



**CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2019**

**UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	Note	Group		Bank	
		30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
ASSETS					
Cash and bank balances		1,145,916	833,602	1,143,477	831,426
Deposits and placements with financial institutions		572,000	330,028	572,000	330,028
Financial investments at fair value through profit or loss	1	800,958	742,297	800,958	742,297
Financial investments at fair value through other comprehensive income	2	22,901,896	22,329,782	22,901,888	22,329,773
Financial investments at amortised cost	3	10,193,148	10,155,789	10,193,148	10,155,789
Financing and advances	4	70,174,443	69,003,855	70,174,443	69,003,855
Trade receivables		3,733	2,459	-	-
Other assets	5	1,116,192	1,132,604	1,103,686	1,097,380
Right-of-use assets		31,276	-	31,099	-
Inventories		11,891	8,018	-	-
Investment in subsidiaries		-	-	100,744	100,744
Property and equipment		690,817	713,862	599,400	621,876
Intangible assets		261,033	265,294	247,848	252,109
Investment properties		1,246,286	1,214,812	1,005,948	1,005,948
Prepaid lease payment		59,564	60,708	59,564	60,708
Tax recoverable		137,622	5,780	136,280	3,267
Deferred tax assets		644	86,333	-	86,000
TOTAL ASSETS		109,347,419	106,885,223	109,070,483	106,621,200

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

**UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019 (CONTINUED)**

	Note	Group		Bank	
		30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
LIABILITIES					
Deposits from customers	6	84,375,379	82,735,900	84,375,379	82,735,900
Deposits and placements from banks and financial institutions		1,130,000	824,000	1,130,000	824,000
Trade payables		1,754	2,840	-	-
Recourse obligations on financing sold to Cagamas		365,938	710,335	365,938	710,335
Debt securities issued		2,744,820	3,143,366	2,744,820	3,143,366
Other liabilities	7	1,505,834	1,590,976	1,621,019	1,711,453
Provision for taxation		298	18	-	-
Deferred tax liabilities		11,254	4,064	3,000	-
TOTAL LIABILITIES		90,135,277	89,011,499	90,240,156	89,125,054
SHAREHOLDERS' FUND					
Share capital		2,986,030	2,986,030	2,986,030	2,986,030
Share redemption fund		11,900	19,104	11,900	19,104
Reserves	8	16,214,212	14,868,590	15,832,397	14,491,012
TOTAL SHAREHOLDERS' FUND		19,212,142	17,873,724	18,830,327	17,496,146
TOTAL LIABILITIES AND SHAREHOLDERS' FUND		109,347,419	106,885,223	109,070,483	106,621,200
COMMITMENT AND CONTINGENCIES	14	2,520,436	2,796,414	2,520,436	2,796,414

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

Group	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income	9	1,614,069	1,648,831	4,900,191	4,854,426
Expenditure	10	(807,898)	(875,195)	(2,509,761)	(2,531,819)
Net income		806,171	773,636	2,390,430	2,322,607
Allowance for impairment	11	(123,916)	(178,256)	(501,525)	(483,666)
Other operating income	12	98,536	218,885	401,422	291,017
Operating expenses	13	(358,643)	(311,929)	(1,001,532)	(892,159)
Profit before taxation and zakat		422,148	502,336	1,288,795	1,237,799
Taxation		94,144	(245,464)	(50,260)	(300,916)
Zakat		(8,818)	(9,143)	(23,096)	(24,598)
Profit after taxation and zakat		507,474	247,729	1,215,439	912,285
<u>Other comprehensive income</u>					
Items that may be reclassified subsequently to profit or loss:					
Net gain on revaluation of financial investments at fair value through other comprehensive income					
		144,317	144,946	508,789	42,793
Other comprehensive income for the period		144,317	144,946	508,789	42,793
Total comprehensive income for the period		651,791	392,675	1,724,228	955,078

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (CONTINUED)**

Bank	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income	9	1,606,778	1,621,067	4,854,102	4,810,338
Expenditure	10	(804,079)	(850,310)	(2,470,083)	(2,489,988)
Net income		802,699	770,757	2,384,019	2,320,350
Allowance for impairment	11	(123,916)	(178,256)	(501,525)	(483,666)
Other operating income	12	96,144	218,671	396,552	289,182
Operating expenses	13	(354,469)	(313,444)	(997,831)	(903,024)
Profit before taxation and zakat		420,458	497,728	1,281,215	1,222,842
Taxation		94,584	(244,371)	(47,304)	(297,478)
Zakat		(8,750)	(8,809)	(22,709)	(24,021)
Profit after taxation and zakat		506,292	244,548	1,211,202	901,343
<u>Other comprehensive income</u>					
Items that may be reclassified subsequently to profit or loss:					
Net gain on revaluation of financial investments at fair value through other comprehensive income					
		144,317	144,946	508,789	42,793
Other comprehensive income for the period		144,317	144,946	508,789	42,793
Total comprehensive income for the period		650,609	389,494	1,719,991	944,136

