td>
<td>197,011</td>
<td>1,979,280</td>
<td>7,162</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,230,523</td>
<td>12,146,697</td>
</tr>
<tr>
<td>20%</td>
<td>–</td>
<td>30,166</td>
<td>948,268</td>
<td>2,827,830</td>
<td>2,121</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,808,385</td>
<td>761,677</td>
</tr>
<tr>
<td>35%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,475,145</td>
<td>–</td>
<td>–</td>
<td>4,475,145</td>
<td>1,556,301</td>
</tr>
<tr>
<td>50%</td>
<td>–</td>
<td>209,012</td>
<td>208,267</td>
<td>3,102,440</td>
<td>408,591</td>
<td>2,808,070</td>
<td>–</td>
<td>–</td>
<td>6,736,380</td>
<td>3,368,190</td>
</tr>
<tr>
<td>75%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>556,065</td>
<td>1,994,360</td>
<td>–</td>
<td>6,595,037</td>
<td>4,946,279</td>
</tr>
<tr>
<td>100%</td>
<td>–</td>
<td>140,655</td>
<td>3,222</td>
<td>7,113,800</td>
<td>12,373,084</td>
<td>2,953,518</td>
<td>–</td>
<td>312,105</td>
<td>22,896,384</td>
<td>22,896,384</td>
</tr>
<tr>
<td>150%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>59,656</td>
<td>57,840</td>
<td>53,216</td>
<td>246,632</td>
<td>369,947</td>
</tr>
<tr>
<td>Total Exposures</td>
<td>5,390,725</td>
<td>2,721,829</td>
<td>1,356,768</td>
<td>15,639,071</td>
<td>14,843,158</td>
<td>14,334,561</td>
<td>75,920</td>
<td>2,542,628</td>
<td>56,904,660</td>
<td>33,908,778</td>
</tr>
</tbody>
</table>

| RWA by Exposures | –                               | 251,194                       | 297,009                   | 9,737,119        | 14,160,333              | 9,037,137                   | 113,880                   | 312,105         | 33,908,778                     |

| Average Risk Weight | 0.0%   | 9.2%  | 21.9% | 62.3% | 95.4% | 63.0% | 150.0% | 12.3%  | 59.6% |

| Deduction from Capital Base | – | – | – | – | – | – | – | – | – |
4. **CREDIT RISK** (cont’d)

4.7 **Assignment of Risk Weights for Portfolios Under the Standardised Approach** (cont’d)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank:

(i) As at 31 December 2017

<table>
<thead>
<tr>
<th>RISK WEIGHTS</th>
<th>SOVEREIGNS/</th>
<th>PUBLIC SECTOR</th>
<th>BANKS, DFIs &amp; MDRs</th>
<th>CORPORATE</th>
<th>REGULATORY RETAIL</th>
<th>RESIDENTIAL MORTGAGES</th>
<th>HIGHER RISK ASSETS</th>
<th>OTHER ASSETS</th>
<th>NETTING &amp; CRM</th>
<th>TOTAL RISK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CENTRAL BANKS</td>
<td>entiITES</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>0%</td>
<td>5,741,857</td>
<td>84,623</td>
<td>–</td>
<td>3,859,637</td>
<td>4,933</td>
<td>–</td>
<td>–</td>
<td>2,281,056</td>
<td>11,972,106</td>
<td>–</td>
</tr>
<tr>
<td>20%</td>
<td>–</td>
<td>20,181</td>
<td>397,411</td>
<td>3,018,103</td>
<td>1,617</td>
<td>–</td>
<td>–</td>
<td>3,437,312</td>
<td>687,462</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,095,061</td>
<td>–</td>
<td>–</td>
<td>5,095,061</td>
<td>1,783,271</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>–</td>
<td>459,210</td>
<td>140,505</td>
<td>3,594,511</td>
<td>430,506</td>
<td>3,522,263</td>
<td>–</td>
<td>8,146,995</td>
<td>4,073,498</td>
<td></td>
</tr>
<tr>
<td>75%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>548,077</td>
<td>2,652,726</td>
<td>3,875,570</td>
<td>–</td>
<td>7,076,373</td>
<td>5,307,280</td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>–</td>
<td>221,124</td>
<td>–</td>
<td>7,128,938</td>
<td>13,627,965</td>
<td>3,893,415</td>
<td>–</td>
<td>395,989</td>
<td>25,267,431</td>
<td></td>
</tr>
<tr>
<td>150%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>105,477</td>
<td>40,252</td>
<td>48,735</td>
<td>18,145</td>
<td>212,609</td>
<td>318,913</td>
<td></td>
</tr>
<tr>
<td><strong>Total Exposures</strong></td>
<td>5,741,857</td>
<td>785,138</td>
<td>537,916</td>
<td>18,254,743</td>
<td>16,757,999</td>
<td>16,435,044</td>
<td>18,145</td>
<td>2,677,045</td>
<td>37,437,855</td>
<td></td>
</tr>
</tbody>
</table>

| RWA by Exposures | – | 454,766 | 149,733 | 10,099,088 | 15,893,464 | 10,417,598 | 27,217 | 395,989 | 37,437,855 |

| Average Risk Weight | 0.0% | 57.9% | 27.8% | 55.3% | 94.8% | 63.4% | 150.0% | 14.8% | 61.2% |

| Deduction from Capital Base | – | – | – | – | – | – | – | – | – |
### 4. CREDIT RISK (cont’d)

#### 4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont’d)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank (cont’d):

(ii) As at 31 December 2016

<table>
<thead>
<tr>
<th>RISK WEIGHTS</th>
<th>SOVEREIGNS/ CENTRAL BANKS RM’000</th>
<th>PUBLIC SECTOR ENTITIES RM’000</th>
<th>BANKS, DFIs &amp; MDBs RM’000</th>
<th>CORPORATE RETAIL RM’000</th>
<th>REGULATORY MORTGAGES RM’000</th>
<th>RESIDENTIAL MORTGAGES RM’000</th>
<th>OTHER ASSETS RM’000</th>
<th>TOTAL EXPOSURES AFTER NETTING &amp; CRM RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>5,390,725</td>
<td>2,341,996</td>
<td>197,011</td>
<td>1,979,280</td>
<td>7,162</td>
<td>–</td>
<td>–</td>
<td>2,231,271</td>
</tr>
<tr>
<td>20%</td>
<td>–</td>
<td>30,166</td>
<td>948,120</td>
<td>2,827,830</td>
<td>2,121</td>
<td>–</td>
<td>–</td>
<td>3,808,237</td>
</tr>
<tr>
<td>35%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,475,145</td>
<td>–</td>
<td>4,475,145</td>
</tr>
<tr>
<td>50%</td>
<td>–</td>
<td>209,012</td>
<td>208,267</td>
<td>3,102,440</td>
<td>408,591</td>
<td>2,808,070</td>
<td>–</td>
<td>6,736,380</td>
</tr>
<tr>
<td>75%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>556,065</td>
<td>1,994,360</td>
<td>–</td>
<td>6,595,038</td>
</tr>
<tr>
<td>100%</td>
<td>–</td>
<td>140,655</td>
<td>3,222</td>
<td>7,113,800</td>
<td>12,373,084</td>
<td>2,538,939</td>
<td>–</td>
<td>25,38,939</td>
</tr>
<tr>
<td>150%</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>59,656</td>
<td>57,840</td>
<td>53,216</td>
<td>–</td>
<td>246,632</td>
</tr>
</tbody>
</table>

