

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	The Group		The Bank	
		30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
ASSETS					
Cash and short term funds	A6	9,571,844	14,282,896	9,571,799	14,282,850
Deposits and placements with banks and other financial institutions	A6	498,243	530,017	498,243	530,017
Financial assets at fair value through profit or loss	A7	2,392,740	-	2,392,740	-
Debt instruments at fair value through other comprehensive income	A8	2,804,107	-	2,804,107	-
Equity instruments at fair value through other comprehensive income	A9	575	-	575	-
Debt instruments at amortised cost	A10	6,226,584	-	6,226,584	-
Financial assets held for trading	A11	-	3,225,138	-	3,225,138
Financial investments available-for-sale	A12	-	1,923,597	-	1,923,597
Financial investments held-to-maturity	A13	-	4,732,389	-	4,732,389
Islamic derivative financial instruments	A31(i)	596,129	634,306	596,129	634,306
Financing, advances and other financing/loans	A14	70,503,181	57,551,408	70,503,181	57,551,408
Other assets	A15	554,991	604,089	554,991	604,089
Deferred taxation		12,285	17,795	12,285	17,795
Amount due from related companies		674	414	674	414
Statutory deposits with Bank Negara Malaysia		2,034,902	1,554,286	2,034,902	1,554,286
Investment in subsidiaries		-	-	11	11
Property, plant and equipment		3,497	6,031	3,497	6,031
Intangible assets		73,311	79,092	73,311	79,092
Goodwill		136,000	136,000	136,000	136,000
TOTAL ASSETS		95,409,063	85,277,458	95,409,029	85,277,423
LIABILITIES AND EQUITY					
Deposits from customers	A16	70,671,771	64,728,979	70,932,704	64,910,083
Investment accounts of customers	A17	3,439,547	907,763	3,439,547	907,763
Deposits and placements of banks and other financial institutions	A18	1,904,176	2,160,415	1,904,176	2,160,415
Investment accounts due to designated financial institutions	A19	9,708,433	8,145,684	9,708,433	8,145,684
Financial liabilities designated at fair value through profit or loss	A20	1,291	2,233	1,291	2,233
Islamic derivative financial instruments	A31(i)	620,809	692,759	620,809	692,759
Amount due to holding company		386,524	20,588	386,524	20,588
Amount due to related companies		102	813	102	813
Other liabilities	A21	397,259	616,505	517,689	896,914
Provision for taxation		63,881	56,150	63,881	56,150
Recourse obligation on loans and financing sold to Cagamas		1,916,946	2,072,300	1,916,946	2,072,300
Sukuk		383,258	463,257	1,010	1,000
Subordinated Sukuk	A22	613,972	615,006	613,972	615,006
TOTAL LIABILITIES		90,107,969	80,482,452	90,107,084	80,481,708
EQUITY					
Capital and reserves attributable to equity holder of the Bank					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		4,081,094	3,575,006	4,081,945	3,575,715
		5,081,094	4,575,006	5,081,945	4,575,715
Perpetual preference shares		220,000	220,000	220,000	220,000
TOTAL EQUITY		5,301,094	4,795,006	5,301,945	4,795,715
TOTAL EQUITY AND LIABILITIES		95,409,063	85,277,458	95,409,029	85,277,423
COMMITMENTS AND CONTINGENCIES	A31(ii)	58,833,956	55,212,053	58,833,956	55,212,053
Net assets per ordinary share attributable to owners of the Parent (RM)		5.08	4.58	5.08	4.58

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD 30 SEPTEMBER 2018

		The Group			
		3rd Quarter Ended		9 Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of depositors' funds and others	A23	872,336	736,082	2,538,681	2,131,248
Income derived from investment of investment account	A24	157,508	66,534	408,014	177,693
Income derived from investment of shareholder's funds	A25	120,529	82,003	316,072	222,364
Expected credit losses/allowance for impairment losses made on financing, advances and other financing/loans	A26(a)	(33,653)	(16,285)	(81,598)	(56,353)
Expected credit losses (made)/ written back for commitments and contingencies		(1,423)	-	1,872	-
Other expected credit losses/allowance (made)/written back for other impairment losses	A26(b)	(4)	20	(524)	1
Total distributable income		1,115,293	868,354	3,182,517	2,474,953
Income attributable to depositors and others	A27	(579,108)	(475,088)	(1,653,877)	(1,361,935)
Profit distributed to investment account holder	A28	(125,035)	(50,487)	(325,147)	(131,097)
Total net income		411,150	342,779	1,203,493	981,921
Personnel expenses	A29	(7,113)	(7,088)	(20,533)	(23,465)
Other overheads and expenditures	A30	(141,525)	(129,700)	(423,963)	(381,699)
Profit before taxation and zakat		262,512	205,991	758,997	576,757
Taxation and zakat		(23,139)	(50,619)	(144,269)	(140,942)
Profit for the financial period		239,373	155,372	614,728	435,815

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD 30 SEPTEMBER 2018

	The Group			
	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	239,373	155,372	614,728	435,815
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve financial investments available-for-sale	-	50	-	7,877
- Net gain from change in fair value	-	1,129	-	12,519
- Realised gain transferred to statement of income on disposal and impairment	-	(1,064)	-	(2,155)
- Income tax effects	-	(15)	-	(2,487)
Debt instruments at fair value through other comprehensive income	17,349	-	8,969	-
- Net gain from change in fair value	25,767	-	16,544	-
- Realised gain transferred to statement of income on disposal	(2,983)	-	(5,386)	-
- Changes in expected credit losses	33	-	489	-
- Income tax effects	(5,468)	-	(2,678)	-
Other comprehensive income for the period, net of tax	17,349	50	8,969	7,877
Total comprehensive income for the financial period	256,722	155,422	623,697	443,692
Earnings per share (sen)	B3	23.94	15.54	61.47

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD 30 SEPTEMBER 2018

		The Bank			
		3rd Quarter Ended		9 Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of depositors' funds and others	A23	872,336	736,082	2,538,681	2,131,248
Income derived from investment of investment account	A24	157,508	66,534	408,014	177,693
Income derived from investment of shareholder's funds	A25	121,122	82,712	317,932	224,508
Expected credit losses/allowance for impairment losses made on financing, advances and other financing/loans	A26(a)	(33,653)	(16,285)	(81,598)	(56,353)
Expected credit losses (made)/written-back for commitments and contingencies		(1,423)	-	1,872	-
Other expected credit losses/allowance (made)/written-back for other impairment losses	A26(b)	(4)	20	(524)	1
Total distributable income		1,115,886	869,063	3,184,377	2,477,097
Income attributable to depositors and others	A27	(579,722)	(475,684)	(1,655,771)	(1,363,677)
Profit distributed to investment account holder	A28	(125,035)	(50,487)	(325,147)	(131,097)
Total net income		411,129	342,892	1,203,459	982,323
Personnel costs	A29	(7,113)	(7,088)	(20,533)	(23,465)
Other overheads and expenditures	A30	(141,456)	(130,014)	(423,787)	(381,481)
Profit before taxation and zakat		262,560	205,790	759,139	577,377
Taxation and zakat		(23,139)	(50,619)	(144,269)	(140,942)
Profit for the financial period		239,421	155,171	614,870	436,435

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD 30 SEPTEMBER 2018

	The Bank			
	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	239,421	155,171	614,870	436,435
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve of financial investments available-for-sale	-	50	-	7,877
- Net gain from change in fair value	-	1,129	-	12,519
- Realised gain transferred to statement of income on disposal and impairment	-	(1,064)	-	(2,155)
- Income tax effects	-	(15)	-	(2,487)
Debt instruments at fair value through other comprehensive income	17,349	-	8,969	-
- Net gain from change in fair value	25,767	-	16,544	-
- Realised gain transferred to statement of income on disposal	(2,983)	-	(5,386)	-
- Changes in expected credit losses	33	-	489	-
- Income tax effects	(5,468)	-	(2,678)	-
Other comprehensive income for the period, net of tax	17,349	50	8,969	7,877
Total comprehensive income for the financial period	256,770	155,221	623,839	444,312
Earnings per share basis (sen)	B3	23.94	15.52	61.49

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

The Group	← Attributable to owners of the Parent →											
	Ordinary share capital RM'000	Statutory reserve RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Revaluation reserve - financial investments available- for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
30 September 2018												
At 1 January 2018	1,000,000	-	-	(20,873)	(2,457)	458	291,600	766	3,305,512	4,575,006	220,000	4,795,006
Effect of adopting MFRS 9 (Note 36)			(11,935)	20,873	-	-	(45,635)	-	(81,022)	(117,719)	-	(117,719)
1 January 2018, as restated	1,000,000	-	(11,935)	-	(2,457)	458	245,965	766	3,224,490	4,457,287	220,000	4,677,287
Profit for the financial period	-	-	-	-	-	-	-	-	614,728	614,728	-	614,728
Other comprehensive expense (net of tax) - debt instruments at fair value through other comprehensive income	-	-	8,969	-	-	-	-	-	-	8,969	-	8,969
Total comprehensive income for the financial period	-	-	8,969	-	-	-	-	-	614,728	623,697	-	623,697
Transfer to regulatory reserve	-	-	-	-	-	-	121,829	-	(121,829)	-	-	-
Share-based payment expense	-	-	-	-	-	-	-	697	-	697	-	697
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	(587)	-	(587)	-	(587)
At 30 September 2018	1,000,000	-	(2,966)	-	(2,457)	458	367,794	876	3,717,389	5,081,094	220,000	5,301,094

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

← Attributable to owners of the Parent →

The Group	Ordinary share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
30 September 2017											
At 1 January 2017	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,994	3,930,175	220,000	4,150,175
Profit for the financial period	-	-	-	-	-	-	-	435,815	435,815	-	435,815
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	7,877	-	-	-	-	-	7,877	-	7,877
Total comprehensive income for the period	-	-	7,877	-	-	-	-	435,815	443,692	-	443,692
Share-based payment expense	-	-	-	-	-	-	523	-	523	-	523
Transfer from statutory reserve	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	61,306	-	(61,306)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(480)	-	(480)	-	(480)
At 30 September 2017	1,000,000	-	(17,820)	(2,457)	458	262,650	623	3,130,456	4,373,910	220,000	4,593,910