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

Group	← Non-distributable →			Distributable	
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2018					
As previously stated	2,986,030	36,440	5,967,351	7,638,532	16,628,353
Effect of adopting MFRS 9	-	-	68,779	(65,749)	3,030
Restated balance as at 1 January 2018	2,986,030	36,440	6,036,130	7,572,783	16,631,383
Total comprehensive income for the period	-	-	42,793	912,285	955,078
Issuance to new members	11,243	-	-	-	11,243
Share withdrawal	(22,350)	-	-	-	(22,350)
Transfer to share capital	11,107	(11,107)	-	-	-
Dividends	-	-	-	(469,774)	(469,774)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	264	264
At 30 September 2018	2,986,030	25,333	6,078,923	8,015,558	17,105,844
At 1 January 2019	2,986,030	19,104	6,535,696	8,332,894	17,873,724
Total comprehensive income for the period	-	-	508,789	1,215,439	1,724,228
Issuance to new members	10,631	-	-	-	10,631
Share withdrawal	(17,835)	-	-	-	(17,835)
Transfer to share capital	7,204	(7,204)	-	-	-
Dividends	-	-	-	(378,974)	(378,974)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	368	368
At 30 September 2019	2,986,030	11,900	7,044,485	9,169,727	19,212,142

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (CONTINUED)**

Bank	← Non-distributable →			Distributable		Total RM'000
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000		
At 1 January 2018						
As previously stated	2,986,030	36,440	5,968,092	7,239,389		16,229,951
Effect of adopting MFRS 9	-	-	68,779	(65,749)		3,030
Restated balance as at 1 January 2018						
	2,986,030	36,440	6,036,871	7,173,640		16,232,981
Total comprehensive income for the period	-	-	42,793	901,343		944,136
Issuance to new members	11,243	-	-	-		11,243
Share withdrawal	(22,350)	-	-	-		(22,350)
Transfer to share capital	11,107	(11,107)	-	-		-
Dividends	-	-	-	(469,774)		(469,774)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	264		264
At 30 September 2018						
	2,986,030	25,333	6,079,664	7,605,473		16,696,500
At 1 January 2019						
	2,986,030	19,104	6,536,437	7,954,575		17,496,146
Total comprehensive income for the period	-	-	508,789	1,211,202		1,719,991
Issuance to new members	10,631	-	-	-		10,631
Share withdrawal	(17,835)	-	-	-		(17,835)
Transfer to share capital	7,204	(7,204)	-	-		-
Dividends	-	-	-	(378,974)		(378,974)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	368		368
At 30 September 2019						
	2,986,030	11,900	7,045,226	8,787,171		18,830,327

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

**UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

	Group		Bank	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit for the period	1,215,439	912,285	1,211,202	901,343
Adjustments for:				
Taxation	50,260	300,916	47,304	297,478
Zakat	23,096	24,598	22,709	24,021
Profit expense on debt securities issued	97,574	117,777	97,574	117,777
Allowance for impairment on financing and advances	503,261	483,666	503,261	483,666
Allowance for impairment on financial investment at fair value through other comprehensive income	220	-	220	-
Allowance for impairment on financial investment at amortised cost	(1,956)	-	(1,956)	-
Depreciation of property and equipment	41,269	64,953	40,357	63,101
Depreciation of right-of-use assets	18,552	-	17,568	-
Amortisation of prepaid lease payment	1,144	1,144	1,144	1,144
Amortisation of intangible assets	18,043	-	18,043	-
Loss on property and equipment written off	81	96	81	4
Gain on disposal of property and equipment	(77)	(281)	(77)	-
Loss on financing written off	10,296	11,171	10,296	11,171
Gain on revaluation of investment properties	(4,556)	-	-	-
Allowance for doubtful debts	7,298	444	7,298	960
Allowance for doubtful debts no longer required	(78)	(204)	-	-
Allowance for impairment loss on financial investment at amortised cost no longer required	-	(371)	-	(371)
Net gain on disposal of financial investment at fair value through profit or loss	(10,257)	(8,439)	(10,257)	(8,439)
Net (gain)/loss on revaluation of financial investments at fair value through profit or loss	(40,772)	117,234	(40,772)	117,234
Net gain on disposal of financial investments at fair value through other comprehensive income	(129)	(213)	(129)	(213)
Profit expense on financing sold with recourse to Cagamas	22,274	25,900	22,274	25,900
Dividend from financial investments at fair value through profit or loss	(16,905)	(9,800)	(16,905)	(9,800)
Operating profit before working capital changes	1,934,077	2,040,876	1,929,235	2,024,976