Total Exposures 5,390,725 2,721,829 1,364,637 10,634,738 14,843,158 14,234,562 75,920 2,538,939 56,900,824 33,904,311

RWA by Exposures

<table>
<thead>
<tr>
<th>Average Risk Weight</th>
<th>0.0%</th>
<th>9.2%</th>
<th>21.9%</th>
<th>62.3%</th>
<th>95.4%</th>
<th>63.0%</th>
<th>150.0%</th>
<th>12.1%</th>
<th>59.6%</th>
</tr>
</thead>
</table>

Deduction from Capital Base
4. CREDIT RISK (cont’d)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI

(a) Ratings of Sovereigns and Central Banks by Approved ECAIs

<table>
<thead>
<tr>
<th>EXPOSURE CLASS</th>
<th>31 DECEMBER 2017</th>
<th>MOODY’S Aaa to A3</th>
<th>S&amp;P AAA to AA-</th>
<th>FITCH AAA to AA-</th>
</tr>
</thead>
<tbody>
<tr>
<td>On and Off Balance-Sheet</td>
<td>Credit Exposures</td>
<td>Sovereign and Central Banks*</td>
<td>5,741,857</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>5,741,857</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPOSURE CLASS</th>
<th>31 DECEMBER 2016</th>
<th>MOODY’S Aaa to A3</th>
<th>S&amp;P AAA to AA-</th>
<th>FITCH AAA to AA-</th>
</tr>
</thead>
<tbody>
<tr>
<td>On and Off Balance-Sheet</td>
<td>Credit Exposures</td>
<td>Sovereign and Central Banks*</td>
<td>5,390,725</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>5,390,725</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

* These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

(b) Ratings of Corporate by Approved ECAIs

<table>
<thead>
<tr>
<th>EXPOSURE CLASS</th>
<th>31 DECEMBER 2017</th>
<th>MOODY’S Aaa to A3</th>
<th>S&amp;P AAA to AA-</th>
<th>FITCH AAA to AA-</th>
<th>RAM AAA to AA3</th>
<th>MARC AAA to AA-</th>
</tr>
</thead>
<tbody>
<tr>
<td>On and Off Balance-Sheet</td>
<td>Credit Exposures</td>
<td>Public Sector Entities</td>
<td>20,181</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Insurance Cos, Securities Firms &amp; Fund Manager</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Corporate</td>
<td>3,184,977</td>
<td>46,059</td>
<td>64,231</td>
<td>–</td>
<td>14,959,477</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,205,158</td>
<td>46,059</td>
<td>64,231</td>
<td>–</td>
<td>15,724,434</td>
<td></td>
</tr>
</tbody>
</table>
4. CREDIT RISK (cont’d)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI (cont’d)

(b) Ratings of Corporate by Approved ECAIs (cont’d)

<table>
<thead>
<tr>
<th>EXPOSURE CLASS</th>
<th>RATINGS OF CORPORATE BY APPROVED ECAIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 DECEMBER 2016</td>
<td></td>
</tr>
<tr>
<td>MOODY’S</td>
<td>AAA to Aa3</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>AAA to A-</td>
</tr>
<tr>
<td>FITCH</td>
<td>AAA to A-</td>
</tr>
<tr>
<td>RAM</td>
<td>AAA to A3</td>
</tr>
<tr>
<td>MARC</td>
<td>AAA to A-</td>
</tr>
</tbody>
</table>

On and Off Balance-Sheet
Credit Exposures
Public Sector Entities 30,166 – – – 2,691,663
Insurance Cos, Securities Firms & Fund Manager – – – – –
Corporate 2,943,007 48,497 90,565 – 12,557,002
Total 2,973,173 48,497 90,565 – 15,248,665

(c) Ratings of Banking Institutions by Approved ECAIs

<table>
<thead>
<tr>
<th>EXPOSURE CLASS</th>
<th>RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 DECEMBER 2017</td>
<td></td>
</tr>
<tr>
<td>MOODY’S</td>
<td>Aaa to Aa3</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>AAA to A-</td>
</tr>
<tr>
<td>FITCH</td>
<td>AAA to A-</td>
</tr>
<tr>
<td>RAM</td>
<td>AAA to A3</td>
</tr>
<tr>
<td>MARC</td>
<td>AAA to A-</td>
</tr>
</tbody>
</table>

On and Off Balance-Sheet
Credit Exposures
Banks, DFIs, and MDBs 143,657 144 – – – 394,115
Total 143,657 144 – – – 394,115

<table>
<thead>
<tr>
<th>EXPOSURE CLASS</th>
<th>RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 DECEMBER 2016</td>
<td></td>
</tr>
<tr>
<td>MOODY’S</td>
<td>Aaa to Aa3</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>AAA to A-</td>
</tr>
<tr>
<td>FITCH</td>
<td>AAA to A-</td>
</tr>
<tr>
<td>RAM</td>
<td>AAA to A3</td>
</tr>
<tr>
<td>MARC</td>
<td>AAA to A-</td>
</tr>
</tbody>
</table>

On and Off Balance-Sheet
Credit Exposures
Banks, DFIs, and MDBs 770,509 96 – – – 586,014
Total 770,509 96 – – – 586,014

Note: There are no exposures under Short-term ratings for the period under review.
4. CREDIT RISK (cont’d)

4.9 Credit Risk Mitigation (CRM)

As a first way out, the assessment of credit when granting a financing facility is based on a particular customer’s cash flows as the main source of payment and not on the collateral offered. However the acceptance of tangible security as collateral would offer a second way out in the event of business failure thereby improving recovery rates.

The type of collaterals accepted by the Group has an impact on the calculation of the Group’s capital adequacy as the quality and type of collateral determine whether the Group is able to obtain capital relief and the extent of such relief.