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	← Non-distributable →			→ Distributable						
	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Revaluation reserve - financial investments available- for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Perpetual preference shares RM'000	Total Equity RM'000
The Bank										
30 September 2018										
At 1 January 2018	1,000,000	-	(20,873)	(2,457)	458	291,600	766	3,306,221	220,000	4,795,715
Effect of adopting MFRS 9 (Note 36)		(11,935)	20,873	-	-	(45,635)	-	(81,022)	-	(117,719)
1 January 2018, as restated	1,000,000	(11,935)	-	(2,457)	458	245,965	766	3,225,199	220,000	4,677,996
Profit for the financial period	-	-	-	-	-	-	-	614,870	-	614,870
Other comprehensive expense (net of tax)	-	8,969	-	-	-	-	-	-	-	8,969
- debt instruments at fair value through other comprehensive income	-	8,969	-	-	-	-	-	-	-	8,969
Total comprehensive income for the financial period	-	8,969	-	-	-	-	-	614,870	-	623,839
Transfer to regulatory reserve	-	-	-	-	-	121,829	-	(121,829)	-	-
Share-based payment expense	-	-	-	-	-	-	697	-	-	697
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(587)	-	-	(587)
At 30 September 2018	1,000,000	(2,966)	-	(2,457)	458	367,794	876	3,718,240	220,000	5,301,945

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

← Non-distributable → Distributable

The Bank	Ordinary share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Perpetual preference shares RM'000	Total Equity RM'000
30 September 2017										
At 1 January 2017	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,959	220,000	4,150,140
Net profit for the financial period	-	-	-	-	-	-	-	436,435	-	436,435
Other comprehensive income (net of tax)										
- Financial investments available-for-sale	-	-	7,877	-	-	-	-	-	-	7,877
Total comprehensive income for the period	-	-	7,877	-	-	-	-	436,435	-	444,312
Share-based payment expense	-	-	-	-	-	-	523	-	-	523
Transfer from statutory reserve	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-
Transfer to regulatory reserve	-	-	-	-	-	61,306	-	(61,306)	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(480)	-	-	(480)
At 30 September 2018	1,000,000	-	(17,820)	(2,457)	458	262,650	623	3,131,041	220,000	4,594,495

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	The Group		The Bank	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit before taxation and zakat	758,997	576,757	759,139	577,377
Adjustments for non-cash items	<u>(345,441)</u>	<u>(268,871)</u>	<u>(345,441)</u>	<u>(268,871)</u>
Operating profit before changes in working capital	413,556	307,886	413,698	308,506
Net changes in operating assets	<u>(12,463,709)</u>	<u>(7,437,073)</u>	<u>(12,463,709)</u>	<u>(7,437,072)</u>
Net changes in operating liabilities	9,802,060	10,201,052	9,721,910	10,103,214
Tax paid	<u>(96,352)</u>	<u>(75,816)</u>	<u>(96,352)</u>	<u>(75,816)</u>
Net cash generated from operating activities	(2,344,445)	2,996,049	(2,424,453)	2,898,832
Net cash flows used in investing activities	<u>(2,106,249)</u>	<u>(1,561,879)</u>	<u>(2,106,249)</u>	<u>(1,561,879)</u>
Net cash flows (used in)/generated from financing activities	<u>(260,358)</u>	285,801	<u>(180,349)</u>	383,018
Net change in cash and cash equivalents	(4,711,052)	1,719,971	(4,711,051)	1,719,971
Cash and cash equivalents at beginning of the financial period	<u>14,282,896</u>	8,315,442	<u>14,282,850</u>	8,315,396
Cash and cash equivalents at end of the financial period	<u>9,571,844</u>	<u>10,035,413</u>	<u>9,571,799</u>	<u>10,035,367</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017

PART A - EXPLANATORY NOTES

A1. Basis of preparation

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

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

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

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

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

With the effect from the financial year beginning on/after 1 January 2018, the Group and the Bank apply MFRS 9 "Financial Instruments", replacing MFRS 139 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedging relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. Comparatives for 2017 will not be restated. The impact of adoption of MFRS 9 to the Group and the Bank are disclosed in Note 36.

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

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

A2. Changes in estimates

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

PART A - EXPLANATORY NOTES (CONTINUED)

A3. Issuance and repayment of debt equity securities

During the period, Ziya Capital Bhd ("Ziya") undertook a partial redemption of its Sukuk amounting to RM80 million.

A4. Proposed dividend

There were no dividends paid or proposed for the period ended 30 September 2018.

A5. Significant events after the reporting period

There were no significant events other than those disclosed under issuance and repayment of debt equity securities that had occurred between 30 September 2018 and the date of this announcement.

A6. Cash and short-term funds and Deposits and placements with banks and other financial institutions

As at 30 September 2018, the expected credit losses in deposit placements maturing within one month and deposits and placements with banks and other financial institutions are RM11,000 and RM157,000 respectively. The 12-month expected credit losses made in the income statement during the financial period is amounting to RM149,000.

A7. Financial assets at fair value through profit or loss

Money market instruments

Unquoted

In Malaysia

Islamic negotiable instruments of deposits

2,230,819 -

Islamic commercial papers

49,520 -

Government Investment Issues

65,973 -

Islamic Cagamas bonds

5,024 -

2,351,336 -

Unquoted securities

In Malaysia

Corporate Sukuk

41,339 -

Outside Malaysia

Corporate Sukuk

65 -

2,392,740 -

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

PART A - EXPLANATORY NOTES (CONTINUED)

A8 Debt instruments at fair value through other comprehensive income

	The Group and the Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Money market instruments		
Unquoted		
<u>In Malaysia</u>		
Government Investment Issues	794,952	-
Islamic Cagamas bonds	26,173	-
Malaysian Government Sukuk	5,011	-
Islamic commercial papers	9,757	-
	835,893	-
Unquoted securities		
<u>In Malaysia</u>		
Corporate Sukuk	1,887,335	-
<u>Outside Malaysia</u>		
Corporate Sukuk	80,879	-
	2,804,107	-

Expected credit losses movement for debt instruments at fair value through other comprehensive income:

The following expected credit losses is not recognised in the statement of financial position as the carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value.

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses- not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	570	-	-	570
Adjusted 1 January 2018	570	-	-	570
Total charge to Income Statement:	(6,956)	7,445	-	489
New financial assets purchased	3,915	-	-	3,915
Financial assets that have been derecognised	(522)	-	-	(522)
Change in credit risk	(10,349)	7,445	-	(2,904)
At 30 September 2018	(6,386)	7,445	-	1,059

PART A - EXPLANATORY NOTES (CONTINUED)

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

A9 Equity instruments at fair value through other comprehensive income

Unquoted securities

In Malaysia

Placement with Islamic Banking and Finance

575 -

A10 Debt instruments at amortised cost

Money market instruments

Unquoted

In Malaysia

Government Investment Issues

2,076,349 -

Islamic Cagamas bonds

10,159 -

Malaysian Government Sukuk

100,234 -

2,186,742 -

Unquoted securities

In Malaysia

Corporate Sukuk

4,035,383 -

6,222,125 -

Accretion of discount net of amortisation of premium

4,768 -

Less: Expected credit loss

(309) -

6,226,584 -

Expected credit losses movement for debt instruments at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (not credit impaired - Stage 2)	Lifetime expected credit losses (Credit impaired - Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	383	-	-	383
Adjusted 1 January 2018	383	-	-	383
Total charge to Income Statement:	(203)	129	-	(74)
New financial assets purchased	612	-	-	612
Financial assets that have been derecognised	(23)	-	-	(23)
Change in credit risk	(792)	129	-	(663)
At 30 September 2018	<u>180</u>	<u>129</u>	<u>-</u>	<u>309</u>

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group and the Bank 31 December 2017 RM'000
A11 Financial assets held for trading	
Money market instruments	
Unquoted	
<u>In Malaysia</u>	
Malaysian Government treasury bills	1,357
Islamic negotiable instruments of deposits	2,764,951
Government Investment Issues	347,099
Islamic Cagamas bonds	50,759
	<u>3,164,166</u>
Unquoted securities	
<u>In Malaysia</u>	
Corporate Sukuk	60,972
	<u>3,225,138</u>
A12 Financial investments available-for-sale	
Money market instruments	
Unquoted	
<u>In Malaysia</u>	
Government Investment Issues	355,065
Islamic Cagamas bonds	5,524
Malaysian Government Sukuk	22,107
	<u>382,696</u>
Unquoted securities	
<u>In Malaysia</u>	
Corporate Sukuk	1,473,916
Placement with IBFIM	575
<u>Outside Malaysia</u>	
Corporate Sukuk	66,410
	<u>1,923,597</u>
A13 Financial investments held-to-maturity	
Money market instruments	
Unquoted	
<u>In Malaysia</u>	
Government Investment Issues	1,556,967
Khazanah bonds	12,662
	<u>1,569,629</u>
Unquoted securities	
<u>In Malaysia</u>	
Corporate Sukuk	3,157,519
Amortisation of premium less accretion of discount	5,241
	<u>4,732,389</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A14 (i) By type and Shariah contract

30 September 2018

	The Group and the Bank									Total RM'000
	Sale-based contracts				Lease-based contracts			Loan contract	Others	
	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Muntahiah Bi-al- Ijarah Tamluk * RM'000	Al-Ijarah Thumma Al- Bai' # RM'000	Qard RM'000	Ujrah RM'000	
At amortised cost										
Cash line [^]	-	10,801	2,199	-	845,055	-	-	2,277	-	860,332
Term financing										
House Financing	-	5,921,136	-	-	9,916,439	1,378,948	-	-	-	17,216,523
Syndicated Financing	-	-	170,953	-	1,826,527	17,586	-	-	-	2,015,066
Hire purchase receivables	-	-	-	-	-	-	7,242,826	-	-	7,242,826
Other term financing	-	1,540,774	9,125,403	-	23,700,707	53,222	-	-	-	34,420,106
Bills receivable	-	-	-	13,174	-	-	-	328	-	13,502
Islamic trust receipts	105,584	-	-	-	-	-	-	-	-	105,584
Claims on customers under acceptance credits	698,644	-	-	61,661	-	-	-	-	-	760,305
Staff financing	-	-	-	-	103,203	-	-	-	-	103,203
Revolving credits	-	-	-	-	7,539,190	-	-	-	-	7,539,190
Credit card receivables	-	-	-	-	-	-	-	-	132,452	132,452
Share purchase financing	410	-	-	-	-	-	-	-	-	410
Gross financing, advances and other financing/loans, at amortised cost	804,638	7,472,711	9,298,555	74,835	43,931,121	1,449,756	7,242,826	2,605	132,452	70,409,499
At fair value through profit or loss										
Term financing										
Syndicated Financing	-	-	41,697	-	445,502	4,289	-	-	-	491,488
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	41,697	-	445,502	4,289	-	-	-	491,488
Total Gross financing, advances and other financing/loans	804,638	7,472,711	9,340,252	74,835	44,376,623	1,454,045	7,242,826	2,605	132,452	70,900,987
Fair value changes arising from fair value hedge										39,656
										70,940,643
Less: Expected credit losses										
At amortised cost										
- Expected credit losses on financing, advances and other financing/loans										(437,462)
Net financing, advances and other financing/loans										70,503,181

[^] Includes current account in excess

* The Bank is the beneficial owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

The Bank is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans

(i) By type and Shariah contract (continued)

