

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	The Group		The Bank	
		30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Assets					
Cash and short term funds	A6	32,520,174	33,341,519	21,632,523	19,642,521
Reverse repurchase agreements		6,770,621	6,484,687	6,472,727	5,000,601
Deposits and placements with banks and other financial institutions	A6	1,624,987	1,194,205	10,889,246	9,227,427
Financial assets at fair value through profit or loss	A7	26,235,438	-	20,283,863	-
Debt instruments at fair value through other comprehensive income	A8	24,021,795	-	17,705,633	-
Equity instruments at fair value through other comprehensive income	A9	1,034,847	-	1,021,608	-
Debt instruments at amortised cost	A10	35,737,186	-	28,523,204	-
Financial assets held for trading	A11	-	20,410,054	-	15,992,404
Financial investments available-for-sale	A12	-	24,604,276	-	20,055,267
Financial investments held-to-maturity	A13	-	34,323,102	-	28,698,561
Derivative financial instruments	A26	9,815,506	8,370,447	5,861,101	6,062,542
Loans, advances and financing	A14	272,243,231	261,788,709	178,421,851	176,897,036
Other assets	A15	8,342,805	9,372,677	6,747,201	8,132,565
Tax recoverable		10,215	9,246	-	-
Deferred taxation		442,395	333,851	263,988	111,658
Statutory deposits with central banks		8,549,488	8,630,364	6,175,243	6,503,641
Amounts due from holding company and ultimate holding company		5,246	3,227	5,246	3,227
Amount due from subsidiaries		-	-	36,545	63,827
Amount due from related companies		1,040,897	1,107,017	1,039,929	1,105,782
Investment in subsidiaries		-	-	6,025,602	6,002,931
Investment in joint venture		171,337	169,688	125,000	125,000
Goodwill		5,147,609	5,177,536	3,555,075	3,555,075
Intangible assets		957,478	1,002,253	838,369	877,706
Prepaid lease payments		392	397	-	-
Property, plant and equipment		780,896	732,387	452,736	396,628
		435,452,543	417,055,642	316,076,690	308,454,399
Non-current assets/disposal groups held for sale		4,199	4,199	-	-
Total Assets		435,456,742	417,059,841	316,076,690	308,454,399
Liabilities					
Deposits from customers	A16	293,820,042	295,900,121	201,723,937	207,442,951
Investment accounts of customers	A17	3,043,560	907,763	-	-
Deposits and placements of banks and other financial institutions	A18	27,878,900	17,101,949	26,781,729	16,164,109
Repurchase agreements		11,323,008	3,318,517	9,178,777	3,318,517
Financial liabilities designated at fair value through profit or loss	A19	5,285,782	4,773,440	1,674,201	1,900,972
Derivative financial instruments	A26	9,914,008	8,728,437	5,998,868	6,523,609
Bills and acceptances payable		1,213,635	1,926,089	425,416	1,086,455
Amount due to subsidiaries		-	-	10,923	12,555
Amount due to related companies		19,010	13,267	17,901	10,308
Other liabilities	A20	10,674,973	12,003,591	9,129,897	10,430,514
Recourse obligation on loans and financing sold to Cagamas		5,033,969	5,195,248	3,118,623	3,122,948
Provision for taxation		119,839	358,462	80,452	300,254
Deferred taxation		-	2,639	-	-
Bonds, Sukuk and debentures		12,960,557	13,263,385	10,876,591	11,204,948
Other borrowings		4,399,799	5,100,684	4,842,304	5,697,728
Subordinated obligations		11,149,084	10,361,318	10,235,306	9,533,891
Total Liabilities		396,836,166	378,954,910	284,094,925	276,749,759
Equity					
Capital and reserves attributable to owners of the Parent					
Ordinary share capital		18,888,794	17,610,939	18,888,794	17,610,939
Reserves		19,243,702	20,007,741	12,863,231	13,863,961
		38,132,496	37,618,680	31,752,025	31,474,900
Perpetual preference shares		200,000	200,000	200,000	200,000
Redeemable preference shares		29,740	29,740	29,740	29,740
Non-controlling interests		258,340	256,511	-	-
Total Equity		38,620,576	38,104,931	31,981,765	31,704,640
Total Equity and Liabilities		435,456,742	417,059,841	316,076,690	308,454,399
Commitments and contingencies	A27	984,566,481	854,570,236	614,211,391	557,231,592
Net assets per ordinary share attributable to owners of the Parent (RM)		2.02	2.14	1.68	1.79