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

**UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (CONTINUED)**

	Group		Bank	
	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
(Increase)/Decrease in assets:				
Deposits and placements with financial institutions	(241,972)	870,243	(241,972)	870,243
Financing and advances	(1,684,145)	259,951	(1,684,145)	259,951
Trade receivables	(1,196)	(4,494)	-	-
Other assets	9,114	22,538	(13,604)	28,926
Inventories	(3,873)	(5,984)	-	-
Increase/(Decrease) in liabilities:				
Deposits from customers	1,639,479	1,035,040	1,639,479	1,035,040
Deposits and placements from banks and financial institutions	306,000	-	306,000	-
Trade payables	(1,086)	835	-	-
Recourse obligations on financing sold to Cagamas	(366,671)	(54,317)	(366,671)	(54,317)
Other liabilities	(134,441)	(7,630)	(138,918)	(24,549)
Cash generated from operations	1,455,286	4,157,058	1,429,404	4,140,270
Income tax paid	(99,347)	(5,924)	(99,347)	(1,148)
Tax refund	10,404	-	8,030	-
Zakat paid	(24,469)	(26,118)	(23,862)	(24,679)
Net cash from operating activities	1,341,874	4,125,016	1,314,225	4,114,443
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Purchases of financial investments at fair value through profit or loss	(2,360,000)	(2,005,000)	(2,360,000)	(2,005,000)
Net proceed from disposal of financial investments at fair value through profit or loss	2,352,368	1,645,745	2,352,368	1,645,745
Purchases of financial investments at fair value through other comprehensive income	(1,935,000)	(4,371,000)	(1,935,000)	(4,371,000)
Net proceed from disposal of financial investment at fair value through other comprehensive income	1,871,584	1,644,481	1,871,583	1,644,114

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

**UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (CONTINUED)**

	Group		Bank	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES (CONTINUED)				
Purchases of financial investments at amortised cost	(3,273,000)	(4,473,260)	(3,273,000)	(4,473,260)
Proceed from disposal of financial investments at amortised cost	3,237,597	4,199,706	3,237,597	4,199,706
Purchases of investment property	(26,918)	(1,951)	-	-
Purchases of property and equipment	(18,301)	(275,288)	(17,952)	(274,588)
Purchases of intangible assets	(13,782)	-	(13,782)	-
Proceeds from disposal of property and equipment	74	-	67	-
Dividend from financial investments at fair value through profit or loss	16,905	9,800	16,905	9,800
Net cash used in investing activities	(148,473)	(3,626,767)	(121,214)	(3,624,483)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from issue of shares to members	10,631	11,243	10,631	11,243
Dividend paid	(378,973)	(469,774)	(378,973)	(469,774)
Fund received from government	2,649	-	2,649	-
Payment of profit expenses on debt securities issued	(496,120)	(87,960)	(496,120)	(87,960)
Repayment of lease liabilities	(19,272)	-	(19,146)	-
Payment of financing from other financial institution	-	(8,844)	-	-
Net cash used in financing activities	(881,085)	(555,335)	(880,959)	(546,491)
Net increase in cash and cash equivalents	312,314	(57,087)	312,051	(56,532)
Cash and cash equivalents at beginning of period	833,602	1,056,304	831,426	1,049,619
Cash and cash equivalents at end of period	1,145,916	999,217	1,143,477	993,087

These interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2018

EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”)

Basis of Preparation

The unaudited interim financial statements for the third quarter and nine months ended 30 September 2019 have been prepared under historical cost convention except for the following assets and liabilities which are stated at fair values, i.e. financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, and investment properties.

The unaudited interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board (“MASB”). The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2018.

On 1 January 2019, the Group and the Bank have applied MFRS 16, Leases for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained profits brought forward and not restate prior year/period comparatives information which remain as previously reported under MFRS 117, Leases and related interpretations. The Group and the Bank have elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there were no impact to the retained profits brought forward as at 1 January 2019.

The detailed financial impact of the adoption of MFRS 16 on the financial statements of the Group and of the Bank are disclosed in Note 16.

Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the audited financial statements for the financial year ended 31 December 2018 was not qualified.

Comments on Seasonal or Cyclical Factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the third quarter and nine months ended 30 September 2019.

Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, shareholders’ fund, net income or cash flows of the Group and the Bank in the third quarter and nine months ended 30 September 2019.

Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the third quarter and nine months ended 30 September 2019.

Debt and Equity Securities

There were no new issuance of debt securities by the Bank during the period.

Dividends Paid and Distributed

During the nine months ended 30 September 2019, final dividend for the year ended 31 December 2018 was paid amounting to RM 378,972,869 comprising of 13% cash dividend.