31 December 2017

The Group and the Bank

	Sale-based contracts					Lease-based contracts		Loan contract	Others	Total
	Murabahah	Bai' Bithaman		Bai' al-Dayn	Tawarruq	Ijarah	Al-Ijarah			
		RM'000	Ajil			Bai' al-'inah	Muntahiah Bi al-Tamlik *	Bai' #	Qard	
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line [^]	-	14,452	4,221	-	777,355	-	-	2,064	-	798,092
Term financing	-	-	-	-	-	-	-	-	-	-
House Financing	-	6,329,300	-	-	6,775,695	1,433,334	-	-	-	14,538,329
Syndicated Financing	-	-	228,506	-	1,906,272	59,737	-	-	-	2,194,515
Hire purchase receivables	-	-	-	-	-	-	5,709,622	-	-	5,709,622
Other term financing	-	1,720,870	9,305,762	-	17,843,048	55,169	-	-	-	28,924,849
Bills receivable	-	-	-	23,926	-	-	-	292	-	24,218
Islamic trust receipts	85,493	-	-	-	-	-	-	-	-	85,493
Claims on customers under acceptance credits	699,677	-	-	152,731	-	-	-	-	-	852,408
Staff financing	-	-	-	-	57,705	-	-	-	-	57,705
Credit card receivables	-	-	-	-	-	-	-	-	128,947	128,947
Revolving credits	-	-	-	-	4,457,645	-	-	-	-	4,457,645
Share purchase financing	3,737	-	-	-	-	-	-	-	-	3,737
Gross financing, advances and other financing/loans	788,907	8,064,622	9,538,489	176,657	31,817,720	1,548,240	5,709,622	2,356	128,947	57,775,560
Fair value changes arising from fair value hedges										69,873
										57,845,433
Less: Allowance for impairment losses										
- Individual impairment allowance										(49,352)
- Portfolio impairment allowance										(244,673)
										(294,025)
Total net financing, advances and other financing/loans										57,551,408

[^] Includes current account in excess

* The Bank is the beneficial owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing

The Bank is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans (continued)

(i) By type and Shariah contract (continued)

(a) The Group and the Bank have undertaken fair value hedges on the profit rate risk of financing, advances and other financing/loans of RM3,687,460,000 (2017: RM3,695,054,000) using Islamic profit rate swaps.

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between CIMB Islamic Bank Berhad and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the expected credit losses for financing arising thereon.

As at 30 September 2018, the gross carrying amount to RPSIA financing is RM8,571,235,000 (31 December 2017: RM6,123,712,000) and the 12-month expected credit losses relating to this RPSIA amounting to RM38,310,000 (31 December 2017: portfolio impairment allowance of RM10,248,000) is recognised in the Financial Statements of CIMB Bank Berhad.

(c) Movement of Qard financing

	The Group and the Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
At 1 January 2018/2017	2,356	4,283
New disbursement	1,577	1,064
Repayment	(1,328)	(2,991)
As at 30 September/31 December	<u>2,605</u>	<u>2,356</u>
Sources of Qard fund:		
Depositors' fund	2,449	2,220
Shareholders' fund	156	136
	<u>2,605</u>	<u>2,356</u>
Uses of Qard fund:		
Personal use	172	162
Business purpose	2,433	2,194
	<u>2,605</u>	<u>2,356</u>

(ii) By geographical distribution:

Malaysia	<u>70,900,987</u>	<u>57,775,560</u>
	<u>70,900,987</u>	<u>57,775,560</u>

(iii) By type of customer :

Domestic non-bank financial institutions	2,501,466	2,659,598
Domestic business enterprises		
- Small medium enterprises	9,765,027	7,900,555
- Others	10,776,569	6,921,114
Government and statutory bodies	7,374,811	7,060,073
Individuals	39,858,194	33,002,550
Other domestic entities	84,095	84,783
Foreign entities	540,825	146,887
Gross financing, advances and other financing/loans	<u>70,900,987</u>	<u>57,775,560</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans (continued)

	The Group and the Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
(iv) By profit rate sensitivity :		
Fixed rate		
- House financing	96,514	87,009
- Hire purchase receivables	5,690,783	4,219,343
- Others	9,389,520	9,590,743
Variable rate		
- House financing	17,120,009	14,451,319
- Others	38,604,161	29,427,146
Gross financing, advances and other financing/loans	<u>70,900,987</u>	<u>57,775,560</u>
(v) By economic purpose :		
Personal use	2,338,407	2,370,568
Credit card	132,452	128,947
Construction	3,310,422	1,822,160
Residential property	17,687,019	14,924,968
Non-residential property	5,251,033	4,185,822
Purchase of fixed assets other than land and building	145,381	139,852
Merger and acquisition	1,440	2,737
Purchase of securities	11,470,092	9,029,785
Purchase of transport vehicles	7,869,268	6,388,828
Working capital	17,546,003	13,855,749
Other purpose	5,149,470	4,926,144
Gross financing, advances and other financing/loans	<u>70,900,987</u>	<u>57,775,560</u>
(vi) By economic sector:		
Primary agriculture	2,250,079	1,958,357
Mining and quarrying	1,554,797	1,607,448
Manufacturing	2,193,273	1,723,594
Electricity, gas and water supply	96,802	103,420
Construction	2,519,463	1,379,863
Transport, storage and communications	3,716,653	2,245,968
Education, health and others	7,949,203	7,581,993
Wholesale and retail trade, and restaurants and hotels	1,717,219	1,247,832
Finance, insurance/takaful, real estate and business activities	8,744,891	6,623,863
Household	40,080,502	33,246,949
Others	78,105	56,273
Gross financing, advances and other financing/loans	<u>70,900,987</u>	<u>57,775,560</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans (continued)

	The Group and the Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
(vii) By residual contractual maturity :		
Within one year	15,347,351	9,640,779
One year to less than three years	4,190,320	5,845,443
Three years to less than five years	3,293,252	2,948,667
Five years and more	48,070,064	39,340,671
Gross financing, advances and other financing/loans	70,900,987	57,775,560
(viii) Credit impaired / impaired financing by economic purpose :		
Personal use	17,433	17,573
Credit card	1,675	2,066
Construction	29,630	31,093
Residential property	139,986	122,710
Non-residential property	63,943	64,736
Purchase of fixed assets other than land & building	75	-
Purchase of securities	1,628	1,370
Purchase of transport vehicles	75,087	84,613
Working capital	58,904	26,410
Other purpose	49,671	31,299
Gross credit impaired / impaired financing, advances and other financing/loans	438,032	381,870
(ix) Credit impaired / impaired financing by geographical distribution:		
Malaysia	438,032	381,870
	438,032	381,870
(x) Credit impaired / impaired financing by economic sector:		
Primary agriculture	9,960	2,589
Mining and quarrying	2,768	2,528
Manufacturing	24,411	21,636
Construction	28,753	7,306
Transport, storage and communications	57,802	60,185
Education, health and others	10,977	11,967
Wholesale and retail trade, and restaurants and hotels	14,874	1,672
Finance, insurance/takaful, real estate and business activities	37,088	23,887
Household	251,390	248,060
Others	9	2,040
Gross credit impaired / impaired financing, advances and other financing/loans	438,032	381,870

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans (continued)

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

Financing, advances and other financing/loans at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
At 1 January 2018				49,352	244,673	294,025
Effect of adopting MFRS 9	114,725	116,363	161,712	(49,352)	(244,673)	98,775
Adjusted 1 January 2018	114,725	116,363	161,712	-	-	392,800
Changes in expected credit losses due to transferred within stages:	181,081	(158,116)	(22,965)	-	-	-
Transferred to Stage 1	221,769	(187,612)	(34,157)	-	-	-
Transferred to Stage 2	(40,515)	82,454	(41,939)	-	-	-
Transferred to Stage 3	(173)	(52,958)	53,131	-	-	-
Total charge to Income Statement:	(135,045)	122,910	131,674	-	-	119,539
New financial assets originated	118,868	11	410	-	-	119,289
Financial assets that have been derecognised	(82,677)	(1,200)	-	-	-	(83,877)
Writeback in respect of full recoveries	-	-	(2,358)	-	-	(2,358)
Change in credit risk	(171,236)	124,099	133,622	-	-	86,485
Write-offs	-	-	(79,446)	-	-	(79,446)
Other movements	(66)	(146)	4,781	-	-	4,569
	160,695	81,011	195,756	-	-	437,462

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans (continued)

The Bank

30 September 2018

Loss allowance for non credit-impaired exposures and regulatory reserve 1.0%

The Group and the Bank

	Individual impairment allowance RM'000	Portfolio impairment allowance RM'000
As at 1 January 2017	48,062	242,862
Net allowance made during the period/year	9,762	124,660
Transfer from intercompany	-	(73)
Amount written off	(8,472)	(122,681)
Exchange fluctuation	-	(95)
As at 31 December 2017	<u>49,352</u>	<u>244,673</u>

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

1.20%

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans (continued)

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

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

	The Group and the Bank		
	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Impaired financing, advances and other financing/loans under MFRS 139 RM'000	Total RM'000
At 1 January 2018	-	381,870	381,870
Effect of adopting MFRS 9	381,870	(381,870)	-
Adjusted 1 January 2018	381,870	-	381,870
Transfer within stages	179,471	-	179,471
New financial assets originated	1,062	-	1,062
Write-offs	(79,446)	-	(79,446)
Amount fully recovered	(30,308)	-	(30,308)
Other changes in financing, advances and other financing/loans	(14,617)	-	(14,617)
At 30 September 2018	438,032	-	438,032

**The Group and the
Bank
30 September 2018**

Ratio of credit impaired financing to total financing, advances and other financing/loans

0.62%

Impaired financing under MFRS 139:

	The Group and the Bank RM'000
At 1 January 2017	466,365
Classified as impaired during the financial period/year	450,146
Reclassified as not impaired during the financial period/year	(295,807)
Amount written back in respect of recoveries	(107,682)
Amount written off	(131,152)
At 31 December 2017	<u>381,870</u>

Ratio of gross impaired financing to total financing, advances and other financing/loans

0.66%

PART A - EXPLANATORY NOTES (CONTINUED)

A15 Other assets

	The Group and the Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Deposits and prepayments	8,277	4,725
Sundry debtors	200,581	252,860
Collateral pledged for derivative transactions	249,240	47,751
Clearing accounts	96,893	298,753
	554,991	604,089