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

The Group	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Interest income	A21	3,444,116	3,342,361	6,741,879	6,555,404
Interest expense	A22	(1,810,309)	(1,626,877)	(3,456,577)	(3,145,254)
Net interest income		1,633,807	1,715,484	3,285,302	3,410,150
Income from Islamic Banking operations	A32(b)	590,483	438,897	1,100,520	846,518
Net non-interest income	A23	560,746	684,140	1,307,402	1,478,279
Net income		2,785,036	2,838,521	5,693,224	5,734,947
Overheads	A24	(1,392,125)	(1,319,300)	(2,805,732)	(2,686,617)
Profit before expected credit losses/allowances		1,392,911	1,519,221	2,887,492	3,048,330
Expected credit losses/allowance for impairment losses on loans, advances and financing	A25(a)	(136,823)	(334,646)	(279,931)	(466,193)
Expected credit losses/allowance written-back/(made)for commitments and contingencies		9,427	21,881	(7,488)	16,921
Other expected credit losses/allowance written-back/(made) for other impairment losses	A25(b)	11,618	(17,735)	(2,056)	(20,883)
		1,277,133	1,188,721	2,598,017	2,578,175
Share of results of joint venture		467	5	1,650	2,250
Profit before taxation and zakat		1,277,600	1,188,726	2,599,667	2,580,425
Taxation and zakat		(296,731)	(240,701)	(609,545)	(521,599)
Profit for the financial period		980,869	948,025	1,990,122	2,058,826
Profit for the financial period attributable to:					
Owners of the Parent		974,154	944,927	1,979,558	2,051,228
Non-controlling interests		6,715	3,098	10,564	7,598
		980,869	948,025	1,990,122	2,058,826
Earnings per share attributable to ordinary equity holders of the Parent - basic (sen)	B3	17.52	17.87	35.68	38.84

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

<u>The Group</u>	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit for the financial period	980,869	948,025	1,990,122	2,058,826
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefits obligations	281	437	360	(233)
- Currency translation difference	281	437	360	(233)
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	8,313	-	8,313	-
Equity instruments at fair value through other comprehensive income	8,949	-	10,502	-
- Net gain from change in fair value	10,121	-	8,919	-
- Income tax effects	400	-	867	-
- Currency translation difference	(1,572)	-	716	-
	<u>17,543</u>	<u>437</u>	<u>19,175</u>	<u>(233)</u>
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve of financial investments available-for-sale	-	56,323	-	205,134
- Net gain from change in fair value	-	70,327	-	249,115
- Realised gain transferred to statement of income on disposal and impairment	-	(4,951)	-	(16,283)
- Income tax effects	-	(12,695)	-	(28,051)
- Currency translation difference	-	3,642	-	353
Debt instruments at fair value through other comprehensive income	(113,731)	-	(131,765)	-
- Net loss from change in fair value	(121,050)	-	(138,337)	-
- Realised loss/(gain) transferred to statement of income on disposal	7,200	-	(17,541)	-
- Changes in expected credit losses	(9,942)	-	3,344	-
- Income tax effects	7,906	-	21,156	-
- Currency translation difference	2,155	-	(387)	-
Net investment hedge	(157,066)	121,629	60,656	116,654
Cash flow hedge	2,196	5,702	2,847	5,659
- Net gain from change in fair value	2,870	7,441	3,521	7,657
- Income tax effects	(674)	(1,739)	(674)	(1,998)
Exchange fluctuation reserve	182,311	(274,082)	(212,742)	(185,998)
Deferred hedging cost	15,868	-	28,685	-
	<u>(70,422)</u>	<u>(90,428)</u>	<u>(252,319)</u>	<u>141,449</u>
Other comprehensive (expense)/income for the financial period, net of tax	(52,879)	(89,991)	(233,144)	141,216
Total comprehensive income for the financial period	<u>927,990</u>	<u>858,034</u>	<u>1,756,978</u>	<u>2,200,042</u>
Total comprehensive income for the financial period attributable to:				
Owners of the Parent	926,941	859,069	1,753,188	2,190,437
Non-controlling interests	1,049	(1,035)	3,790	9,605
	<u>927,990</u>	<u>858,034</u>	<u>1,756,978</u>	<u>2,200,042</u>