NOTE 1: FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Debt instruments at fair value through profit or loss:		
Government investment issues	233,673	203,600
Islamic redeemable convertible preference shares	203,584	202,096
	437,257	405,696
Equity securities at fair value through profit or loss:		
Quoted shares	362,169	335,182
Unit trust shares	1,532	1,419
	363,701	336,601
Total financial investments at fair value through profit or loss	800,958	742,297

NOTE 2: FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Debt instruments at fair value through other comprehensive income:				
Islamic debt securities	4,958,009	4,766,558	4,958,009	4,766,558
Government investment issues	9,287,982	9,218,783	9,287,982	9,218,783
Government sukuk	6,181,618	5,637,781	6,181,618	5,637,781
Khazanah sukuk	227,503	217,208	227,503	217,208
Cagamas sukuk	2,210,805	2,451,645	2,210,805	2,451,645
	22,865,917	22,291,975	22,865,917	22,291,975
Equity securities at fair value through other comprehensive income:				
Unquoted shares	35,979	37,807	35,970	37,798
	35,979	37,807	35,970	37,798
Total financial investments at fair value through other comprehensive income	22,901,896	22,329,782	22,901,888	22,329,773

Movement of accumulated impairment losses for debt instruments at fair value through other comprehensive income is as follows:

	12-month ECL Stage 1 RM'000
At 1 January 2018	-
Changes in credit risk	475
At 31 December 2018 / 1 January 2019	475
Changes in credit risk	220
At 30 September 2019	695

NOTE 3: FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
At amortised cost		
Islamic debt securities	759,193	701,498
Government investment issues	5,448,104	5,912,370
Government sukuk	2,755,063	2,312,408
Khazanah sukuk	301,177	340,579
Cagamas sukuk	720,122	698,173
Negotiable Islamic debt certificates	199,841	148,698
Islamic commercial papers	29,916	64,287
	10,213,416	10,178,013
Less: Accumulated impairment losses		
Islamic debt securities	(20,266)	(22,224)
Islamic commercial papers	(2)	-
	(20,268)	(22,224)
Total financial investments at amortised cost	10,193,148	10,155,789

Movement of accumulated impairment losses is as follows:

	12-month ECL	Lifetime ECL Credit Impaired	Total RM'000
	Stage 1 RM'000	Stage 3 RM'000	
At 1 January 2018	-	22,957	22,957
Changes in credit risk	55	(788)	(733)
At 31 December 2018 / 1 January 2019	55	22,169	22,224
Changes in credit risk	35	(1,991)	(1,956)
At 30 September 2019	90	20,178	20,268

NOTE 4: FINANCING AND ADVANCES

(i) By type of financing

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
At amortised cost		
Term financing		
- Personal financing	55,274,052	54,877,113
- House financing	6,438,073	5,922,323
- Hire-purchase receivables	1,764,124	1,574,551
- Syndicated financing	292,833	356,259
- Bridging financing	266,881	232,863
- Other term financing	4,601,274	4,473,239
Pawn broking	1,791,873	1,728,090
Cashline	62,441	-
Revolving credit	355,780	367,287
Credit card	428,918	444,036
Staff financing	449,673	425,103
Gross financing and advances, net of unearned income	71,725,922	70,400,864
Allowance for impairment on financing and advances:		
Collective assessment impairment - 12 months expected credit loss (ECL)	(588,096)	(428,090)
Collective assessment impairment - lifetime ECL	(573,046)	(591,287)
Individual assessment impairment - lifetime ECL	(390,337)	(377,632)
Net financing and advances	70,174,443	69,003,855

(ii) By type of customer

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Individuals	67,273,706	66,148,042
Business enterprises	1,963,022	1,928,258
Non-bank financial institutions - Co-operatives	2,378,356	2,224,996
Foreign entities	1,801	1,489
Other entities	109,037	98,079
	71,725,922	70,400,864

NOTE 4: FINANCING AND ADVANCES (CONTINUED)

(iii) By economic sector

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Purchase of securities	34,518	45,169
Purchase of non-residential property	192,882	186,904
Consumption credit	67,203,242	65,951,587
Agriculture	103,500	100,667
Manufacturing	59,373	120,681
Electricity, gas and water	879	182
Construction	847,320	906,823
Wholesale and retail trade	221,343	167,938
Transportation and communication	90,639	80,817
Financial, takaful and business services	2,759,490	2,560,520
Community, social and personal services	212,736	279,576
	71,725,922	70,400,864