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

A16 Deposits from customers

(i) By type of deposit

Savings deposits	3,289,301	3,066,677	3,289,301	3,066,677
Wadiah	-	3,055,616	-	3,055,616
Qard	-	610	-	610
Commodity Murabahah (via Tawarruq arrangement)*	3,289,301	10,451	3,289,301	10,451
Demand deposits	10,613,630	11,239,585	10,613,630	11,239,585
Wadiah	-	11,029,199	-	11,029,199
Qard	9,210,363	210,386	9,210,363	210,386
Commodity Murabahah (via Tawarruq arrangement)*	1,403,267	-	1,403,267	-
Term deposits	56,641,738	49,892,009	56,902,671	50,073,113
Commodity Murabahah Deposits-i via Tawarruq arrangement	37,033,062	31,815,393	37,293,995	31,996,497
Fixed Return Income Account-i* via Tawarruq arrangement	19,608,676	18,076,616	19,608,676	18,076,616
General investment account	445	2,169	445	2,169
Mudharabah	445	2,169	445	2,169
Specific investment account	108,682	113,014	108,682	113,014
Mudharabah	108,682	113,014	108,682	113,014
Islamic negotiable instruments	-	398,199	-	398,199
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	-	398,199	-	398,199
Others	17,975	17,326	17,975	17,326
Qard	17,975	17,326	17,975	17,326
	70,671,771	64,728,979	70,932,704	64,910,083

*included Qard contract of RM532,367,000 (31 December 2017:RM329,074,000)

PART A - EXPLANATORY NOTES (CONTINUED)

A16 Deposits from customers (continued)

	The Group		The Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
(ii) Maturity structures of term deposits, investment accounts and Islamic negotiable instruments				
Due within six months	46,068,723	45,140,439	46,329,656	45,321,543
Six months to less than one year	10,558,238	5,128,466	10,558,238	5,128,466
One year to less than three years	27,024	21,358	27,024	21,358
Three years to less than five years	634	2,114	634	2,114
Five years and more	96,246	113,014	96,246	113,014
	56,750,865	50,405,391	57,011,798	50,586,495
(iii) By type of customer				
Government and statutory bodies	3,764,676	3,745,305	3,764,676	3,745,305
Business enterprises	30,546,728	26,155,945	30,546,728	26,155,945
Individuals	17,894,819	15,169,480	17,894,819	15,169,480
Others	18,465,548	19,658,249	18,726,481	19,839,353
	70,671,771	64,728,979	70,932,704	64,910,083

	The Group and the Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
A17 Investment accounts of customers		
Unrestricted investment accounts (Mudharabah)		
-without maturity		
Special Mudharabah Investment Account	435,526	289,203
-with maturity		
Term Investment Account-i	3,004,021	618,560
	3,439,547	907,763

The underlying assets for the investments are hire purchase, house financing and other term financing.

PART A - EXPLANATORY NOTES (CONTINUED)

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

A18 Deposits and placements of banks and other financial institutions

Licensed investment banks	27,027	340
Licensed banks	1,095,828	1,684,313
Other financial institutions	781,321	475,762
	<u>1,904,176</u>	<u>2,160,415</u>

The maturity structure of deposits and placements from financial institutions are as follows:

Due within six months	1,870,743	2,158,364
Six months to less than one year	33,433	2,051
	<u>1,904,176</u>	<u>2,160,415</u>

A19 Investment accounts due to designated financial institutions

Restricted investment accounts		
Mudharabah	<u>9,708,433</u>	<u>8,145,684</u>
By type of counterparty		
Licensed banks	<u>9,708,433</u>	<u>8,145,684</u>

The underlying assets for the investments are deposit placement with financial institutions, syndicated term financing, revolving credit and other term financing.

A20 Financial liabilities designated at fair value through profit or loss

Deposits from customers - structured investments	<u>1,291</u>	<u>2,233</u>
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The Group and the Bank have issued structured investments, and have designated them at fair value in accordance with MFRS9. The Group and the Bank have the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the Group and the Bank as at 30 September 2018 of financial liabilities designated at fair value were RM 70,000 (31 December 2017:RM10,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
A21 Other liabilities				
Accruals and other payables	127,084	368,402	127,084	368,402
Clearing accounts	147,730	187,700	147,730	187,700
Structured deposits	39,928	40,782	39,928	40,782
Expected credit losses for commitments and contingencies	A21(a) 65,108	-	65,108	-
Others	17,409	19,621	137,839	300,030
	397,259	616,505	517,689	896,914

(a) Expected credit losses movement of financing commitments and financial guarantee contracts are as follows:

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	62,473	3,035	1,423	66,931
Adjusted 1 January 2018	62,473	3,035	1,423	66,931
Changes in expected credit losses due to transferred within stages:	4,063	(4,264)	201	-
Transferred to Stage 1	5,014	(4,926)	(88)	-
Transferred to Stage 2	(951)	1,107	(156)	-
Transferred to Stage 3	-	(445)	445	-
Total charge to Income Statement:	(5,256)	3,625	(241)	(1,872)
New exposures	57,347	-	-	57,347
Exposures derecognised or matured	(37,598)	(349)	(5)	(37,952)
Change in credit risk	(25,005)	3,974	(236)	(21,267)
Other movements	86	(37)	-	49
At 30 September 2018	61,366	2,359	1,383	65,108

As at 30 September 2018, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM22,442,000 respectively.

PART A - EXPLANATORY NOTES (CONTINUED)

A22 Subordinated sukuk

The Group and the Bank

a) The RM850 million unsecured subordinated Sukuk (“the Sukuk”) is part of the Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the Bank is allowed to raise Tier II capital of up to RM2.0 billion in nominal value outstanding at any one time.

The first tranche of the Sukuk of RM300 million under the first issuance was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears.

On 21 April 2011, the second tranche of the Sukuk of RM250 million was issued at par and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.2% per annum payable semi-annually in arrears.

The Bank redeemed in full, the second tranche of the Sukuk of RM250 million on its first optional redemption date of 21 April 2016.

On 18 September 2012, the third tranche of the Sukuk of RM300 million was issued at par and is due on 15 September 2022, with the optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

The Bank redeemed in full, the third tranche of the Sukuk of RM300 million on its first optional redemption date of 18 September 2017.

The Sukuk qualify as Tier II capital for the purpose of the total capital ratio computation (subject to gradual phase-out treatment under Basel III).

b) On 21 September 2016, the Bank had issued RM10 million Tier II Junior Sukuk at par and is due on 21 September 2026, with optional redemption on 21 September 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

The RM10 million subordinated Sukuk (“the Sukuk”) is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM10 million subordinated Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation.

c) On 28 December 2017, the Bank had issued RM300 million Tier II Junior Sukuk (“the Sukuk”) at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier II capital of up to RM5.0 billion nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of the Bank.

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
A23 Income derived from investment of depositors' funds and others				
The Group and the Bank				
Income derived from investment of :				
a) General investment deposits	633,235	523,341	1,645,036	1,502,412
b) Specific investment deposits	754	786	2,427	2,406
c) Other deposits	238,347	211,955	891,218	626,430
	<u>872,336</u>	<u>736,082</u>	<u>2,538,681</u>	<u>2,131,248</u>
a) Income derived from investment of general investment deposits				
Financing, advances and other financing/loans				
- Profit income	500,391	393,071	1,286,516	1,120,348
- Unwinding income [^]	2,589	2,078	6,777	6,210
Financial assets at fair value through profit or loss	6,651	-	21,856	-
Debt instruments at fair value through other comprehensive income	20,412	-	48,822	-
Debt instrument at amortised cost	43,705	-	106,355	-
Financial assets held for trading	-	7,257	-	20,127
Financial investments available-for-sale	-	12,901	-	37,167
Financial investments held-to-maturity	-	31,492	-	79,581
Money at call and deposit with financial institutions	52,200	50,721	145,060	145,828
	<u>625,948</u>	<u>497,520</u>	<u>1,615,386</u>	<u>1,409,261</u>
Accretion of discount less amortisation of premium	13,443	16,672	36,369	48,947
Total finance income and hibah	<u>639,391</u>	<u>514,192</u>	<u>1,651,755</u>	<u>1,458,208</u>
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	978	-	3,293	-
- realised	847	-	3,395	-
- unrealised	131	-	(102)	-
- Net gain from sale of investment in debt instruments at fair value through comprehensive income	2,036	-	3,278	-
- Net gain/(loss) arising from financial assets held for trading	-	(55)	-	1,376
- realised	-	(196)	-	1,414
- unrealised	-	141	-	(38)
- Net gain from sale of financial investments available-for-sale	-	710	-	1,429
- Net (loss)/gain from foreign exchange transactions	(11,390)	6,670	(18,278)	37,952
	<u>(8,376)</u>	<u>7,325</u>	<u>(11,707)</u>	<u>40,757</u>
Fee and commission income	2,220	1,824	4,988	3,447
	<u>633,235</u>	<u>523,341</u>	<u>1,645,036</u>	<u>1,502,412</u>
b) Income derived from investment of specific investment deposits				
Financing, advances and other financing/loans				
- Unwinding income [^]	754	786	2,427	2,406
Money at call and deposit with financial institutions	754	786	2,427	2,406
	<u>754</u>	<u>786</u>	<u>2,427</u>	<u>2,406</u>

[^] Unwinding income is income earned on credit impaired/impaired financing, advances and other financing/loans

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000

A23 Income derived from investment of depositors funds and others (continued)

The Group and the Bank

c) Income derived from investment of other deposits

Financing, advances and other financing/loans

- Profit income	188,346	159,627	686,415	467,235
- Unwinding income [^]	974	843	3,648	2,593
Financial assets at fair value through profit or loss	2,503	-	12,723	-
Debt instruments at fair value through other comprehensive income	7,683	-	25,390	-
Debt instrument at amortised cost	16,450	-	55,336	-
Financial assets held for trading	-	2,947	-	8,377
Financial investments available-for-sale	-	5,240	-	15,496
Financial investments held-to-maturity	-	12,789	-	33,117
Money at call and deposit with financial institutions	19,648	20,023	80,061	60,795
	235,604	201,469	863,573	587,613
Accretion of discount less amortisation of premium	5,060	6,770	19,851	20,415
Total finance income and hibah	240,664	208,239	883,424	608,028

Other operating income

- Net gain/(loss) arising from financial assets at fair value through profit or loss:

	368	-	1,444	-
- realised	319	-	1,515	-
- unrealised	49	-	(71)	-

- Net gain from sale of investment in debt instruments at fair value through other comprehensive income

	767	-	1,813	-
- Net gain/(loss) arising from financial assets held for trading	-	(23)	-	585
- realised	-	(80)	-	600
- unrealised	-	57	-	(15)

- Net gain from sale of financial investments available-for-sale

- Net (loss)/gain from foreign exchange transactions

	-	289	-	593
	(4,288)	2,709	1,969	15,795
	(3,153)	2,975	5,226	16,973
Fee and commission income	836	741	2,568	1,429
	238,347	211,955	891,218	626,430

[^] Unwinding income is income earned on credit impaired/ impaired financing, advances and other financing/loans

A24 Income derived from investment of investment account

The Group and The Bank

Financing, advances and other financing/loans

- Profit income	144,559	59,710	358,285	160,141
- Unwinding income [^]	-	16	8	43
Money at call and deposit with financial institutions	12,949	6,808	49,721	17,509
	157,508	66,534	408,014	177,693

[^] Unwinding income is income earned on credit impaired/ impaired financing, advances and other financing/loans