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

<u>The Bank</u>	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Interest income	A21	3,046,362	2,909,143	5,939,230	5,672,935
Interest expense	A22	(1,697,579)	(1,505,586)	(3,237,109)	(2,899,001)
Net interest income		1,348,783	1,403,557	2,702,121	2,773,934
Income from Islamic Banking operations	A32(b)	60,710	40,926	84,640	80,223
Net non-interest income	A23	472,375	589,782	1,141,559	1,261,250
Net income		1,881,868	2,034,265	3,928,320	4,115,407
Overheads	A24	(979,412)	(932,982)	(1,981,123)	(1,913,486)
Profit before expected credit losses/allowances		902,456	1,101,283	1,947,197	2,201,921
Expected credit losses/allowance for impairment losses on loans, advances and financing	A25(a)	(86,711)	(157,266)	(87,360)	(170,778)
Expected credit losses/allowance written-back/(made) for commitments and contingencies		22,781	-	12,214	(2,222)
Other expected credit losses/allowance written-back/(made) for other impairment losses	A25(b)	8,879	(15,647)	(4,437)	(16,472)
Profit before taxation		847,405	928,370	1,867,614	2,012,449
Taxation		(197,350)	(183,339)	(435,362)	(406,737)
Profit for the financial period		650,055	745,031	1,432,252	1,605,712
Earnings per share - basic (sen)	B3	11.69	14.09	25.81	30.40

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

<u>The Bank</u>	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit for the financial period	650,055	745,031	1,432,252	1,605,712
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss				
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	8,313	-	8,313	-
Equity instruments at fair value through other comprehensive income	9,081	-	11,147	-
- Net loss from change in fair value	10,871	-	10,456	-
- Income tax effects	214	-	526	-
- Currency translation difference	(2,004)	-	165	-
	17,394	-	19,460	-
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve of financial investments available-for-sale	-	29,407	-	165,132
- Net gain from change in fair value	-	33,791	-	191,935
- Realised gain transferred to statement of income on disposal and impairment	-	240	-	(10,045)
- Income tax effects	-	(5,896)	-	(17,442)
- Currency translation difference	-	1,272	-	684
Debt instruments at fair value through other comprehensive income	(74,722)	-	(94,645)	-
- Net loss from change in fair value	(77,703)	-	(99,428)	-
- Realised loss/(gain) transferred to statement of income on disposal	7,968	-	(12,895)	-
- Changes in expected credit losses	(9,738)	-	2,126	-
- Income tax effects	2,595	-	15,939	-
- Currency translation difference	2,156	-	(387)	-
Net investment hedge	(143,384)	112,821	60,171	104,491
Cash flow hedge	(566)	5,702	85	5,659
- Net (loss)/gain from change in fair value	(539)	7,441	112	7,657
- Income tax effects	(27)	(1,739)	(27)	(1,998)
Exchange fluctuation reserve	217,671	(178,275)	(86,255)	(174,189)
Deferred hedging cost	13,960	-	28,897	-
	12,959	(30,345)	(91,747)	101,093
Other comprehensive income/(expense) for the financial period, net of tax	30,353	(30,345)	(72,287)	101,093
Total comprehensive income for the financial period	680,408	714,686	1,359,965	1,706,805