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

(a) Cash on lien
(b) Landed property
(c) Shariah compliant quoted shares and unit trusts
(d) Malaysian Federal Government Securities
(e) Rate / Unrated Islamic Securities / Sukuk
(f) Guarantee

The reliance that can be placed on CRM is carefully assessed in light of issues such as compliance with Shariah rules and principles, legal enforceability, market value and counterparty credit risk of the guarantor. Policies and procedures are in place to govern the protection of the Group’s position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.
4. **CREDIT RISK** (cont’d)

4.9 **Credit Risk Mitigation (CRM)** (cont’d)

Disclosure of Credit Risk Mitigation (CRM):

<table>
<thead>
<tr>
<th>31 December 2017 Exposure Class</th>
<th>Exposures Before CRM RM’000</th>
<th>Exposures Covered by Guarantees RM’000</th>
<th>Exposures Covered by Eligible Financial and Non-Financial Collateral RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>On-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,741,745</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>650,704</td>
<td>–</td>
<td>6,201</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>98,450</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Corporates</td>
<td>16,047,139</td>
<td>604,534</td>
<td>705,962</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>15,629,546</td>
<td>6,286</td>
<td>185,180</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>16,165,970</td>
<td>466</td>
<td>70,725</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>9,756</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,677,045</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>335,133</td>
<td>2,386</td>
<td>60,324</td>
</tr>
<tr>
<td><strong>Total for On-Balance Sheet Exposures</strong></td>
<td>57,355,488</td>
<td>613,672</td>
<td>1,028,392</td>
</tr>
<tr>
<td><strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>4,068,803</td>
<td>27,127</td>
<td>190,925</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>132,147</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>24,185</td>
<td>–</td>
<td>6,362</td>
</tr>
<tr>
<td><strong>Total for Off-Balance Sheet Exposures</strong></td>
<td>4,225,135</td>
<td>27,127</td>
<td>197,287</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>61,580,623</td>
<td>640,799</td>
<td>1,225,679</td>
</tr>
</tbody>
</table>
### 4. CREDIT RISK (cont’d)

4.9 Credit Risk Mitigation (CRM) (cont’d)

Disclosure of Credit Risk Mitigation (CRM): (cont’d)

<table>
<thead>
<tr>
<th>31 DECEMBER 2016 EXPOSURE CLASS</th>
<th>EXPOSURES BEFORE CRM RM’000</th>
<th>EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM’000</th>
<th>EXPOSURES COVERED BY GUARANTEES RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>On-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign/Central Banks</td>
<td>5,390,134</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>2,718,672</td>
<td></td>
<td>41,284</td>
</tr>
<tr>
<td>Banks, DFIs and MDBs</td>
<td>1,102,582</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Corporates</td>
<td>14,148,639</td>
<td>618,755</td>
<td>639,026</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>14,629,753</td>
<td>8,901</td>
<td>125,817</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>14,005,484</td>
<td>397</td>
<td>48,132</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>68,091</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,538,932</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>322,788</td>
<td>2,451</td>
<td>20,027</td>
</tr>
<tr>
<td><strong>Total for On-Balance Sheet Exposures</strong></td>
<td>54,925,075</td>
<td>630,504</td>
<td>874,286</td>
</tr>
<tr>
<td><strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit-related Exposures</td>
<td>2,071,862</td>
<td>11,910</td>
<td>78,247</td>
</tr>
<tr>
<td>Derivative Financial Instruments</td>
<td>192,491</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>9,235</td>
<td></td>
<td>281</td>
</tr>
<tr>
<td><strong>Total for Off-Balance Sheet Exposures</strong></td>
<td>2,273,588</td>
<td>11,910</td>
<td>78,528</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>57,198,663</td>
<td>642,414</td>
<td>952,814</td>
</tr>
</tbody>
</table>
4. **CREDIT RISK** (cont’d)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank

(i) As at 31 December 2017

<table>
<thead>
<tr>
<th>NATURE OF ITEM</th>
<th>PRINCIPAL AMOUNT RM’000</th>
<th>POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM’000</th>
<th>CREDIT EQUIVALENT AMOUNT RM’000</th>
<th>RISK WEIGHTED ASSET RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit related Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct credit substitutes</td>
<td>2,871,511</td>
<td>2,871,511</td>
<td>2,167,427</td>
<td></td>
</tr>
<tr>
<td>Assets sold with recourse</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Transaction related contingent items</td>
<td>1,066,956</td>
<td>533,478</td>
<td>499,771</td>
<td></td>
</tr>
<tr>
<td>Short term self-liquidating trade related contingencies</td>
<td>373,328</td>
<td>74,666</td>
<td>71,836</td>
<td></td>
</tr>
<tr>
<td>Other commitments, such as formal standby facilities and credit lines, with an original maturity of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- not exceeding one year</td>
<td>318</td>
<td>64</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>- exceeding one year</td>
<td>1,226,538</td>
<td>613,269</td>
<td>445,326</td>
<td></td>
</tr>
<tr>
<td>Unutilised credit card lines</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer’s creditworthiness</td>
<td>4,402,695</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,941,346</td>
<td>4,092,988</td>
<td>3,184,392</td>
<td></td>
</tr>
</tbody>
</table>

| **Derivative Financial Instruments**               |                          |                                                   |                                 |                            |
| Foreign exchange related contracts                 |                          |                                                   |                                 |                            |
| - less than one year                               | 3,218,824                | 63,827                                            | 112,875                         | 41,796                     |
| Profit rate related contracts                      |                          |                                                   |                                 |                            |
| - less than one year                               | –                        | –                                                 | –                               | –                          |
| - one year to less than five years                 | 400,000                  | 2,132                                             | 4,921                           | 984                        |
| - five years and above                             | 207,992                  | 2,360                                             | 14,351                          | 8,894                      |
| Equity related contracts                           |                          |                                                   |                                 |                            |
| - less than one year                               | –                        | –                                                 | –                               | –                          |
|                                                   |                          |                                                   |                                 |                            |
| **Total**                                          | 3,826,816                | 68,319                                            | 132,147                         | 51,674                     |

**Total**                                           | 13,768,162               | 68,319                                            | 4,225,135                       | 3,236,066                  |
### 4. CREDIT RISK (cont’d)

#### 4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (cont’d)

(ii) As at 31 December 2016

<table>
<thead>
<tr>
<th>Nature of Item</th>
<th>Principal Amount RM’000</th>
<th>Positive Fair Value of Derivative Contracts RM’000</th>
<th>Credit Equivalent Amount RM’000</th>
<th>Risk Weighted Asset RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit related Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct credit substitutes</td>
<td>294,460</td>
<td>294,460</td>
<td>293,848</td>
<td></td>
</tr>
<tr>
<td>Assets sold with recourse</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Transaction related contingent items</td>
<td>952,188</td>
<td>476,094</td>
<td>443,165</td>
<td></td>
</tr>
<tr>
<td>Short term self-liquidating trade related contingencies</td>
<td>341,524</td>
<td>68,305</td>
<td>67,309</td>
<td></td>
</tr>
<tr>
<td>Other commitments, such as formal standby facilities and credit lines, with an original maturity of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- not exceeding one year</td>
<td>591,031</td>
<td>118,206</td>
<td>88,979</td>
<td></td>
</tr>
<tr>
<td>- exceeding one year</td>
<td>1,792,008</td>
<td>896,004</td>
<td>715,873</td>
<td></td>
</tr>
<tr>
<td>Unutilised credit card lines</td>
<td>1,140,141</td>
<td>228,028</td>
<td>171,563</td>
<td></td>
</tr>
<tr>
<td>Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer’s creditworthiness</td>
<td>4,639,610</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>9,750,962</strong></td>
<td><strong>2,081,097</strong></td>
<td><strong>1,780,737</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Derivative Financial Instruments**