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000

A25 Income derived from investment of shareholder's funds

The Group

Financing, advances and other financing/loans				
- Profit income	43,947	35,607	115,950	104,592
- Unwinding income [^]	227	188	611	580
Financial assets at fair value through profit or loss	585	-	1,981	-
Debt instruments at fair value through other comprehensive income	1,793	-	4,393	-
Debt instrument at amortised cost	3,839	-	9,572	-
Financial assets held for trading	-	657	-	1,876
Financial investments available-for-sale	-	1,169	-	3,469
Financial investments held-to-maturity	-	2,853	-	7,412
Money at call and deposit with financial institutions	4,585	4,594	13,100	13,611
	54,976	45,068	145,607	131,540
Accretion of discount less amortisation of premium	1,180	1,511	3,282	4,571
Total finance income and hibah	56,156	46,579	148,889	136,111
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	85	-	295	-
- realised	74	-	305	-
- unrealised	11	-	(10)	-
- Net gain from sale of investment in debt instruments at fair value through other comprehensive income	179	-	294	-
- Net gain/(loss) arising from financial assets held for trading	-	(5)	-	131
- realised	-	(17)	-	135
- unrealised	-	12	-	(4)
- Net gain from sale of financial investments available-for-sale	-	65	-	133
- Net (loss)/gain from foreign exchange transactions	(1,000)	604	(1,564)	3,548
- Net loss arising from hedging activities	(1,081)	(411)	(4,472)	(1,107)
-Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss	(17)	(2)	66	(11)
- realised	(4)	10	6	30
- unrealised	(13)	(12)	60	(41)
-Net gain/(loss) arising from derivative financial instrument	36,659	7,875	70,040	(9,362)
- realised	35,260	2,179	38,753	(2,612)
- unrealised	1,399	5,696	31,287	(6,750)
	34,825	8,126	64,659	(6,668)
Fee and commission income	33,436	27,102	110,534	94,531
Less : fee and commission expense	(4,479)	(650)	(10,018)	(4,285)
Net fee and commission income	28,957	26,452	100,516	90,246
Other income				
- Sundry income	591	846	2,008	2,675
	120,529	82,003	316,072	222,364

[^] Unwinding income is income earned on credit impaired/impaired financing, advances and other financing/loans

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000

A25 Income derived from investment of shareholder's funds (cont'd.)

The Bank

Financing, advances and other financing/loans

- Profit income	43,947	35,607	115,950	104,592
- Unwinding income [^]	227	188	611	580
Financial assets at fair value through profit or loss	585	-	1,981	-
Debt instruments at fair value through other comprehensive income	1,793	-	4,393	-
Debt instrument at amortised cost	3,839	-	9,572	-
Financial assets held for trading	-	657	-	1,876
Financial investments available-for-sale	-	1,169	-	3,469
Financial investments held-to-maturity	-	2,853	-	7,412
Money at call and deposit with financial institutions	4,585	4,594	13,100	13,611
	54,976	45,068	145,607	131,540
Accretion of discount less amortisation of premium	1,180	1,511	3,282	4,571
Total finance income and hibah	56,156	46,579	148,889	136,111

Other operating income

- Net gain/(loss) arising from financial assets at fair value through profit or loss:

- realised	74	-	305	-
- unrealised	11	-	(10)	-

- Net gain from sale of investment in debt instruments at fair value through other comprehensive income

	179	-	294	-
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- Net gain/(loss) from sale of financial investments held for trading

	-	(5)	-	131
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- realised

	-	(17)	-	135
--	---	------	---	-----

- unrealised

	-	12	-	(4)
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- Net gain from sale of financial investments available-for-sale

	-	65	-	133
--	---	----	---	-----

- Net (loss)/gain from foreign exchange transactions

	(1,000)	604	(1,564)	3,548
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- Net loss arising from hedging activities

	(1,081)	(411)	(4,472)	(1,107)
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Net gain/(loss) arising from financial liabilities designated at fair value

	(17)	(2)	66	(11)
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- realised

	(4)	10	6	30
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- unrealised

	(13)	(12)	60	(41)
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- Net gain/(loss) arising from derivative financial instrument

	36,659	7,875	70,040	(9,362)
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- realised

	35,260	2,179	38,753	(2,612)
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- unrealised

	1,399	5,696	31,287	(6,750)
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	34,825	8,126	64,659	(6,668)
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Fee and commission income

	34,029	27,811	112,394	96,675
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Less : fee and commission expense

	(4,479)	(650)	(10,018)	(4,285)
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Net fee and commission income

	29,550	27,161	102,376	92,390
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Other income

- Sundry income

	591	846	2,008	2,675
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	121,122	82,712	317,932	224,508
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[^] Unwinding income is income earned on credit impaired/impaired financing, advances and other financing/loans.

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
A26(a) Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans				
The Group and the Bank				
Expected credit losses/allowances for bad and doubtful debts on financing, advances and other financing/loans at amortised cost:				
-Expected credit losses on financing, advance and other financing/loans	47,378	-	119,539	-
-Individual impairment allowance written back	-	10,395	-	(2,540)
-Portfolio impairment allowance	-	17,845	-	95,138
Impaired financing, advances and other financing/loans :				
- recovered	(14,361)	(12,997)	(40,300)	(39,641)
- written off	636	1,042	2,359	3,396
	<u>33,653</u>	<u>16,285</u>	<u>81,598</u>	<u>56,353</u>

A26(b) Other expected credit losses/allowances made/(written back) for other impairment losses

The Group and the Bank

Expected credit losses made/(written back) on:

- Debt instrument at fair value through other comprehensive income	33	-	489	-
- Debt instrument at amortised cost	(134)	-	(74)	-
- Money at call and deposits and placements with banks and other financial institutions	98	-	149	-
- Other receivables	7	-	(40)	-
	<u>4</u>	<u>-</u>	<u>524</u>	<u>-</u>
Allowance made				
- Other receivables	-	(20)	-	(1)
	<u>-</u>	<u>(20)</u>	<u>-</u>	<u>(1)</u>

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
A27 Income attributable to depositors and others				
The Group				
Deposits from customers				
- Mudharabah	882	975	4,823	3,036
- Non-Mudharabah	534,408	439,152	1,514,407	1,251,363
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	11,304	10,045	36,169	31,855
Others				
- Financial liabilities designated at fair value through profit or loss	13	20	25	59
- Recourse obligation on loans and financing sold to Cagamas	20,908	12,972	63,263	38,033
- Sukuk	3,369	4,472	10,770	14,219
- Subordinated Sukuk	8,083	7,311	24,002	22,654
- Structured deposits	141	141	418	716
	<u>579,108</u>	<u>475,088</u>	<u>1,653,877</u>	<u>1,361,935</u>
The Bank				
Deposits from customers				
- Mudharabah	882	975	4,823	3,036
- Non-Mudharabah	534,408	439,152	1,514,407	1,251,363
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	11,304	10,045	36,169	31,855
Others				
- Financial liabilities designated at fair value through profit or loss	13	20	25	59
- Recourse obligation on loans and financing sold to Cagamas	20,908	12,972	63,263	38,033
- Subordinated Sukuk	8,083	7,311	24,002	22,654
- Structured deposits	141	141	418	716
- Others	3,983	5,068	12,664	15,961
	<u>579,722</u>	<u>475,684</u>	<u>1,655,771</u>	<u>1,363,677</u>
A28 Profit distributed to investment account holder				
The Group and the Bank				
-Restricted	93,389	50,016	257,647	130,354
-Unrestricted	31,646	471	67,500	743
	<u>125,035</u>	<u>50,487</u>	<u>325,147</u>	<u>131,097</u>

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000

A29 Personnel expenses

The Group and the Bank

Salaries, allowances and bonuses	6,023	5,460	17,863	18,921
Pension costs (defined contribution plan)	586	614	1,783	2,204
Staff incentives and other staff payments	155	687	360	1,176
Medical expenses	35	117	114	685
Others	314	210	413	479
	7,113	7,088	20,533	23,465

A30 Other overheads and expenditures

The Group

Establishment

Depreciation of property, plant equipment	948	1,438	2,832	4,098
Amortisation of intangible assets	2,381	1,825	7,429	5,663
Rental	687	788	1,760	2,248
Repairs and maintenance	67	359	655	700
Outsourcing expenses	38	(215)	310	(179)
Security expenses	3	6	13	25
Utility expenses	28	22	60	79
Others	61	114	187	52
	4,213	4,337	13,246	12,686

Marketing

Advertisement and publicity	319	1,581	1,144	2,535
Others	370	161	765	670
	689	1,742	1,909	3,205

General expenses

Communication	18	35	73	450
Consultancy and professional fees	(38)	153	649	749
Legal expenses	147	273	456	275
Stationery	105	135	316	436
Postages	735	1,127	1,929	2,659
Donation	318	220	1,214	968
Incidental expenses on banking operations	1,111	739	3,410	2,773
Takaful	2,193	2,067	6,842	6,927
Others	3,489	1,732	9,706	6,709
	8,078	6,481	24,595	21,946
Total other overheads and expenditures	12,980	12,560	39,750	37,837

Shared service costs	128,545	117,140	384,213	343,862
	141,525	129,700	423,963	381,699

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
A30 Other overheads and expenditures (continued)				
The Bank				
Establishment				
Depreciation of property, plant equipment	948	1,438	2,832	4,098
Amortisation of intangible assets	2,381	1,825	7,429	5,663
Rental	687	788	1,760	2,248
Repairs and maintenance	67	359	655	700
Outsourcing expenses	38	(215)	310	(179)
Security expenses	3	6	13	25
Utility expenses	28	22	60	79
Others	61	114	187	52
	4,213	4,337	13,246	12,686
Marketing				
Advertisement and publicity	319	1,581	1,144	2,535
Others	370	161	765	670
	689	1,742	1,909	3,205
General expenses				
Communication	18	35	73	450
Consultancy and professional fees	(38)	153	649	749
Legal expenses	147	273	456	275
Stationery	105	135	316	436
Postages	735	1,127	1,929	2,659
Donation	318	220	1,214	968
Incidental expenses on banking operations	1,111	739	3,410	2,773
Takaful	2,193	2,067	6,842	6,927
Others	3,420	2,046	9,530	6,491
	8,009	6,795	24,419	21,728
Total other overheads and expenditures	12,911	12,874	39,574	37,619
Shared service costs	128,545	117,140	384,213	343,862
	141,456	130,014	423,787	381,481

PART A - EXPLANATORY NOTES (CONTINUED)