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

The Group	Attributable to owners of the Parent																			Total Equity RM'000
	Ordinary share capital RM'000	Redeemable Preference Shares RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	Fair value reserve			Merger deficit RM'000	Capital reserve RM'000	Hedging reserve RM'000	Costs of hedging reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Defined benefits reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Non- controlling interests RM'000	
					debt instruments at fair value through other comprehensive income RM'000	equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve- financial investments available-for-sale RM'000													
At 1 Jan 2018	17,610,939	29,740	49,941	1,776,264	-	-	500,464	(1,085,928)	735,457	(1,139,101)	-	1,500,556	-	43,638	(17,532)	17,643,982	37,648,420	200,000	256,511	38,104,931
Effect of adopting MFRS 9 (Note 34)	-	-	-	-	(69,881)	(33,188)	(500,464)	-	-	-	55	11,092	(4,212)	-	-	(283,768)	(880,366)	-	(1,961)	(882,327)
1 Jan 2018, as restated	17,610,939	29,740	49,941	1,776,264	(69,881)	(33,188)	-	(1,085,928)	735,457	(1,139,101)	55	1,511,648	(4,212)	43,638	(17,532)	17,360,214	36,768,054	200,000	254,550	37,222,604
Profit for the financial period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,979,558	1,979,558	-	10,564	1,990,122
Other comprehensive (expenses)/ income (net of tax)	-	-	-	(207,174)	(130,024)	10,529	-	-	-	63,503	28,685	-	8,313	(562)	360	-	(226,370)	-	(6,774)	(233,144)
- debt instruments at fair value through other comprehensive income	-	-	-	-	(130,024)	-	-	-	-	-	-	-	-	-	-	-	(130,024)	-	(1,741)	(131,765)
- equity instruments at fair value through other comprehensive income	-	-	-	-	-	10,529	-	-	-	-	-	-	-	-	-	-	10,529	-	(27)	10,502
- net investment hedge	-	-	-	-	-	-	-	-	-	60,656	-	-	-	-	-	-	60,656	-	-	60,656
- cash flow hedge	-	-	-	-	-	-	-	-	-	2,847	-	-	-	-	-	-	2,847	-	-	2,847
- currency translation difference	-	-	-	(207,174)	-	-	-	-	-	-	-	-	-	(562)	-	-	(207,736)	-	(5,006)	(212,742)
- remeasurement of post employment benefits obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	360	-	360	-	-	360
- fair value changes on financial liabilities designated at fair value relating to own credit risk	-	-	-	-	-	-	-	-	-	-	-	-	8,313	-	-	-	8,313	-	-	8,313
- deferred hedging cost	-	-	-	-	-	-	-	-	-	-	28,685	-	-	-	-	-	28,685	-	-	28,685
Total comprehensive (expenses)/ income for the financial period	-	-	-	(207,174)	(130,024)	10,529	-	-	-	63,503	28,685	-	8,313	(562)	360	1,979,558	1,753,188	-	3,790	1,756,978
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	-	181,610	-	-	-	(181,610)	-	-	-	-
Transfer to statutory reserve	-	-	370	-	-	-	-	-	-	-	-	-	-	-	-	(370)	-	-	-	-
Share-based payment expense	-	-	-	-	-	-	-	-	-	-	-	-	-	21,854	-	-	21,854	-	-	21,854
Second interim dividends for the financial year ended 31 December 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,627,553)	(1,627,553)	-	-	(1,627,553)
Issue of shares from rights issue	1,277,855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,277,855	-	-	1,277,855
Share released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	(31,162)	-	-	(31,162)	-	-	(31,162)
At 30 June 2018	18,888,794	29,740	50,311	1,569,090	(199,905)	(22,659)	-	(1,085,928)	735,457	(1,075,598)	28,740	1,693,258	4,101	33,768	(17,172)	17,530,239	38,162,236	200,000	258,340	38,620,576