(iv) Impaired financing and advances by economic sector

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Purchase of securities	164	65
Purchase of non-residential property	144,008	111,397
Consumption credit	650,309	568,030
Agriculture	43	-
Manufacturing	2,540	83,723
Construction	283,460	361,126
Wholesale and retail trade	3,802	-
Transportation and communication	-	11,149
Financial, takaful and business services	349,763	354,982
Community, social and personal services	-	278
	1,434,089	1,490,750

NOTE 4: FINANCING AND ADVANCES (CONTINUED)

(v) Movement in impaired financing and advances

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
As of 1 January	1,490,750	1,575,025
Classified as impaired during the period	943,179	1,360,789
Amount written-back in respect of recoveries	(680,194)	(972,603)
Amount written-off during the period	(319,646)	(472,461)
	(56,661)	(84,275)
Closing balance	1,434,089	1,490,750
Gross impaired financing and advances as a percentage of gross financing and advances	2.00%	2.12%

(vi) Movement in allowance for individual assessment impairment on financing and advances

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Individual assessment impairment		
As of 1 January		
as previously stated	377,632	448,749
effect of adopting MFRS 9	-	12,238
Restated balance as of 1 January	377,632	460,987
Charge/(write back) to profit or loss, net	13,047	(71,668)
Amount written off during the period	(342)	(11,687)
Closing balance	390,337	377,632

NOTE 4: FINANCING AND ADVANCES (CONTINUED)

(vii) Movement in allowance for collective assessment impairment on financing and advances

	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Collective assessment impairment				
As of 1 January 2018				
as previously stated				991,019
effect of adopting MFRS 9				(305)
Restated balance as of 1 January	398,815	176,090	415,809	990,714
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	7,838	(17,125)	(33,194)	(42,481)
- Transfer to lifetime ECL not credit impaired (Stage 2)	(13,510)	65,054	(46,938)	4,606
- Transfer to lifetime ECL credit impaired (Stage 3)	(4,611)	(11,209)	643,360	627,540
New financial assets originated	131,353	4,771	8,651	144,775
Changes in credit risk	(51,150)	(86,619)	30,910	(106,859)
Financial assets derecognised	(40,645)	(12,201)	(85,298)	(138,144)
Amount written off	-	-	(460,774)	(460,774)
At 31 December 2018	428,090	118,761	472,526	1,019,377
As of 1 January 2019	428,090	118,761	472,526	1,019,377
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	1,881	(647)	(787)	447
- Transfer to lifetime ECL not credit impaired (Stage 2)	(51,933)	135,816	(102,529)	(18,646)
- Transfer to lifetime ECL credit impaired (Stage 3)	(3,699)	(12,144)	449,006	433,163
New financial assets originated	100,667	7,669	6,026	114,362
Changes in credit risk	(47,272)	(18,538)	97,596	31,786
Financial assets derecognised	(62,614)	(7,941)	(30,876)	(101,431)
Amount written off	-	-	(317,915)	(317,916)
At 30 September 2019	365,120	222,976	573,046	1,161,142

NOTE 5: OTHER ASSETS

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Amount due from subsidiaries	-	-	23,478	18,492
Other receivables	707,722	725,311	718,547	721,511
Allowance for doubtful debts	(25,566)	(15,730)	(25,210)	(15,258)
Refundable deposits	55,787	54,991	10,075	10,004
Prepayments	178,249	168,032	176,796	162,631
Contribution to Central Liquidity Monetary Fund	200,000	200,000	200,000	200,000
	1,116,192	1,132,604	1,103,686	1,097,380

NOTE 6: DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Savings deposits		
Qard	6,356,728	5,733,537
Term deposits		
Tawarruq	71,655,626	68,929,351
General investment deposits		
Mudarabah	-	12
Negotiable Islamic debt certificate	6,363,025	8,073,000
	84,375,379	82,735,900

(ii) By type of customer

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Government	37,476,964	35,013,502
Business enterprises	27,300,970	31,067,164
Co-operatives	1,973,365	1,947,233
Individuals	15,771,075	12,627,150
Others	1,853,005	2,080,851
	84,375,379	82,735,900

NOTE 7: OTHER LIABILITIES

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Amount due to subsidiaries	-	-	126,444	129,703
Sundry creditors	259,936	265,305	261,292	272,765
Income payable	724,329	676,657	724,328	676,657
Other liabilities and accruals	289,814	417,904	278,203	402,265
Lease liabilities	30,556	-	30,380	-
Government fund	161,973	190,511	161,973	190,511
Zakat payable	39,226	40,599	38,399	39,552
	1,505,834	1,590,976	1,621,019	1,711,453

NOTE 8: RESERVES

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Retained profits	9,169,727	8,332,894	8,787,171	7,954,575
Statutory reserve	6,082,580	6,082,580	6,082,580	6,082,580
Capital reserve	14,617	14,617	15,358	15,358
Fair value reserve of financial investments at FVOCI	617,616	108,827	617,616	108,827
Regulatory reserve	329,672	329,672	329,672	329,672
	16,214,212	14,868,590	15,832,397	14,491,012