A31 Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

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

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

The Group and the Bank	30 September 2018			31 December 2017		
	Principal Amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000	Principal amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency forwards	9,898,380	216,905	(185,958)	7,050,740	144,544	(219,927)
- Less than one year	6,687,414	106,905	(89,105)	4,311,033	40,557	(131,622)
- One year to three years	2,223,800	48,507	(43,116)	2,173,333	39,289	(30,752)
- More than three years	987,166	61,493	(53,737)	566,374	64,698	(57,553)
Currency swaps	9,214,390	54,128	(39,042)	10,027,094	186,300	(94,534)
- Less than one year	9,164,297	51,795	(36,607)	9,998,680	183,944	(92,148)
- One year to three years	49,920	2,333	(2,407)	28,414	2,356	(2,386)
- More than three years	173	-	(28)	-	-	-
Currency spots	90,606	75	(131)	10,755	18	(9)
- Less than one year	90,606	75	(131)	10,755	18	(9)
Currency options	24,976	55	(55)	-	-	-
- Less than one year	24,976	55	(55)	-	-	-
Cross currency profit rate swaps	3,251,877	148,718	(144,541)	3,211,014	182,867	(178,130)
- Less than one year	1,225,695	39,955	(39,655)	756,509	27,164	(26,937)
- One year to three years	1,299,252	67,475	(66,834)	793,190	23,837	(22,981)
- More than three years	726,930	41,288	(38,052)	1,661,315	131,866	(128,212)
	22,480,229	419,881	(369,727)	20,299,603	513,729	(492,600)
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	16,534,443	173,138	(161,814)	17,493,007	116,998	(107,951)
- Less than one year	3,697,380	4,825	(4,331)	2,964,167	2,164	(2,046)
- One year to three years	8,849,879	130,683	(128,089)	6,062,218	20,273	(17,396)
- More than three years	3,987,184	37,630	(29,394)	8,466,622	94,561	(88,509)
<u>Equity related derivatives</u>						
Equity options	272,656	2,785	(2,786)	338,076	2,953	(2,953)
- Less than one year	26,963	1,534	(1,535)	-	-	-
- One year to three years	28,234	1,143	(1,143)	30,291	1,546	(1,546)
- More than three years	217,459	108	(108)	307,785	1,407	(1,407)
<u>Credit related contracts</u>						
Total return swaps	50,000	325	(325)	50,000	626	(626)
- More than three years	50,000	325	(325)	50,000	626	(626)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,575,000	-	(86,157)	3,593,712	-	(88,629)
- Less than one year	1,675,000	-	(29,047)	300,000	-	(1,165)
- One year to three years	1,900,000	-	(57,110)	3,275,000	-	(87,375)
- More than three years	-	-	-	18,712	-	(89)
Total derivative assets/(liabilities)	42,912,328	596,129	(620,809)	41,774,398	634,306	(692,759)

PART A - EXPLANATORY NOTES (CONTINUED)

A31 Islamic derivative financial instruments, commitments and contingencies (continued)

(i) Islamic derivative financial instruments (continued)

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

Market Risk

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

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfil their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 30 September 2018, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM596,129,000 respectively (31 December 2017: RM634,306,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity Risk

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

Cash requirements of the derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 September 2018, the Group has posted cash collateral of RM249,240,000 (31 December 2017: RM47,751,000) on their derivative contracts.

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

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

A31 Islamic derivative financial instruments, commitments and contingencies (continued)

(ii) Commitments and contingencies

	30 September 2018 Principal amount	31 December 2017 Principal amount
The Group and the Bank	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	248,510	229,687
Certain transaction-related contingent items	743,252	712,390
Short-term self-liquidating trade-related contingencies	67,951	23,014
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	8,297,177	6,901,712
- maturity exceeding one year	6,525,708	5,507,311
Miscellaneous commitments and contingencies	39,030	63,541
Total credit-related commitments and contingencies	<u>15,921,628</u>	<u>13,437,655</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	17,192,987	15,076,977
- one year to five years	4,154,207	3,998,263
- more than five years	1,133,034	1,224,363
Profit rate related contracts :		
- less than one year	5,372,380	3,264,168
- one year to five years	13,113,740	16,848,542
- more than five years	1,623,324	974,009
Equity related contracts :		
- less than one year	26,963	-
- one year to five years	28,234	61,926
- more than five years	217,459	276,150
Credit related contracts:		
- more than five years	50,000	50,000
Total treasury-related commitments and contingencies	<u>42,912,328</u>	<u>41,774,398</u>
	<u>58,833,956</u>	<u>55,212,053</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A32 Capital Adequacy

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia (“BNM”) Capital Adequacy Framework for Islamic Banks (“CAFIB”) (Capital Components), of which the latest revision was issued on 2 February 2018. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Group and the Bank are computed in accordance with the CAFIB (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 2 February 2018.

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

	The Group		The Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Common equity tier 1 ratio	13.639%	13.283%	13.642%	13.286%
Tier 1 ratio	14.208%	13.890%	14.210%	13.892%
Total capital ratio	16.787%	16.289%	16.790%	16.291%

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

	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM’000	RM’000	RM’000	RM’000
Credit risk	28,105,146	27,492,145	28,105,260	27,492,260
Market risk	559,809	629,312	559,809	629,312
Operational risk	2,642,527	2,371,656	2,642,808	2,371,944
Total risk-weighted assets	31,307,482	30,493,113	31,307,877	30,493,516

(c) Components of Common Equity Tier I, Additional Tier I and Tier II capital are as follows:

	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM’000	RM’000	RM’000	RM’000
Common Equity Tier I capital				
Ordinary share capital	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	3,859,519	3,575,006	3,860,321	3,575,715
Common Equity Tier I capital before regulatory adjustments	4,859,519	4,575,006	4,860,321	4,575,715
<u>Less: Regulatory adjustments</u>				
Goodwill	(136,000)	(136,000)	(136,000)	(136,000)
Intangible assets	(73,092)	(78,777)	(73,092)	(78,777)
Deferred tax assets	(12,504)	(18,110)	(12,504)	(18,110)
Regulatory reserve	(367,794)	(291,600)	(367,794)	(291,600)
Common Equity Tier I capital after regulatory adjustments	4,270,129	4,050,519	4,270,931	4,051,228
Additional Tier I capital				
Perpetual preference shares	178,000	185,000	178,000	185,000
Additional Tier I capital before regulatory adjustments	178,000	185,000	178,000	185,000
<u>Less: Regulatory adjustments</u>				
Additional Tier I capital after regulatory adjustments	178,000	185,000	178,000	185,000
Total Tier I capital	4,448,129	4,235,519	4,448,931	4,236,228
Tier II capital				
Subordinated notes	610,000	610,000	610,000	610,000
Surplus eligible provisions over expected loss	141,970	40,692	141,970	40,691
General provisions/Portfolio impairment allowance and regulatory reserves [^]	55,544	80,753	55,546	80,754
Total Tier II capital	807,514	731,445	807,516	731,445
Total capital	5,255,643	4,966,964	5,256,447	4,967,673

[^] Total Capital of the Group and the Bank as at 30 September 2018 have excluded general provision/portfolio impairment allowance on impaired financings restricted from Tier II capital of RM15.0 million (31 December 2017: RM14.4 million) respectively.

PART A - EXPLANATORY NOTES (CONTINUED)

A33. Leverage ratio

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

30 September 2018

	The Group	The Bank
Leverage ratio	<u>5.06%</u>	<u>5.09%</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting

Definition of segments

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

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

Business segment reporting

Definition of segments:

The Group has five major operation divisions that form the basis on which the Group reports its segment information.

Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering Islamic financial products and services such as residential property financing, non-residential property financing, personal financing, hire purchase financing, credit cards, wealth management, bancassurance, remittance and foreign exchange, deposits and internet banking services. It also offers products and services through Enterprise Banking to micro and small enterprises, which are businesses under sole proprietorship, partnership and private limited.

Commercial Banking

Commercial Banking is responsible for offering products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include core banking credit facilities, trade financing, remittance and foreign exchange, as well as general deposit products.

Commercial Banking also secured several cash management mandates from SMEs in various sectors by leveraging on the Bank's online business banking platform, which allows customers to conduct their commercial banking transactions over the internet.

Wholesale Banking

Wholesale Banking comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, Equities and Private Banking.

Investment Banking includes end-to-end client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and financial institutional clients whereas advisory offers financial advisory services to corporations on issuance of equity and equity-linked products, debt restructuring, initial public offerings, secondary offerings and general corporate advisory.

Corporate Banking offers a broad spectrum of Islamic funding solutions ranging from trade, working capital lines and capital expenditure to leveraging, merger and acquisition, leveraged and project financing. Corporate Banking's client managers partner with product specialists within the Group to provide a holistic funding solution, from cash management, trade finance, foreign exchange, custody and corporate financings, to derivatives, structured products and debt capital market.

Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.

Equities provides broking services to corporate, institutional and retail clients.

Private Banking offers a full suite of wealth management solutions to high net worth individuals with access to a complete range of private banking services, extending from investment to securities financing to trust services.

Investments

Investments focus on defining and formulating strategies at the corporate and business unit levels, oversee the Group's strategic and private equity fund management businesses. It also invests in the Group's proprietary capital and funding.

Support and others

Support services comprise of unallocated middle and back-office processes and cost centres and other subsidiaries whose results are not material to the Group.

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting (continued)

The Group	Wholesale	Consumer	Commercial	Investments	Support and	Total
30 September 2018	Banking	Banking	Banking	Banking	others	Banking
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net income:						
- external	(245,087)	1,062,119	183,520	114,933	-	1,115,485
- inter-segment	480,287	(443,001)	(37,409)	123	-	-
	<u>235,200</u>	<u>619,118</u>	<u>146,111</u>	<u>115,056</u>	<u>-</u>	<u>1,115,485</u>
Other income	36,070	107,654	19,153	5,381	-	168,258
Operating income	<u>271,270</u>	<u>726,772</u>	<u>165,264</u>	<u>120,437</u>	<u>-</u>	<u>1,283,743</u>
Overhead expenses	(81,739)	(301,874)	(36,519)	(1,108)	(23,256)	(444,496)
Consist of :						
Depreciation of property, plant and equipment	(82)	(2,750)	-	-	-	(2,832)
Amortisation of intangible assets	(1,647)	(5,782)	-	-	-	(7,429)
Profit/(loss) before allowances	<u>189,531</u>	<u>424,898</u>	<u>128,745</u>	<u>119,329</u>	<u>(23,256)</u>	<u>839,247</u>
Expected credit losses (made)/written back on financing, advances and other financing/loans	(18,873)	(67,391)	4,666	-	-	(81,598)
Expected credit losses written back/(made) for commitments and contingencies	4,658	(8,330)	5,544	-	-	1,872
Other expected credit losses (made)/written back	(109)	-	-	(455)	40	(524)
Segment results	<u>175,207</u>	<u>349,177</u>	<u>138,955</u>	<u>118,874</u>	<u>(23,216)</u>	<u>758,997</u>
Taxation and zakat						(144,269)
Profit for the financial period						<u><u>614,728</u></u>

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting (continued)