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

The Group	← Attributable to owners of the Parent →																
	Ordinary share capital RM'000	Redeemable Preference Shares RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve- financial investments available- for-sale RM'000	Merger deficit RM'000	Capital reserve RM'000	Hedging reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Defined benefits reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Non- controlling interests RM'000	Total Equity RM'000
At 1 Jan 2017	5,276,655	29,740	10,910,056	6,762,769	2,472,013	194,776	(1,085,928)	735,457	(1,511,287)	1,319,524	36,496	(25,602)	9,173,950	34,288,619	200,000	403,875	34,892,494
Profit for the financial period	-	-	-	-	-	-	-	-	-	-	-	-	2,051,228	2,051,228	-	7,598	2,058,826
Other comprehensive income/ (expenses) (net of tax)	-	-	-	-	(185,813)	202,859	-	-	122,313	-	83	(233)	-	139,209	-	2,007	141,216
- financial investments available-for-sale	-	-	-	-	-	202,859	-	-	-	-	-	-	-	202,859	-	2,275	205,134
- net investment hedge	-	-	-	-	-	-	-	116,654	-	-	-	-	-	116,654	-	-	116,654
- cash flow hedge	-	-	-	-	-	-	-	5,659	-	-	-	-	-	5,659	-	-	5,659
- currency translation difference	-	-	-	-	(185,813)	-	-	-	-	-	83	-	-	(185,730)	-	(268)	(185,998)
- remeasurement of post employment benefits obligations	-	-	-	-	-	-	-	-	-	-	-	(233)	-	(233)	-	-	(233)
Total comprehensive income/(expenses) for the financial period	-	-	-	-	(185,813)	202,859	-	-	122,313	-	83	(233)	2,051,228	2,190,437	-	9,605	2,200,042
Transition to no-par value regime on 31 January 2017 *	10,910,056	-	(10,910,056)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	75,856	-	-	-	(75,856)	-	-	-	-
Transfer to statutory reserve	-	-	-	(6,712,946)	-	-	-	-	-	-	-	-	6,712,946	-	-	-	-
Share-based payment expense	-	-	-	-	-	-	-	-	-	17,415	-	-	-	17,415	-	-	17,415
Second interim dividends for the financial year ended 31 December 2016	-	-	-	-	-	-	-	-	-	-	-	-	(844,265)	(844,265)	-	-	(844,265)
Issue of shares from rights issue	490,363	-	-	-	-	-	-	-	-	-	-	-	-	490,363	-	28,136	518,499
Share released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	(23,594)	-	-	(23,594)	-	-	-	(23,594)
At 30 June 2017	16,677,074	29,740	-	49,823	2,286,200	397,635	(1,085,928)	735,457	(1,388,974)	1,395,380	30,400	(25,835)	17,018,003	36,118,975	200,000	441,616	36,760,591

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act 2016 (the "Act"), on 31 January 2017 any amount standing to the credit of the Bank's share premium account has become part of the Bank's share capital. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