NOTE 9: INCOME

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income derived from investment of depositors' fund (i)	1,262,584	1,289,127	3,817,228	3,830,062
Income derived from investment of shareholders' fund (ii)	344,194	331,940	1,036,874	980,276
Income generated by subsidiary companies (iii)	7,291	27,764	46,089	44,088
	1,614,069	1,648,831	4,900,191	4,854,426

NOTE 9: INCOME (CONTINUED)

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' fund (i)	1,262,584	1,289,127	3,817,228	3,830,062
Income derived from investment of shareholders' fund (ii)	344,194	331,940	1,036,874	980,276
	1,606,778	1,621,067	4,854,102	4,810,338

(i) Income derived from investment of depositors' fund

Group and Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income from financing and advances	998,499	1,019,496	3,023,432	3,050,483
Income from deposits and placements with bank and financial institutions	2,872	2,227	4,960	13,496
Income from financial investments	261,213	267,404	788,836	766,083
	1,262,584	1,289,127	3,817,228	3,830,062

(ii) Income derived from investment of shareholders' fund

Group and Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income from financing and advances	272,203	262,529	821,255	780,749
Income from deposits and placements with bank and financial institutions	781	579	1,347	3,454
Income from financial investments	71,210	68,832	214,272	196,073
	344,194	331,940	1,036,874	980,276

NOTE 9: INCOME (CONTINUED)

(iii) Income generated by subsidiary companies

Group	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Agency income	546	12,013	3,333	13,630
Pawning income	-	10,820	29,579	20,396
Rental income	6,376	2,681	7,973	4,395
Management fee	286	2,011	4,963	5,138
Sale of goods	80	67	238	109
Other charges	3	172	4	420
	7,291	27,764	46,089	44,088

NOTE 10: EXPENDITURE

Group	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors (i)	766,813	800,971	2,347,450	2,343,336
Profit expense on financing sold with recourse to Cagamas	5,787	8,524	22,274	25,900
Profit expense on debt securities issued	31,002	39,237	97,574	117,777
Cost of sales	4,296	26,463	42,463	44,806
	807,898	875,195	2,509,761	2,531,819

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors (i)	767,290	802,549	2,350,235	2,346,311
Profit expense on financing sold with recourse to Cagamas	5,787	8,524	22,274	25,900
Profit expense on debt securities issued	31,002	39,237	97,574	117,777
	804,079	850,310	2,470,083	2,489,988

NOTE 10: EXPENDITURE (CONTINUED)

(i) Income attributable to depositors

Group	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
Non-Mudarabah	755,604	799,718	2,321,788	2,335,088
Deposits and placements from banks and other financial institutions				
Non-Mudarabah	11,209	1,253	25,662	8,248
	766,813	800,971	2,347,450	2,343,336

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
Non-Mudarabah	756,081	801,296	2,324,573	2,338,063
Deposits and placements from banks and other financial institutions				
Non-Mudarabah	11,209	1,253	25,662	8,248
	767,290	802,549	2,350,235	2,346,311

NOTE 11: ALLOWANCE FOR IMPAIRMENT

Group and Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing and advances (i)	124,386	178,256	503,261	483,666
Allowance for impairment on financial investments (ii)	(470)	-	(1,736)	-
	123,916	178,256	501,525	483,666

(i) Allowance for impairment on financing and advances

Group and Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Individual impairment	23,043	(32,666)	13,047	(81,800)
Individual impairment on rescheduled financing	10,923	11,516	30,533	28,477
Collective impairment	90,420	199,406	459,681	536,989
	124,386	178,256	503,261	483,666

(ii) Allowance for impairment on financial investments

Group and Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial investments at financial investment at fair value through other comprehensive income	-	-	220	-
Financial investments at amortised cost	(470)	-	(1,956)	-
	(470)	-	(1,736)	-

NOTE 12: OTHER OPERATING INCOME

Group	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fees and commission (i)	51,778	17,691	106,952	46,258
Other income (ii)	46,758	201,194	294,470	244,759
	98,536	218,885	401,422	291,017

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fees and commission (i)	51,778	17,691	106,952	46,258
Other income (ii)	44,365	200,980	289,600	242,924
	96,144	218,671	396,552	289,182

(i) Fees and commission

Group and Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Takaful commission	9,867	8,420	30,471	16,806
Wasiat commission	1,938	589	5,360	1,243
Other commission	33,534	2,258	53,249	5,938
Processing fees	2	-	4	2,002
ATM service fees	3,490	3,436	9,315	10,612
MEPS fees	2,390	2,452	6,925	7,962
Other fees	558	536	1,628	1,695
	51,778	17,691	106,952	46,258