<table>
<thead>
<tr>
<th></th>
<th>Principal Amount RM’000</th>
<th>Positive Fair Value of Derivative Contracts RM’000</th>
<th>Credit Equivalent Amount RM’000</th>
<th>Risk Weighted Asset RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange related contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than one year</td>
<td>3,117,570</td>
<td>117,445</td>
<td>163,823</td>
<td>79,734</td>
</tr>
<tr>
<td>Profit rate related contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than one year</td>
<td>200,000</td>
<td>1,397</td>
<td>200</td>
<td>40</td>
</tr>
<tr>
<td>- one year to less than five years</td>
<td>400,000</td>
<td>2,729</td>
<td>9,497</td>
<td>1,899</td>
</tr>
<tr>
<td>- five years and above</td>
<td>236,027</td>
<td>3,001</td>
<td>18,971</td>
<td>11,606</td>
</tr>
<tr>
<td>Equity related contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than one year</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>3,953,597</strong></td>
<td><strong>124,572</strong></td>
<td><strong>192,491</strong></td>
<td><strong>93,279</strong></td>
</tr>
</tbody>
</table>

**Total** | **13,704,559** | **124,572** | **2,273,588** | **1,874,016** |
5. MARKET RISK

5.1 Overview

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

- **Profit Rate Risk:** also known as the Rate of Return Risk is the potential impact on the Group’s profitability caused by changes in the market rate of return, either due to general market movements or due to issuer/customer specific reasons;

- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group’s currency positions;

- **Equity Investment Risk:** the profitability impact on the Group’s equity positions or investments caused by changes in equity prices or values;

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

5.2 Market Risk Governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by the Asset and Liability Management Committee (“ALCO”) and/or BRC, guided by the Board’s approved Risk Appetite Statement.

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

5.3 Management of Market Risk

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

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

Market Risk Management Department (“MRMD”) is the independent risk control function and is responsible for ensuring effective implementation of market risk management policies. MRMD is also responsible for developing the Group’s market risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by the ALCO and/or BRC. In addition, the market risk exposures and limits are regularly reported to the ALCO and the BRC.

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

5.3 Management of Market Risk (cont’d)

(a) Profit Rate Risk in the Non-Trading Portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement tools known as earnings-at-risk (“EaR”) and economic value of equity (“EVE”).

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

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

<table>
<thead>
<tr>
<th>BANK</th>
<th>31 December 2017 (DECREASE)/INCREASE</th>
<th>31 December 2016 (DECREASE)/INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100bps</td>
<td>100bps</td>
</tr>
<tr>
<td>Impact on EaR</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM MILLION</td>
<td>RM MILLION</td>
</tr>
<tr>
<td>Impact on EVE</td>
<td>168.00</td>
<td>(168.00)</td>
</tr>
</tbody>
</table>

(b) Market Risk in the Trading Portfolio

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

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

5.3 Management of Market Risk (cont’d)

(b) Market Risk in the Trading Portfolio (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM MILLION</td>
<td>AVERAGE</td>
</tr>
<tr>
<td>Profit Rate Risk</td>
<td>1.74 (1.88) 3.29</td>
<td>0.59</td>
</tr>
<tr>
<td>Foreign Exchange Risk</td>
<td>0.43 (0.29) 0.86</td>
<td>0.01</td>
</tr>
<tr>
<td>Overall</td>
<td>2.17 (2.17) 3.67</td>
<td>0.62</td>
</tr>
</tbody>
</table>

(c) Foreign Exchange Risk

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

Sensitivity Analysis

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

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2017</th>
<th>31 DECEMBER 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DEPRECIATION RM’000</td>
<td>APPRECIATION RM’000</td>
</tr>
<tr>
<td></td>
<td>-1%</td>
<td>+1%</td>
</tr>
<tr>
<td>US Dollar</td>
<td>9,331</td>
<td>(9,331)</td>
</tr>
<tr>
<td>Euro</td>
<td>5,197</td>
<td>(5,197)</td>
</tr>
<tr>
<td>Others</td>
<td>826</td>
<td>(826)</td>
</tr>
</tbody>
</table>

5.4 Capital Treatment for Market Risk

The Group adopts the Standardised Approach to compute the market risk capital requirement under BNM’s CAFIB.
6. LIQUIDITY RISK

6.1 Overview

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

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

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

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

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

The Group’s liquidity management process includes:

- Daily projection of cash flows and ensuring that the Group has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

6.2 Liquidity Risk Governance

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

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

6.3 Management of Liquidity Risk

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

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.
6. LIQUIDITY RISK (cont’d)

6.3 Management of Liquidity Risk (cont’d)

MRMD is the independent risk control function and is responsible for ensuring efficient implementation of liquidity risk management. It is also responsible for developing the Group’s liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by the ALCO and/or BRC, with proper authorities to ratify or approve the excess. In addition, the liquidity risk exposures and limits are regularly reported to the ALCO and the BRC.

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

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

7. OPERATIONAL RISK

7.1 Overview

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

It is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank’s risk management programme.

7.2 Operational Risk Governance

The Group’s operational risk management (“ORM”) is guided by its ORM Policy, Guideline and Enterprise-Wide Risk Management Policy as well as its Risk Appetite Statement Policy which are designed to provide a sound and well-controlled operational environment within the Group.

The BRC is a committee of Board to oversee the Management’s activities in managing risks for the Group, including operational risk. Its roles with regard to ORM include reviewing and recommending ORM Policy, strategies and risk appetite for Board’s approval.

The MRCC, under the authority delegated by the BRC is responsible to perform the oversight functions and to ensure effective management of issues relating to operational risk at strategic level. The ORCC which is a sub-committee of MRCC is primarily responsible in ensuring the effective implementation and maintenance of policies, processes and systems for managing operational risk for the Group.

Notwithstanding the above, the various Business & Support Units (“BU/SU”) are responsible for managing operational risk within their respective domains on a day to day basis and ensuring that their business & operational activities are carried out within the established ORM policies, guidelines, procedures and limits. To reinforce accountability and ownership of risk & control at BU/SU level, a Risk Controller for each BU/SU is appointed and Embedded Risk and Compliance Unit is established at selected BU/SU to assist in driving the risk & control programme for the Group.

Ultimately all staff of the Group is to ensure they properly discharge their day to day responsibilities and are well-equipped with the necessary knowledge including the policies and procedures in executing their job functions. This is in line with our Risk Management Tagline i.e. “Managing Risk is Everyone’s Business”.
7. OPERATIONAL RISK (cont’d)

7.3 Management of Operational Risk

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

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

a) 1st Line of Defence – the risk owner or risk taking unit i.e. BU/SU is accountable for putting in place a robust control environment within their respective units. They are responsible for the day to day management of operational risk. To reinforce accountability and ownership of risk and control, the Embedded Risk & Compliance Unit (“ERU”) has been established to maintain the oversight of risk and compliance matters within the Business/Support Division. The ERU will have direct reporting to Head of Division and dotted line reporting to Risk Management & Compliance Division.

b) 2nd Line of Defence – the Operational Risk Management Department (“ORMD”) is responsible for establishing and maintaining the ORM Policy and its supporting guidelines/manuals, developing methodologies and various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, assessing operational risk issues from the risk owner and escalating operational risk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group.