The Group	Wholesale	Consumer	Commercial	Investments	Support and	Total
30 September 2017	Banking	Banking	Banking	Banking	others	Banking
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net income:						
- external	(196,501)	841,371	161,017	83,528	-	889,415
- inter-segment	381,782	(331,055)	(50,890)	163	-	-
	185,281	510,316	110,127	83,691	-	889,415
Other income	38,996	88,874	12,730	8,258	-	148,858
Operating income	224,277	599,190	122,857	91,949	-	1,038,273
Overhead expenses	(69,908)	(275,468)	(40,673)	(1,454)	(17,661)	(405,164)
Consist of :						
Depreciation of property, plant and equipment	(354)	(2,935)	-	(809)	-	(4,098)
Amortisation of intangible assets	(80)	(5,583)	-	-	-	(5,663)
Profit/(loss) before allowances	154,369	323,722	82,184	90,495	(17,661)	633,109
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	(9,386)	(51,501)	4,534	-	-	(56,353)
Allowances for other impairment losses	-	-	-	-	1	1
Segment results	144,983	272,221	86,718	90,495	(17,660)	576,757
Taxation						(140,942)
Profit for the financial period						435,815

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting (continued)

The Group 30 September 2018	Wholesale Banking RM'000	Consumer Banking RM'000	Commercial Banking RM'000	Investments RM'000	Total RM'000
Segment assets	42,309,734	41,722,548	6,552,632	4,179,391	94,764,305
Unallocated assets					644,758
Total assets					95,409,063
Segment liabilities	56,824,110	27,189,553	4,288,121	998,347	89,300,131
Unallocated liabilities					807,838
Total liabilities					90,107,969
Other segment items					
Capital expenditure	374	1,571	-	-	1,945
The Group 31 December 2017	Wholesale Banking RM'000	Consumer Banking RM'000	Commercial Banking RM'000	Investments RM'000	Total RM'000
Segment assets	41,499,479	34,200,884	5,920,111	2,949,563	84,570,037
Unallocated assets					707,421
Total assets					85,277,458
Segment liabilities	52,565,647	21,317,102	4,866,399	1,080,030	79,829,178
Unallocated liabilities					653,274
Total liabilities					80,482,452
Other segment items					
Capital expenditure	651	7,598	-	387	8,636

PART A - EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

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

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation Model Review and Approval

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

PART A - EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation (continued)

(i) The following table represents the assets and liabilities measured at fair value and classified by level with the following fair value hierarchy as at 30 September 2018 and 31 December 2017.

The Group and the Bank	30 September 2018				31 December 2017			
	Carrying amount	Fair Value		Total	Carrying amount	Fair Value		Total
	(RM'000)	(Level 2) RM'000	(Level 3) RM'000	RM'000	(RM'000)	(Level 2) RM'000	(Level 3) RM'000	RM'000
Recurring fair value measurements								
Financial assets								
Financial assets at fair value through profit or loss								
-Money market instruments	2,351,336	2,351,336	-	2,351,336	-	-	-	-
-Unquoted securities	41,404	41,404	-	41,404	-	-	-	-
Debt instruments at fair value through other comprehensive income								
-Money market instruments	835,893	835,893	-	835,893	-	-	-	-
-Unquoted securities	1,968,214	1,968,214	-	1,968,214	-	-	-	-
Equity instruments at fair value through other comprehensive income								
-Unquoted securities	575	-	575	575	-	-	-	-
Financial assets held for trading								
-Money market instruments	-	-	-	-	3,164,166	3,164,166	-	3,164,166
-Unquoted securities	-	-	-	-	60,972	60,972	-	60,972
Financial investments available-for-sale								
-Money market instruments	-	-	-	-	382,696	382,696	-	382,696
-Unquoted securities	-	-	-	-	1,540,901	1,540,326	575	1,540,901
Derivative financial instruments								
-Trading derivatives	596,129	592,341	3,788	596,129	634,306	627,541	6,765	634,306
Financing, advances and other financing/loans at fair value through profit or loss	491,488	491,488	-	491,488	-	-	-	-
Total	6,285,039	6,280,676	4,363	6,285,039	5,783,041	5,775,701	7,340	5,783,041
Recurring fair value measurements								
Financial liabilities								
Derivative financial instruments								
-Trading derivatives	534,652	530,864	3,788	534,652	604,130	597,325	6,805	604,130
-Hedging derivatives	86,157	86,157	-	86,157	88,629	88,629	-	88,629
Financial liabilities designated at fair value through profit or loss	1,291	1,291	-	1,291	2,233	2,233	-	2,233
Total	622,100	618,312	3,788	622,100	694,992	688,187	6,805	694,992

^ Placement with Islamic Banking and Finance Institute Malaysia (IBFIM)

PART A-EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation (continued)

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

	Financial Assets			Financial Liabilities		
	Equity instruments at fair value through other comprehensive income	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	Total RM'000	Trading derivatives RM'000	Total RM'000
The Group and the Bank						
2018						
At 1 Jan	-	575	2,707	3,282	(2,707)	(2,707)
Effect of adopting MFRS 9 on 1 Jan 2018	575	(575)	-	-	-	-
Adjusted 1 Jan	575	-	2,707	3,282	(2,707)	(2,707)
Total gain/(loss) recognised in statement of income	-	-	1,297	1,297	(1,297)	(1,297)
Settlements	-	-	(216)	(216)	216	216
At 30 September	575	-	3,788	4,363	(3,788)	(3,788)
Total gain/(loss) recognised in statement of income for financial period ended 30 September 2018 under:						
- net other income	-	-	1,297	1,297	(1,297)	(1,297)
Change in unrealised gain/(loss) recognised in statement of income relating to assets held on 30 September 2018 under "other income"	-	-	187	187	(187)	(187)

PART A-EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation (continued)

	Financial Assets			Financial Liabilities		
	Equity instruments at fair value through other comprehensive income RM'000	Financial investments available-for-sale	Derivative financial instruments RM'000	Total RM'000	Derivative financial instruments RM'000	Total RM'000
The Group and the Bank						
2017						
At 1 Jan	-	575	3,397	3,972	(3,397)	(3,397)
Total gain/(loss) recognised in statement of income	-	-	4,745	4,745	(4,745)	(4,745)
Settlements	-	-	(1,377)	(1,377)	1,337	1,337
Exchange fluctuation	-	-	-	-	-	-
At 31 Disember	-	575	6,765	7,340	(6,805)	(6,805)
Total gain/(loss) recognised in statement of income for financial period ended 31 Disember 2017 under:						
- net other income	-	-	4,745	4,745	(4,745)	(4,745)
Change in unrealised gain/(loss) recognised in statement of income relating to assets held on 31 Disember 2017 under "other income"	-	-	687	687	(647)	(647)

PART A - EXPLANATORY NOTES (CONTINUED)

A36. Change in accounting policies

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

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

	Impact of adoption of MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
Deposits and placements with banks and other financial institutions		
Closing balance under MFRS 139 as at 31 December 2017	530,017	530,017
- recognition of expected credit losses under MFRS 9	(15)	(15)
Opening balance under MFRS 9 as at 1 January 2018	<u>530,002</u>	<u>530,002</u>
Financial assets at fair value through profit or loss		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial assets held for trading	3,225,138	3,225,138
Opening balance under MFRS 9 as at 1 January 2018	<u>3,225,138</u>	<u>3,225,138</u>
Debt instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments available-for-sale	1,623,082	1,623,082
- reclassification from financial investments held-to-maturity	307,335	307,335
- unrealised gain on debt instruments at fair value through other comprehensive income	2,828	2,828
Opening balance under MFRS 9 as at 1 January 2018	<u>1,933,245</u>	<u>1,933,245</u>
Equity instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments available-for-sale	575	575
Opening balance under MFRS 9 as at 1 January 2018	<u>575</u>	<u>575</u>
Debt instruments at amortised cost		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments held-to-maturity	4,425,054	4,425,054
- reclassification from financial investments available-for-sale	299,940	299,940
- Remeasurement of debt instruments at amortised cost	8,183	8,183
- recognition of expected credit losses under MFRS 9	(383)	(383)
Opening balance under MFRS 9 as at 1 January 2018	<u>4,732,794</u>	<u>4,732,794</u>

A36. Change in accounting policies (Continued)

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

	Impact of adoption of MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
Financial assets held for trading		
Closing balance under MFRS 139 as at 31 December 2017	3,225,138	3,225,138
- reclassification to financial assets at fair value through profit or loss	(3,225,138)	(3,225,138)
Opening balance under MFRS 9 as at 1 January 2018	-	-
Financial investments available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	1,923,597	1,923,597
- reclassification to debt instruments at fair value through other comprehensive income	(1,623,082)	(1,623,082)
- reclassification to debt instruments at amortised cost	(299,940)	(299,940)
- reclassification to equity instruments at fair value through other comprehensive income	(575)	(575)
Opening balance under MFRS 9 as at 1 January 2018	-	-
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 31 December 2017	4,732,389	4,732,389
- reclassification to debt instruments at amortised cost	(4,425,054)	(4,425,054)
- reclassification to debt instruments at fair value through other comprehensive income	(307,335)	(307,335)
Opening balance under MFRS 9 as at 1 January 2018	-	-
Financing, advances and other financing/loans		
Closing balance under MFRS 139 as at 31 December 2017	57,551,408	57,551,408
- recognition of expected credit losses under MFRS 9	(98,775)	(98,775)
Opening balance under MFRS 9 as at 1 January 2018	57,452,633	57,452,633
Deferred tax assets		
Closing balance under MFRS 139 as at 31 December 2017	17,795	17,795
- Tax effect arising from MFRS 9	(2,643)	(2,643)
Opening balance under MFRS 9 as at 1 January 2018	15,152	15,152
Other liabilities		
Closing balance under MFRS 139 as at 31 December 2017	616,505	896,914
- recognition of expected credit losses under MFRS 9	66,933	66,933
Opening balance under MFRS 9 as at 1 January 2018	683,438	963,847
Provision for taxation		
Closing balance under MFRS 139 as at 31 December 2017	56,150	56,150
- Tax effect arising from MFRS 9	(40,019)	(40,019)
Opening balance under MFRS 9 as at 1 January 2018	16,131	16,131

PART A - EXPLANATORY NOTES (CONTINUED)

A36. Change in accounting policies (Continued)

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

	Impact of adoption of MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
Retained profits		
Closing balance under MFRS 139 as at 31 December 2017	3,305,512	3,306,221
- Transfer from regulatory reserve	45,635	45,635
- Recognition of expected credit losses under MFRS 9	(166,676)	(166,676)
- Tax effect arising from MFRS 9	40,019	40,019
	3,224,490	3,225,199
Revaluation reserve - financial investment available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	(20,873)	(20,873)
- Revaluation loss transfer to fair value reserve - debt instruments at fair value through other comprehensive income	19,282	19,282
- Day 1 remeasurement of debts at amortised cost	8,183	8,183
- Tax effect arising from MFRS 9	(6,592)	(6,592)
	-	-
Fair value reserve - Debt instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- Revaluation loss transfer from revaluation reserve - financial investment available-for-sale	(19,282)	(19,282)
- Unrealised gain on debt instruments at fair value through other comprehensive income	2,828	2,828
- Recognition of expected credit losses under MFRS 9	570	570
- Tax effect arising from MFRS 9	3,949	3,949
	(11,935)	(11,935)
Regulatory reserve		
Closing balance under MFRS 139 as at 31 December 2017	291,600	291,600
- Transfer to retained profits	(45,635)	(45,635)
	245,965	245,965