NOTE 12: OTHER OPERATING INCOME (CONTINUED)

(ii) Other income

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Other income from financial instruments				
Dividend from financial investments at fair value through profit or loss	12,853	4,941	16,905	9,800
Net gain on disposal of financial investments at fair value through profit or loss	2,598	42,843	10,257	8,439
Net gain/(loss) on revaluation of financial investments at fair value through profit or loss	(49,934)	(4,542)	40,772	(117,234)
Net gain on disposal of financial investments at fair value through other comprehensive income	-	-	129	213
Others				
Rental income	4,941	6,162	14,343	19,363
Compensation for late payment	1,288	1,370	3,553	3,788
Charges from credit card services	2,671	3,061	8,533	9,259
Other service charges	2,914	2,980	9,074	8,536
Recoveries from financing written off	58,186	63,329	157,246	191,375
Allowance for doubtful debts no longer required	-	183	78	204
Provision for impairment loss on financial assets at amortised cost no longer required	-	-	-	371
Gain on revaluation of investment properties	2,118	-	4,556	-
Gain on disposal of property and equipment	3	34	79	281
Other income	9,122	80,833	28,946	110,364
	46,758	201,194	294,470	244,759

NOTE 12: OTHER OPERATING INCOME (CONTINUED)

(ii) Other income (continued)

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Other income from financial instruments				
Dividend from financial investments at fair value through profit or loss	12,853	4,941	16,905	9,800
Net gain on disposal of financial investments at fair value through profit or loss	2,598	42,843	10,257	8,439
Net gain/(loss) on revaluation of financial investments at fair value through profit or loss	(49,934)	(4,542)	40,772	(117,234)
Net gain on disposal of financial investments at fair value through other comprehensive income	-	-	129	213
Others				
Rental income	4,791	7,207	14,390	20,400
Compensation for late payment	1,288	1,370	3,553	3,788
Charges from credit card services	2,671	3,061	8,533	9,259
Other service charges	2,914	2,980	9,074	8,536
Recoveries from financing written off	58,185	63,329	157,246	191,375
Provision for impairment loss on financial assets at amortised cost no longer required	-	-	-	371
Gain on disposal of property and equipment	3	-	77	-
Other income	8,996	79,791	28,664	107,977
	44,365	200,980	289,600	242,924

NOTE 13: OPERATING EXPENSES

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (i)	198,802	184,058	580,782	524,219
Other overheads and expenditure (ii)	159,841	127,871	420,750	367,940
	358,643	311,929	1,001,532	892,159

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (i)	195,944	179,013	568,898	510,835
Other overheads and expenditure (ii)	158,525	134,431	428,933	392,189
	354,469	313,444	997,831	903,024

(i) Personnel expenses

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	97,273	92,071	286,361	262,344
Allowances, compensation and bonuses	56,236	55,394	167,352	157,105
Defined contribution plan - EPF	27,708	21,741	81,706	63,395
Social security contributions - SOCSO	1,234	1,161	3,639	3,419
Other staff related costs	16,351	13,691	41,724	37,956
	198,802	184,058	580,782	524,219

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	95,404	88,574	278,535	253,246
Allowances, compensation and bonuses	55,835	54,547	165,090	154,783
Defined contribution plan - EPF	27,438	21,276	80,618	62,132
Social security contributions - SOCSO	1,189	1,086	3,473	3,226
Other staff related costs	16,078	13,530	41,182	37,448
	195,944	179,013	568,898	510,835

NOTE 13: OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Establishment				
Rental	(8,637)	4,457	1,047	14,493
Depreciation of property and equipment	13,108	21,622	41,269	64,953
Depreciation of right-of-use assets	18,552	-	18,552	-
Amortisation of prepaid lease payment	381	381	1,145	1,144
Amortisation of intangible assets	6,011	-	18,043	-
Finance cost on lease liabilities	890	-	890	-
Repair and maintenance	24,457	15,284	62,602	49,820
Takaful	95	729	5,764	5,457
	54,858	42,473	149,312	135,867
Promotion				
Advertisement and publicity	6,410	9,090	12,404	16,657
	6,410	9,090	12,404	16,657
General expenses				
Legal and professional fees	3,263	3,218	7,160	7,850
Auditors' remuneration	550	471	1,684	1,346
Communication expenses	8,753	8,387	25,241	24,577
Utilities expenses	8,465	7,633	24,801	23,658
Printing and stationery	3,905	5,493	11,292	15,116
Postage and courier	3,465	1,639	6,027	5,860
Security expenses	8,452	7,716	22,025	21,751
Service charges	9,862	4,495	23,696	13,149
Loss on financing written off	3,422	3,042	10,296	11,171
Loss on property and equipment written off	57	(8)	81	96
Commission expenses	18,813	17,882	57,047	43,267
Travelling and transportation	2,545	2,931	8,510	7,328
Others	27,020	13,409	61,175	40,247
	98,574	76,308	259,035	215,416
	159,841	127,871	420,750	367,940