Both Shariah Risk Management (“SRM”) and Compliance Division complement the role of ORMD as the 2nd Line of Defence. SRM is responsible for managing the Shariah compliance risk (“SCR”) by establishing and maintaining appropriate Shariah Compliance Risk Management (“SCRM”) guidelines, facilitating the process of identifying, assessing, controlling and monitoring SCR and promoting SCR awareness.

Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk, money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programmes as well as conducting trainings that promote awareness creation.

c) 3rd Line of Defence – Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.
7. OPERATIONAL RISK (cont’d)

7.4 ORM Tools & Mitigation Strategies

The Group employs various tools comprising proactive and reactive tools which are in line with the best practices in managing and mitigating its, namely:

<table>
<thead>
<tr>
<th>OVERVIEW OF ORM TOOLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROACTIVE TOOLS</td>
</tr>
<tr>
<td>KEY RISK INDICATOR</td>
</tr>
</tbody>
</table>

- A forward looking tool to identify potential risks and to enable counter measures and risk mitigation actions before an incident occurs (early warning system);
- To assist management to focus on high-risk issues.

- To identify and assess operational risks by Risk Owners;
- The tool creates ownership and increases operational risk awareness.

- End to end review of critical banking activities to identify potential risks and ensure appropriate controls are in place and are effective.

- To ensure risks are identified and adequate controls are in place prior to launching of new products/services.

- Centralised group-wide loss database which provides line of business loss reporting overview, tracks frequency of events and facilitates detailed reviews of the incident and its impact.

RISK ANALYSIS & REPORTING

- Analysis and reporting of qualitative and quantitative results from various ORM tools

In addition, a comprehensive Business Continuity Management (“BCM”) function has been established within the Group to ensure that in the event of material disruptions from internal or external events, critical business functions can be maintained or restored in a timely manner. This ensures minimal adverse impact on customers, staff and products and services. BCM constitutes an essential component of the Group’s risk management process by providing a controlled response to potential operational risk that could have a significant impact on the Group’s critical processes and revenue streams.

As part of the risk transfer strategy, the Group obtains a 3rd party Takaful coverage to cover for the Group’s high impact loss events.

The Group also ensures that the Group-wide Operational Risk awareness programme is conducted on an ongoing basis. This training programme includes emphasis on inculcating an operational risk culture among staff, effective implementation of ORM tools, fraud awareness, BCM and other aspects of ORM.

7.5 Capital Treatment for Operational Risk

Operational Risk capital charge is calculated using the Basic Indicator Approach (“BIA”) as per BNM’s CAFIB. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).
8. SHARIAH GOVERNANCE

8.1 Overview

By virtue of BNM’s Shariah Governance Framework for Islamic Financial Institution (“SGF”), the Group has established a sound and robust Shariah governance framework with emphasis placed on the roles of its key functionalities, which include having in place an effective and responsible Board and Management and an independent Shariah Supervisory Council (“SSC”) that is supported by strong and competent internal Shariah functions. The below diagram depicts the Group’s Shariah governance structure:

To date, the Group has in place the Shariah Compliance Policy to communicate its comprehensive Shariah governance framework to ensure the Group’s business activities and behaviors are in compliance with Shariah rules and principles, provisions of the Islamic Financial Services Act (“IFSA”) 2013, BNM’s SGF and its other rules and regulations, and the resolutions of BNM and Securities Commission (“SC”)’s Shariah Advisory Council and the Group’s SSC.

8.2 Shariah Risk Management

The Group’s Shariah risk management is guided by its Shariah Compliance Risk Management (“SCRM”) Guideline which sets out the high-level framework supporting the Shariah Compliance Policy and details out the Shariah risk management processes and tools. The guideline serves to provide a consistent groupwide framework for managing Shariah compliance risk (“SCR”) across the Group.
8. SHARIAH GOVERNANCE (cont’d)

8.2 Shariah Risk Management (cont’d)

In addition to this, the Shariah Non-Compliance Management and Reporting Guideline provides sound mechanism on Shariah non-compliance (“SNC”) management and reporting in order to ensure the Group strictly complies with Shariah rules and principles as well as the regulatory requirements. The guideline has been established in line with the mechanism set out by BNM’s Operational Risk Reporting Requirement – Operational Risk Integrated Online Network (“ORION”) and to ensure compliance to section 28(3) of the IFSA 2013 which requires any SNC event to be immediately reported to BNM. Additionally, pursuant to this guideline, any actual SNC events caused by operational lapses including negligence, breach of policies and lack of due care by staff may be subject to disciplinary action.

Being part of operational risk, the Shariah risk management leverages on the same ORM principles, processes and tools. The responsibility of managing SCR is spearheaded by the Bank’s Shariah Risk Management Department. In general, all ORM tools are extended to the process of managing SCR. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SCR.

In 2017, the generic Shariah Key Risk Indicator (“SKRI”) was introduced and implemented. The SKRI serves as a “Dashboard View” on the effectiveness of Shariah Governance and Risk Management.

8.3 Shariah Non-Compliance (“SNC”) Events

An SNC event is a result of the Group’s failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils.

Throughout the year 2017, there were seven (7) incidences confirmed by the Shariah Supervisory Council as SNC events with nil financial loss.

The SNC events were due to operational failures and lack of knowledge on related Shariah requirements for products offered. The Group, from time to time, makes efforts to prevent similar Shariah breaches from recurring by issuing reminders, conducting ongoing awareness and training as well as putting additional controls to ensure compliance with Shariah requirements.

8.4 Shariah Non-Compliant Income

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM8,374.23</td>
<td>RM8,828.95</td>
</tr>
</tbody>
</table>

The above amount consists of commissions from Shariah non-compliant merchants of card business, interest received as well as rental purification from the Group’s land that is being used to facilitate bai’ inah based transaction. The income was channeled to charitable causes upon approval by the Shariah Supervisory Council.
In accordance with Bank Negara Malaysia’s Capital Adequacy Framework for Islamic Bank (CAFIB) Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad’s Pillar 3 Disclosure report for the financial year ended 31 December 2017 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.