PART A - EXPLANATORY NOTES (CONTINUED)

A36. Change in accounting policies (Continued)

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

	The Group				The Bank					
	Audited as at 31 December 2017 RM'000	Effects of adopting MFRS 9		Adjusted 1 January 2018 RM'000	Audited as at 31 December 2017 RM'000	Effects of adopting MFRS 9			Adjusted 1 January 2018 RM'000	
		Remeasurement RM'000	Reclassification RM'000	Total RM'000		Remeasurement RM'000	Reclassification RM'000	Total RM'000		
Assets										
Cash and short-term funds	14,282,896	-	-	-	14,282,896	14,282,850	-	-	-	14,282,850
Deposits and placements with banks and other financial institutions	530,017	(15)	-	(15)	530,002	530,017	(15)	-	(15)	530,002
Financial assets at fair value through profit or loss	-	-	3,225,138	3,225,138	3,225,138	-	-	3,225,138	3,225,138	3,225,138
Debt instruments at fair value through other comprehensive income	-	2,828	1,930,417	1,933,245	1,933,245	-	2,828	1,930,417	1,933,245	1,933,245
Equity instruments at fair value through other comprehensive income	-	-	575	575	575	-	-	575	575	575
Debt instruments at amortised cost	-	7,800	4,724,994	4,732,794	4,732,794	-	7,800	4,724,994	4,732,794	4,732,794
Financial assets held for trading	3,225,138	-	(3,225,138)	(3,225,138)	-	3,225,138	-	(3,225,138)	(3,225,138)	-
Derivative financial instruments	634,306	-	-	-	634,306	634,306	-	-	-	634,306
Financial investments available-for-sale	1,923,597	-	(1,923,597)	(1,923,597)	-	1,923,597	-	(1,923,597)	(1,923,597)	-
Financial investments held-to-maturity	4,732,389	-	(4,732,389)	(4,732,389)	-	4,732,389	-	(4,732,389)	(4,732,389)	-
Financing, advances and other financing/loans	57,551,408	(98,775)	-	(98,775)	57,452,633	57,551,408	(98,775)	-	(98,775)	57,452,633
Other assets	604,089	-	-	-	604,089	604,089	-	-	-	604,089
Deferred tax assets	17,795	(679)	(1,964)	(2,643)	15,152	17,795	(679)	(1,964)	(2,643)	15,152
Amount due from related companies	414	-	-	-	414	414	-	-	-	414
Statutory deposits with central banks	1,554,286	-	-	-	1,554,286	1,554,286	-	-	-	1,554,286
Investment in subsidiaries	-	-	-	-	-	11	-	-	-	11
Property, plant and equipment	6,031	-	-	-	6,031	6,031	-	-	-	6,031
Goodwill	136,000	-	-	-	136,000	136,000	-	-	-	136,000
Intangible assets	79,092	-	-	-	79,092	79,092	-	-	-	79,092
	85,277,458	(88,841)	(1,964)	(90,805)	85,186,653	85,277,423	(88,841)	(1,964)	(90,805)	85,186,618
TOTAL ASSETS	85,277,458	(88,841)	(1,964)	(90,805)	85,186,653	85,277,423	(88,841)	(1,964)	(90,805)	85,186,618

PART A - EXPLANATORY NOTES (CONTINUED)

A36. Change in accounting policies (Continued)

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

	The Group					The Bank				
	Audited as at	Effects of adopting MFRS 9			Adjusted	Audited as at	Effects of adopting MFRS 9			Adjusted
	31 December	Remeasurement	Reclassification	Total	1 January 2018	31 December	Remeasurement	Reclassification	Total	1 January
2017	RM'000	RM'000	RM'000	RM'000	RM'000	2017	RM'000	RM'000	RM'000	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities										
Deposits from customers	64,728,979	-	-	-	64,728,979	64,910,083	-	-	-	64,910,083
Investment accounts of customers	907,763	-	-	-	907,763	907,763	-	-	-	907,763
Deposits and placements of banks and other financial institutions	2,160,415	-	-	-	2,160,415	2,160,415	-	-	-	2,160,415
Investment accounts due to designated financial institutions	8,145,684	-	-	-	8,145,684	8,145,684	-	-	-	8,145,684
Financial liabilities designated at fair value	2,233	-	-	-	2,233	2,233	-	-	-	2,233
Derivative financial instruments	692,759	-	-	-	692,759	692,759	-	-	-	692,759
Amount due to holding company	20,588	-	-	-	20,588	20,588	-	-	-	20,588
Amount due to related companies	813	-	-	-	813	813	-	-	-	813
Other liabilities	616,505	66,933	-	66,933	683,438	896,914	66,933	-	66,933	963,847
Recourse obligation on loans and financing sold to Cagamas	2,072,300	-	-	-	2,072,300	2,072,300	-	-	-	2,072,300
Provision for taxation	56,150	(40,019)	-	(40,019)	16,131	56,150	(40,019)	-	(40,019)	16,131
Bonds, sukuk and debentures	463,257	-	-	-	463,257	1,000	-	-	-	1,000
Subordinated sukuk	615,006	-	-	-	615,006	615,006	-	-	-	615,006
	80,482,452	26,914	-	26,914	80,509,366	80,481,708	26,914	-	26,914	80,508,622
Total liabilities	80,482,452	26,914	-	26,914	80,509,366	80,481,708	26,914	-	26,914	80,508,622
Equity										
Ordinary share capital	1,000,000	-	-	-	1,000,000	1,000,000	-	-	-	1,000,000
Reserves	3,575,006	(115,755)	(1,964)	(117,719)	3,457,287	3,575,715	(115,755)	(1,964)	(117,719)	3,457,996
	4,575,006	(115,755)	(1,964)	(117,719)	4,457,287	4,575,715	(115,755)	(1,964)	(117,719)	4,457,996
Perpetual preference shares	220,000	-	-	-	220,000	220,000	-	-	-	220,000
TOTAL EQUITY	4,795,006	(115,755)	(1,964)	(117,719)	4,677,287	4,795,715	(115,755)	(1,964)	(117,719)	4,677,996
TOTAL EQUITY AND LIABILITIES	85,277,458	(88,841)	(1,964)	(90,805)	85,186,653	85,277,423	(88,841)	(1,964)	(90,805)	85,186,618

PART A - EXPLANATORY NOTES (CONTINUED)

A36. Change in accounting policies (Continued)

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

	The Group				Adjusted
	Audited as at	Effects of adopting MFRS 9		Total	
	31 December 2017	Remeasurement	Reclassification	RM'000	
	RM'000	RM'000	RM'000	RM'000	1 January 2018
Retained profits	3,305,512	(81,022)	-	(81,022)	3,224,490
Debts at fair value through other comprehensive income	-	2,719	(14,654)	(11,935)	(11,935)
Revaluation reserve -					
financial investment available-for-sale	(20,873)	8,183	12,690	20,873	-
Regulatory reserve	291,600	(45,635)	-	(45,635)	245,965
	<u>3,576,239</u>	<u>(115,755)</u>	<u>(1,964)</u>	<u>(117,719)</u>	<u>3,458,520</u>

	The Bank				Adjusted
	Audited as at	Effects of adopting MFRS 9		Total	
	31 December 2017	Remeasurement	Reclassification	RM'000	
	RM'000	RM'000	RM'000	RM'000	1 January 2018
Retained profits	3,306,221	(81,022)	-	(81,022)	3,225,199
Debts at fair value through other comprehensive income	-	2,719	(14,654)	(11,935)	(11,935)
Revaluation reserve -					
financial investment available-for-sale	(20,873)	8,183	12,690	20,873	-
Regulatory reserve	291,600	(45,635)	-	(45,635)	245,965
	<u>3,576,948</u>	<u>(115,755)</u>	<u>(1,964)</u>	<u>(117,719)</u>	<u>3,459,229</u>

PART B

B1 Group performance review

The Group recorded a pre-tax profit and zakat of RM759 million for the financial period ended 30 September 2018, an increase of RM182 million or 31.6% compared to the previous corresponding period.

Total income grew by RM731 million or 28.9% to RM3,263 million from previous corresponding period, comprising of increase of income derived from investments of depositors funds, income derived from investment of investment accounts and income derived from investment of shareholder's funds by RM407.4 million, RM230.3 million and RM93.7 million respectively.

For the nine months ended 30 September 2018, the Group recorded net expected credit losses/allowance for impairment losses made on financing, advances and other financing/loans of RM81.6 billion compared to RM56.3 million in the corresponding period last year. The increase in net allowance charged was mainly due to higher expected credit losses/allowance for impairment on financing amounting to RM26.9 million and it was partly offset with higher impaired financings recovered by RM0.6 million.

The income attributable to depositors and profit distributed to investment account holder increased by RM291.9 million and RM194.1 million respectively.

The Groups's gross financing, advances and other financing/loans increased by 22.7% to RM70.9 billion for the nine months period ended 30 September 2018. As at 30 September 2018, deposits from customers and investment accounts of customers stood at RM70.7 billion and RM3.4 billion, an increase of RM5.9 billion and RM2.5 billion respectively as compared to 31 December 2017.

The Group's Common Equity Tier 1, Tier 1 Capital Ratio and Total Capital Ratio stood at 13.639%, 14.208% and 16.787% respectively as at 30 September 2018.

B2 Prospects for the current financial year

CIMB Islamic remains cautious on the prospects for the rest of 2018 amidst the continued global trade tensions and market uncertainties. CIMB Islamic's growth momentum will continue to be driven by Consumer Banking, and is expected to grow above the banking industry driven by its Islamic First strategy. Capital market activities will be in a greater part dependent on government policies and measures. Despite these headwinds, we expect the Bank to perform better in 2018 due to the success of the T18 Islamic Finance 2.0 initiatives.

B3 Computation of earnings per share (EPS)

a) Basic EPS

The Group and Bank basic EPS is calculated by dividing the net profit for the financial period by the weighted average number of ordinary shares in issue during the financial period.

	The Group			
	3rd Quarter Ended		9 Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	239,373	155,372	614,728	435,815
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (expressed in sen per share)	23.94	15.54	61.47	43.58

	The Bank			
	3rd Quarter Ended		9 Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	239,421	155,171	614,870	436,435
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (expressed in sen per share)	23.94	15.52	61.49	43.64

b) Diluted EPS

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