The Bank	Non-distributable										Distributable					
	Ordinary share capital RM'000	Redeemable Preference Shares RM'000	Exchange fluctuation reserve RM'000	Fair value reserve debt instruments at fair value through other comprehensive income RM'000	Fair value reserve equity instruments at fair value through other comprehensive income RM'000	Revaluation reserve-financial investments available-for-sale RM'000	Merger deficit RM'000	Capital reserve RM'000	Hedging reserve RM'000	Costs of hedging reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 Jan 2018	17,610,939	29,740	652,165	-	-	501,733	(1,047,872)	746,852	(670,363)	-	1,208,956	-	38,829	12,433,661	200,000	31,704,640
Effect of adopting MFRS 9 (Note 34)	-	-	-	(67,887)	(7,428)	(501,733)	-	-	-	55	56,728	(4,212)	-	(199,930)	-	(724,407)
1 Jan 2018, as restated	17,610,939	29,740	652,165	(67,887)	(7,428)	-	(1,047,872)	746,852	(670,363)	55	1,265,684	(4,212)	38,829	12,233,731	200,000	30,980,233
Profit for the financial period	-	-	-	-	-	-	-	-	-	-	-	-	-	1,432,252	-	1,432,252
Other comprehensive (expenses)/ income (net of tax)	-	-	(86,028)	(94,645)	11,147	-	-	-	60,256	28,897	-	8,313	(227)	-	-	(72,287)
- debt instruments at fair value through other comprehensive income	-	-	-	(94,645)	-	-	-	-	-	-	-	-	-	-	-	(94,645)
- equity instruments at fair value through other comprehensive income	-	-	-	-	11,147	-	-	-	-	-	-	-	-	-	-	11,147
- net investment hedge	-	-	-	-	-	-	-	-	60,171	-	-	-	-	-	-	60,171
- cash flow hedge	-	-	-	-	-	-	-	-	85	-	-	-	-	-	-	85
- currency translation difference	-	-	(86,028)	-	-	-	-	-	-	-	-	(227)	-	-	-	(86,255)
- fair value changes on financial liabilities designated at fair value relating to own credit risk	-	-	-	-	-	-	-	-	-	-	8,313	-	-	-	-	8,313
- deferred hedging cost	-	-	-	-	-	-	-	-	28,897	-	-	-	-	-	-	28,897
Total comprehensive (expenses)/ income for the financial period	-	-	(86,028)	(94,645)	11,147	-	-	-	60,256	28,897	-	8,313	(227)	1,432,252	-	1,359,965
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	111,231	-	-	-	(111,231)	-	-
Share-based payment expense	-	-	-	-	-	-	-	-	-	-	-	19,833	-	-	-	19,833
Second interim dividends for the financial year ended 31 December 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,627,553)	-	(1,627,553)
Issue of shares from rights issue	1,277,855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,277,855
Share released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	-	-	(28,568)	-	-	-	(28,568)
At 30 June 2018	18,888,794	29,740	566,137	(162,532)	3,719	-	(1,047,872)	746,852	(610,107)	28,952	1,376,915	4,101	29,867	11,927,199	200,000	31,981,765

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

The Bank	← Non-distributable						→ Distributable							
	Ordinary share capital RM'000	Redeemable Preference Shares RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Merger deficit RM'000	Capital reserve RM'000	Hedging 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
At 1 Jan 2017	5,276,655	29,740	10,910,056	5,806,237	1,172,667	244,834	(1,047,872)	746,852	(1,013,305)	1,118,180	32,149	5,204,464	200,000	28,680,657
Profit for the financial period	-	-	-	-	-	-	-	-	-	-	-	1,605,712	-	1,605,712
Other comprehensive income/ (expenses) (net of tax)	-	-	-	-	(174,240)	165,132	-	-	110,150	-	51	-	-	101,093
- financial investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
available-for-sale	-	-	-	-	-	165,132	-	-	-	-	-	-	-	165,132
- net investment hedge	-	-	-	-	-	-	-	-	104,491	-	-	-	-	104,491
- cash flow hedge	-	-	-	-	-	-	-	-	5,659	-	-	-	-	5,659
- currency translation difference	-	-	-	-	(174,240)	-	-	-	-	-	51	-	-	(174,189)
Total comprehensive income/ (expenses) for the financial period	-	-	-	-	(174,240)	165,132	-	-	110,150	-	51	1,605,712	-	1,706,805
Transition to no-par value regime on 31 January 2017 *	10,910,056	-	(10,910,056)	-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	53,971	-	(53,971)	-	-
Transfer from statutory reserve	-	-	-	(5,806,237)	-	-	-	-	-	-	-	5,806,237	-	-
Share-based payment expense	-	-	-	-	-	-	-	-	-	-	14,847	-	-	14,847
Second interim dividends for the financial year ended 31 December 2016	-	-	-	-	-	-	-	-	-	-	-	(844,265)	-	(844,265)
Share released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	-	(22,455)	-	-	(22,455)
Issue of shares from rights issue	490,363	-	-	-	-	-	-	-	-	-	-	-	-	490,363
At 30 June 2017	16,677,074	29,740	-	-	998,427	409,966	(1,047,872)	746,852	(903,155)	1,172,151	24,592	11,718,177	200,000	30,025,952