Khairul Kamarudin
Chief Executive Officer, Bank Islam Malaysia Berhad
KUALA LUMPUR

- BANDAR TASIK PERMAISURI
  Tel : (6) 03 9171 4818 / 5078 / 7245
  Fax : (6) 03 9171 7289

- BANDAR WAWASAN
  Tel : (6) 03 2694 8175 / 8192 / 8244
  Fax : (6) 03 2694 8291/ 2693 9216

- BUKIT DAMANSARA
  Tel : (6) 03 2092 1064 / 1066 / 1067
  Fax : (6) 03 2092 1072

- JALAN TUN RAZAK
  Tel : (6) 03 2161 1333 / 1340 / 1341
  Fax : (6) 03 2161 1360 / 2164 8450

- KL SENTRAL
  Tel : (6) 03 2274 9878 / 9899
  Fax : (6) 03 2274 9901 / 6430

- KL SENTRAL 2
  Tel : (6) 03 2273 3151 / 3152 / 3153
  Fax : (6) 03 2273 3154

- MEDAN MARA
  Tel : (6) 03 2691 9079 / 9082
  Fax : (6) 03 2691 1890

- MENARA BANK ISLAM
  Tel : (6) 03 2161 0073 / 0076
  Fax : (6) 03 2166 0797

- MENARA TM
  Tel : (6) 03 2240 2020 / 0296
  Fax : (6) 03 2240 2391
KUALA LUMPUR

• SEMARAK
  Tel : (6) 03 2681 0042 / 0049 / 0057
  Fax : (6) 03 2681 0076

• Selayang
  Tel : (6) 03 6135 2655 / 2934
  Fax : (6) 03 6137 9199

• Seri Petaling
  Tel : (6) 03 9056 2939 / 2943 / 2969
  Fax : (6) 03 9056 2982

• TAMAN MELAWATI
  Tel : (6) 03 4107 7800 / 6842 / 6852
  Fax : (6) 03 4107 7181

SELANGOR

• Ampang
  Tel : (6) 03 9200 4389 / 4392 / 4497
  Fax : (6) 03 9200 4507

• Ara Damansara
  Tel : (6) 03 7846 0557 / 1165 / 1347
  Fax : (6) 03 7846 1473

• Bandar Baru Bangi
  Tel : (6) 03 8925 8490 / 8491 / 8492
  Fax : (6) 03 8925 6168

• Bandar Botanic, Klang
  Tel : (6) 03 3324 7132 / 7623 / 8671
  Fax : (6) 03 3324 8758

• TAMAN TUN DR ISMAIL
  Tel : (6) 03 7726 5744
  Fax : (6) 03 7722 4539

• UiAM, Gombak
  Tel : (6) 03 6185 3150 / 3262 / 3282
  Fax : (6) 03 6185 3402

• Universiti Malaya
  Tel : (6) 03 7960 8934 / 7429 / 6235
  Fax : (6) 03 7960 4320

• Wangsa Maju
  Tel : (6) 03 4142 7733 / 7886 / 8204
  Fax : (6) 03 4142 8209

• Bandar Sri Damansara
  Tel : (6) 03 6273 5001 / 5002 / 5003
  Fax : (6) 03 6273 5004

• Jalan Chan Sow Lin
  Tel : (6) 03 9223 5001 / 5002 / 5003
  Fax : (6) 03 9223 5004

• Cyberjaya
  Tel : (6) 03 8319 3491 / 3492 / 3493
  Fax : (6) 03 8319 3494

• Denai Alam
  Tel : (6) 03 7734 0726 / 1750 / 1846
  Fax : (6) 03 7734 5602

• Kajang
  Tel : (6) 03 8736 0798 / 1773 / 2185
  Fax : (6) 03 8736 2362

• Kelana Jaya
  Tel : (6) 03 7806 2955 / 2946
  Fax : (6) 03 7806 1214

• Bangi
  Tel : (6) 03 8912 7708 / 1719 / 0406
  Fax : (6) 03 8912 5971

• Bukit Jelutong
  Tel : (6) 03 7847 3710 / 3711 / 3712
  Fax : (6) 03 7847 3714
• KLANG
  Tel : (6) 03 3342 1911 / 1912 / 1913
  Fax : (6) 03 3342 1914

• KOTA DAMANSARA
  Tel : (6) 03 6141 8447 / 8456 / 8465
  Fax : (6) 03 6141 8474

• PJ NEW TOWN
  Tel : (6) 03 7960 4812 / 4813 / 4814
  Fax : (6) 03 7860 4815

• PUTRA HEIGHTS
  Tel : (6) 03 5192 0981 / 1516 / 1532
  Fax : (6) 03 5192 1534

• RAWANG
  Tel : (6) 03 6091 7652 / 7657 / 7661
  Fax : (6) 03 6091 7682

• SAUJANA UTAMA
  Tel : (6) 03 6038 2877 / 3275 / 3308
  Fax : (6) 03 6038 3384

• WILAYAH PERSEKUTUAN

• PUTRAJAYA
  Tel : (6) 03 8889 3192 / 3193 / 3194
  Fax : (6) 03 8889 3189

• IFIC PUTRAJAYA
  Tel : (6) 03 8861 3698 / 2824
  Fax : (6) 03 8861 2673

• SECTION 14, PETALING JAYA
  Tel : (6) 03 7957 3131 / 3834
  Fax : (6) 03 7957 4141

• SECTION 18, SHAH ALAM
  Tel : (6) 03 5541 0250 / 0255
  Fax : (6) 03 5541 0259

• SEMENYIH
  Tel : (6) 03 8723 4624 / 4629 / 4630
  Fax : (6) 03 8723 4631

• SETIA ALAM
  Tel : (6) 03 3358 1359 / 8413 / 7347
  Fax : (6) 03 3362 3216

• SHAH ALAM
  Tel : (6) 03 5510 1481 / 1492 / 4509
  Fax : (6) 03 5510 1497

• SRI GOMBAK
  Tel : (6) 03 6185 9655 / 9667 / 9672
  Fax : (6) 03 6185 9675

• SUBANG JAYA
  Tel : (6) 03 8023 2072 / 2087 / 2125
  Fax : (6) 03 8023 2140

• SUNGAI BESAR
  Tel : (6) 03 3244 2886 / 3478 / 2434 / 2876
  Fax : (6) 03 3244 3479

• SUNGAI BULOH
  Tel : (6) 03 6156 0082 / 0084 / 0086
  Fax : (6) 03 6156 0085

• TANJUNG KARANG
  Tel : (6) 03 3269 1090 / 1091
  Fax : (6) 03 3269 1091

• UITM SHAH ALAM
  Tel : (6) 03 5510 4194 / 4196
  Fax : (6) 03 5510 4186
PULAU PINANG

- **BANDAR BARU PERDA**
  Tel: (6) 04 540 3150 / 3151 / 3153
  Fax: (6) 04 540 3152

- **BAYAN BARU**
  Tel: (6) 04 642 5094 / 5095 / 5096 / 5097
  Fax: (6) 04 642 5098

- **GEORGETOWN**
  Tel: (6) 04 262 4724 / 4933 / 5019 / 0626
  Fax: (6) 04 262 2594