NOTE 13: OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Establishment				
Rental	(11,788)	6,779	796	19,235
Depreciation of property and equipment	12,864	20,510	40,357	63,101
Depreciation of right-of-use assets	17,568	-	17,568	-
Amortisation of prepaid lease payment	381	381	1,144	1,144
Amortisation of intangible assets	6,011	-	18,043	-
Finance cost on lease liabilities	858	-	858	-
Repair and maintenance	24,544	15,219	62,580	49,605
Takaful	48	702	5,675	5,347
	50,486	43,591	147,021	138,432
Promotion				
Advertisement and publicity	6,375	8,575	12,254	16,064
	6,375	8,575	12,254	16,064
General expenses				
Legal and professional fees	3,058	3,073	6,404	7,432
Auditors' remuneration	490	385	1,471	1,155
Communication expenses	8,709	8,261	25,092	24,339
Utilities expenses	8,447	7,573	24,736	23,556
Printing and stationery	3,832	5,343	11,093	14,813
Postage and courier	3,459	1,614	5,983	5,807
Security expenses	8,452	7,715	21,999	21,747
Service charges	13,317	11,195	38,963	34,245
Loss on financing written off	3,422	3,042	10,296	11,171
Loss on property and equipment written off	57	1	81	4
Commission expenses	18,811	17,882	57,045	43,267
Travelling and transportation	3,411	3,902	10,948	11,091
Others	26,199	12,279	55,547	39,066
	101,664	82,265	269,658	237,693
	158,525	134,431	428,933	392,189

NOTE 14: COMMITMENT AND CONTINGENCIES

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

	Group and Bank	
	30 September 2019	31 December 2018
	RM'000	RM'000
Contingent liabilities		
Bank guarantee given in respect of banking facilities granted to customers	479,630	479,730
Claims for damages from litigation taken against the Bank	130,791	131,885
Commitments		
Undrawn financing	1,910,015	2,184,799
	2,520,436	2,796,414

NOTE 15: CAPITAL ADEQUACY

The Bank is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by Bank Negara Malaysia. The Bank was in compliance with all prescribed capital ratios throughout the period.

	Bank	
	30 September 2019	31 December 2018
Before proposed dividend		
Core capital ratio	20.90%	21.87%
Risk-weighted capital ratio	22.30%	23.25%
After proposed dividend		
Core capital ratio	20.90%	21.33%
Risk-weighted capital ratio	22.30%	22.72%

NOTE 15: CAPITAL ADEQUACY (CONTINUED)

The capital ratios are derived by taking into account the core capital and capital base against the risk weighted assets of the Bank. Components of the capital are as follows:

	Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
Tier I capital		
Paid-up share capital	2,986,030	2,986,030
Retained profits	7,575,970	7,954,575
Other reserves	6,097,938	6,097,938
Total Tier I capital (core)	16,659,938	17,038,543
Tier II capital		
Subordinated sukuk	300,000	300,000
Collective impairment *	588,096	546,851
Regulatory reserve	329,672	329,672
Total Tier II capital	1,217,768	1,176,523
Total capital	17,877,706	18,215,066
Less: Investment in subsidiaries	(100,744)	(100,744)
	(100,744)	(100,744)
Total capital base	17,776,962	18,114,322

* This is surplus amount allowable after taking into account collective impairment allowance on impaired financing of the Bank.

Assets in various categories are risk-weighted as follows:

	Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
Total assets assigned 20% risk-weighted	740,554	725,709
Total assets assigned 50% risk-weighted	2,569,527	2,890,810
Total assets assigned 100% risk-weighted	75,171,268	72,926,532
Off-Balance Sheet claims assigned 100% risk-weighted	1,238,982	1,353,289
	79,720,331	77,896,340

NOTE 16: FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 16 LEASES

The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position of the Group and of the Bank.

Extract of Statements of Financial Position

Group	31 December 2018 RM'000	Reclassification RM'000	1 January 2019 RM'000
ASSETS			
Right-of-use assets *	-	32,329	32,329
LIABILITIES			
Other liabilities **	-	32,329	32,329

Bank	31 December 2018 RM'000	Reclassification RM'000	1 January 2019 RM'000
ASSETS			
Right-of-use assets *	-	31,169	31,169
LIABILITIES			
Other liabilities **	-	31,169	31,169

* Recognition of right-of-use assets

** Recognition of additional lease liabilities and provision for restoration costs.