- **BAGAN SERAI**
  Tel: (6) 05 721 8509 / 8513 / 8512
  Fax: (6) 05 721 8515

- **IPOH**
  Tel: (6) 05 255 3866 / 3867 / 3868
  Fax: (6) 05 253 5760

- **MERU RAYA**
  Tel: (6) 05 527 7701 / 7702 / 7703
  Fax: (6) 05 527 7706

- **SRI MANJUNGG**
  Tel: (6) 05 688 1227 / 9071
  Fax: (6) 05 688 1672

- **KEPALA BATAS**
  Tel: (6) 04 575 5517 / 5579 / 3376
  Fax: (6) 04 575 3986

- **TANJUNG MALIM**
  Tel: (6) 05 459 8237 / 5127 / 5125
  Fax: (6) 05 459 8241

- **TELUK INTAN**
  Tel: (6) 05 622 1700 / 1200 / 1411
  Fax: (6) 05 622 1489

PERAK

- **BAGAN SERAI**
  Tel: (6) 05 721 8509 / 8513 / 8512
  Fax: (6) 05 721 8515

- **IPOH**
  Tel: (6) 05 255 3866 / 3867 / 3868
  Fax: (6) 05 253 5760

- **MERU RAYA**
  Tel: (6) 05 527 7701 / 7702 / 7703
  Fax: (6) 05 527 7706

- **SRI MANJUNGG**
  Tel: (6) 05 688 1227 / 9071
  Fax: (6) 05 688 1672

- **KEPALA BATAS**
  Tel: (6) 04 575 5517 / 5579 / 3376
  Fax: (6) 04 575 3986

- **TANJUNG MALIM**
  Tel: (6) 05 459 8237 / 5127 / 5125
  Fax: (6) 05 459 8241

- **TELUK INTAN**
  Tel: (6) 05 622 1700 / 1200 / 1411
  Fax: (6) 05 622 1489
KELANTAN

- BANDAR BARU TUNJUNG
  Tel: (6) 09 743 0190 / 0192 / 0193
  Fax: (6) 09 743 0194

- GUA MUSANG
  Tel: (6) 09 912 2003
  Fax: (6) 09 912 1772

- JALAN SULTAN IBRAHIM
  Tel: (6) 09 743 4020 / 4030 / 4060
  Fax: (6) 09 743 3020

- KOTA BAHARU 2
  Tel: (6) 09 741 9222 / 9333 / 9555
  (6) 09 743 8825
  Fax: (6) 09 743 8826

- KUALA KRAI
  Tel: (6) 09 966 4627 / 3002 / 3008
  Fax: (6) 09 966 4651

- KUBANG KERIAN
  Tel: (6) 09 764 0058 / 0070 / 0071
  Fax: (6) 09 764 0057

- MACHANG
  Tel: (6) 09 975 2800 / 1490
  Fax: (6) 09 975 2900

- PASIR MAS
  Tel: (6) 09 790 0750 / 0751
  Fax: (6) 09 790 0752

- PASIR PUTIH
  Tel: (6) 09 786 0061 / 0062 / 0063
  Fax: (6) 09 786 0068

- PASIR TUMBOH
  Tel: (6) 09 764 4077
  Fax: (6) 09 764 6077

- RANTAU PANJANG
  Tel: (6) 09 795 0077 / 2768
  Fax: (6) 09 795 0088

- TANAH MERAH
  Tel: (6) 09 955 8341 / 2341
  Fax: (6) 09 955 8342

- PADANG GARONG
  Tel: (6) 09 747 1867 / 9313 / 9317
  Fax: (6) 09 747 1902

- WAKAF BAHARU
  Tel: (6) 09 719 8444 / 8445 / 8446
  Fax: (6) 09 719 8447
REGIONAL OFFICE

PAHANG

- BANDAR MUADZAM SHAH
  Tel: (6) 09 452 3175 / 5175 / 5176
  Fax: (6) 09 452 3177

- JENGKA
  Tel: (6) 09 466 2890 / 2871 / 4837 / 4153
  Fax: (6) 09 466 2891

- JERANTUT
  Tel: (6) 09 266 6120 / 6121 / 9096
    (6) 09 266 9380 / 9381
  Fax: (6) 09 266 6380

- KUALA ROMPIN
  Tel: (6) 09 414 6064 / 6065 / 6068
  Fax: (6) 09 414 6074

- KUANTAN
  Tel: (6) 09 513 3366 / 3367 / 3368
  Fax: (6) 09 513 3369

- PEKAN
  Tel: (6) 09 422 8622 / 8922
  Fax: (6) 09 422 8818

- PUTRA SQUARE
  Tel: (6) 09 517 3225 / 3229 / 3231
  Fax: (6) 09 517 3235

- RAUB
  Tel: (6) 09 355 8300 / 8301
  Fax: (6) 09 355 8302

- TEMERLOH
  Tel: (6) 09 296 5301 / 3222 / 1416
  Fax: (6) 09 296 5300

2nd Floor, Putra Square Branch
25200 Kuantan
Pahang
Tel: (6) 09 517 3452 / 3491 / 3584
Fax: (6) 09 517 3605
DIRECTORY
EASTERN REGION
(cont’d)

TERENGANU

• CHUKAI
  Tel : (6) 09 859 9999 / 9977
  Fax : (6) 09 858 1675

• DUNGUN
  Tel : (6) 09 848 5498
  (6) 09 845 3302 / 3055
  Fax : (6) 09 848 5502

• JALAN PADANG HILIRAN
  Tel : (6) 09 631 3533 / 8354 / 8355
  Fax : (6) 09 631 3633

• JERTEH
  Tel : (6) 09 697 3388 / 1672 / 1673
  Fax : (6) 09 697 1592

• KUALA TERENGGANU
  Tel : (6) 09 622 4730 / 4744 / 4754 / 4780
  (6) 09 623 4537
  Fax : (6) 09 623 3944

• KUALA NERUS
  Tel : (6) 09 667 1700 / 1702 / 1703
  Fax : (6) 09 667 1705
DIRECTORY
SOUTHERN REGION

REGIONAL OFFICE

01 15th Floor, Menara TH
Jalan Ayer Molek, 80000 Johor Bahru
Johor
Tel : (6) 07 225 8800
Fax : (6) 07 225 8901

Johor

AERO MALL AIRPORT, JB
Tel : (6) 07 598 5975 / 5977
Fax : (6) 07 598 5978

AUSTIN HEIGHT
Tel : (6) 07 364 3070 / 3081 / 3293
Fax : (6) 07 364 3839

BANDAR PENAWAR
Tel : (6) 07 822 2802 / 2803 / 2804
Fax : (6) 07 822 2806

BATU PAHAT
Tel : (6) 07 431 9350 / 9352 / 8927
Fax : (6) 07 431 9351

IFIC JOHOR BAHRU
Tel : (6) 07 223 7030 / 7031
Fax : (6) 07 223 7032

JOHOR BAHRU
Tel : (6) 07 224 0242 / 0244 / 0272
Fax : (6) 07 224 0243

KLUANG
Tel : (6) 07 772 6423 / 6417 / 6878
Fax : (6) 07 773 2702

KOTA TINGGI
Tel : (6) 07 883 8800 / 5582
Fax : (6) 07 882 6205
Fax : (6) 07 882 4485

KULAIJAYA
Tel : (6) 07 663 5204 / 5205 / 5206
Fax : (6) 07 663 3208

MERSING
Tel : (6) 07 799 5076 / 6606 / 6607 / 6608
Fax : (6) 07 799 5077

MUAR
Tel : (6) 06 952 8301 / 8302 / 8303
Fax : (6) 06 952 8304

PASIR GUDANG
Tel : (6) 07 252 6671 / 6672 / 6673
Fax : (6) 07 252 6676

PONTIAN
Tel : (6) 07 688 1909 / 2259
Fax : (6) 07 686 5666
Fax : (6) 07 688 3660

SEGAMAT
Tel : (6) 07 932 4257 / 2901 / 2862 / 2873
Fax : (6) 07 932 4273

TAMBAN BUKIT INDAH
Tel : (6) 07 239 5977 / 5978 / 5979
Fax : (6) 07 239 5980

TAMPOI
Tel : (6) 07 234 5228 / 5229 / 8785
Fax : (6) 07 234 5230
DIRECTORY
SOUTHERN REGION
(cont’d)

MELAKA

AYER KEROH
Tel : (6) 06 232 0986 / 1273 / 6559
Fax : (6) 06 232 6561

BANDAR MELAKA
Tel : (6) 06 284 1366 / 1367 / 1368
Fax : (6) 06 284 7257

NEGERI SEMBILAN

KUALA PILAH
Tel : (6) 06 481 4600 / 8482
Fax : (6) 06 481 1431

NILAI
Tel : (6) 06 799 0549 / 0277 / 6124
Fax : (6) 06 799 6217

PORT DICKSON
Tel : (6) 06 647 4330
Fax : (6) 06 647 5657

IFIC BANDA KABA
Tel : (6) 06 288 0425 / 0426 / 0427
Fax : (6) 06 288 0428

JASIN
Tel : (6) 06 529 5301 / 5302 / 5303
Fax : (6) 06 529 5312

MASJID TANAH
Tel : (6) 06 384 5108 / 8340 / 8332
Fax : (6) 06 384 5109

SENAWANG
Tel : (6) 06 678 2731 / 2732 / 2733
Fax : (6) 06 678 2734

SEREMBAN
Tel : (6) 06 762 9814 / 9815 / 9816 / 9817
Fax : (6) 06 763 8391

TAMPIN
Tel : (6) 06 441 4131 / 4132 / 4133
Fax : (6) 06 441 7479

BANDAR ENSTEK
Tel : (6) 06 799 6484 / 6485 / 6486
Fax : (6) 06 799 6487

REGIONAL OFFICE

JC 526 & 527
Tingkat 1, Jalan Bestari 5
77200 Jasin, Melaka
Tel : (6) 06 529 4402 / 4403
Fax : (6) 06 529 4370
DIRECTORY

EAST MALAYSIA REGION

REGIONAL OFFICE

1st Floor
UMNO Building, Jalan Kemajuan
88500 Kota Kinabalu, Sabah
Tel : (6) 088 447 114 / 160 / 260
Fax : (6) 088 447 256

01

SABAH

ALAMESRA
Tel : (6) 088 487 978 / 975 / 976
Fax : (6) 088 487 980

KOTA KINABALU
Tel : (6) 088 447 285 / 306 / 312 / 314
Fax : (6) 088 447 315

LAHAD DATU
Tel : (6) 089 863 255 / 244 / 577
Fax : (6) 089 863 433

TAWAU
Tel : (6) 089 778 966 / 758
Fax : (6) 089 779 666

SANDAKAN
Tel : (6) 089 214 885 / 942 / 964
Fax : (6) 089 214 977

KENINGAU
Tel : (6) 087 342 201 / 202 / 203
Fax : (6) 087 342 204

WILAYAH PERSEKUTUAN

LABUAN
Tel : (6) 087 419 205 / 424 667
Fax : (6) 087 419 206
KUCHING
Tel : (6) 082 412 259 / 413 229
(6) 082 414 159 / 417 289
Fax : (6) 082 410 446

MIRI
Tel : (6) 085 415 422 / 424 / 425
Fax : (6) 085 415 421

SIBU
Tel : (6) 084 327 140 / 141 / 142
Fax : (6) 084 327 144

SIMPANG TIGA, KUCHING
Tel : (6) 082 453 716 / 726 / 736
Fax : (6) 082 453 711
### ALOR SETAR
Lot 2024, Jalan Langgar
05000 Alor Setar
Kedah
Tel : (6) 04 731 9090
Fax : (6) 04 730 5050

### KUBANG KERIAN
PT816, Ground Floor
Jalan Raja Perempuan Zainab II
Bandar Baru Kubang Kerian
16150 Kota Bharu
Kelantan
Tel : (6) 09 767 8090
Fax : (6) 09 764 5090

### TANAH MERAH
Lot PT175
Jalan Hospital
17500 Tanah Merah
Kelantan
Tel : (6) 09 955 7090
Fax : (6) 09 955 5090

### SUNGAI PETANI
21-B, Jalan Ibrahim
08000 Sungai Petani
Kedah
Tel : (6) 04 421 9090
Fax : (6) 04 421 5050

### PASIR MAS
Lot 319, Seksyen 1
Jalan Pasir Pekan
17000 Pasir Mas
Kelantan
Tel : (6) 09 790 8090
Fax : (6) 09 790 3090

### KUALA TERENGGANU
MBKT-No 19
Pusat Niaga Paya Keladi
Kampung Paya Keladi
20200 Kuala Terengganu
Terengganu
Tel : (6) 09 626 7090
Fax : (6) 09 623 5050

### KOTA BHARU
No 1154 & 1155, Seksyen 11
Lorong Medan MARA
15000 Kota Bharu
Kelantan
Tel : (6) 09 748 9090
Fax : (6) 09 748 9050

### PASIR PUTIH
No PT546, Seksyen 2
Jalan Nara
16800 Pasir Puteh
Kelantan
Tel : (6) 09 786 9090
Fax : (6) 09 786 5050

### KUANTAN
No G-11, Ground Floor
Mahkota Square
Jalan Mahkota
25000 Kuantan
Pahang
Tel : (6) 09 517 9090
Fax : (6) 09 514 5050
SUBSIDIARIES OF
BANK ISLAM MALAYSIA BERHAD

**BIMB INVESTMENT MANAGEMENT BERHAD**

19th Floor, Menara Bank Islam  
No 22, Jalan Perak  
50450 Kuala Lumpur  
Tel : (6) 03 2161 2524 / 2924  
Toll Free : 1800 88 1196  
Fax : (6) 03 2161 2464

**BANK ISLAM TRUST COMPANY (LABUAN) LTD**

Level 5th, Main Office Tower  
Financial Park Complex  
Jalan Merdeka  
87000 F.T Labuan  
Tel : (6) 087 451 806  
Fax : (6) 087 451 808

**AL-WAKALAH NOMINEES (TEMPATAN) SDN BHD**

21st Floor, Menara Bank Islam  
No. 22, Jalan Perak  
50450 Kuala Lumpur  
Tel : (6) 03 2726 7724  
Fax : (6) 03 2726 7733

**FARIHAN CORPORATION SDN BHD**

19th Floor, Menara Bank Islam  
No 22, Jalan Perak  
50450 Kuala Lumpur  
Tel : (6) 03 2782 1333  
Fax : (6) 03 2782 1355