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act 2016 (the "Act"), on 31 January 2017 any amount standing to the credit of the Bank's share premium account has become part of the Bank's share capital. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.

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

CIMB BANK BERHAD (13491-P)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	The Group		The Bank	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit before taxation and zakat	2,599,667	2,580,425	1,867,614	2,012,449
Adjustments for non-operating and non-cash items	<u>(255,133)</u>	<u>(179,043)</u>	<u>(598,483)</u>	<u>(519,115)</u>
Operating profit before changes in working capital	2,344,534	2,401,382	1,269,131	1,493,334
Net changes in operating assets	<u>(15,453,563)</u>	<u>(4,360,611)</u>	<u>(6,376,235)</u>	<u>(1,589,121)</u>
Net changes in operating liabilities	<u>17,374,897</u>	<u>6,865,900</u>	<u>8,780,610</u>	<u>4,571,167</u>
	1,921,334	2,505,289	2,404,375	2,982,046
Cash flows generated from operations	<u>4,265,868</u>	<u>4,906,671</u>	<u>3,673,506</u>	<u>4,475,380</u>
Taxation paid	<u>(498,016)</u>	<u>(390,175)</u>	<u>(369,840)</u>	<u>(331,606)</u>
Net cash flows generated from operating activities	3,767,852	4,516,496	3,303,666	4,143,774
Net cash flows used in investing activities	<u>(3,272,663)</u>	<u>(1,988,028)</u>	<u>(12,815)</u>	<u>(2,156,346)</u>
Net cash flows (used in)/generated from financing activities	<u>(1,057,852)</u>	<u>9,303,343</u>	<u>(1,145,057)</u>	<u>9,745,350</u>
Net (decrease)/increase in cash and cash equivalents	<u>(562,663)</u>	<u>11,831,811</u>	<u>2,145,794</u>	<u>11,732,778</u>
Effects of exchange rate changes	<u>(258,682)</u>	<u>(697,287)</u>	<u>(155,792)</u>	<u>(626,036)</u>
Cash and cash equivalents at the beginning of financial period	33,341,519	18,620,310	19,642,521	10,358,003
Cash and cash equivalents at end of financial period	<u>32,520,174</u>	<u>29,754,834</u>	<u>21,632,523</u>	<u>21,464,745</u>

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

PART A - EXPLANATORY NOTES

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial period ended 30 June 2018 have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, derivative financial instruments, non-current assets/disposal groups held for sale and financial liabilities designated at fair value through profit or loss that have been measured at fair value.

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

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

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

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers" and "Clarifications to MFRS 15"
- Amendments to MFRS 2 "Classification and Measurement of Share-based Payment Transactions)
- Amendments to MFRS 140 "Transfers of Investment Property"
- Annual improvement to MFRSs 2014 - 2016 Cycle:
 - Amendments to MFRS 1
 - Amendments to MFRS 128
- 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 34.

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

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

PART A - EXPLANATORY NOTES

A2. CHANGES IN ESTIMATES

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

A3 (i) ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

a) On 22 January 2018, the Bank has redeemed its HKD171 million 5-year senior unsecured fixed rate notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

b) On 22 March 2018, the Bank has redeemed its SGD20 million senior unsecured notes issued under its USD1 billion Euro Medium Term Note Programme established on 27 January 2011.

c) On 29 March 2018, the Bank issued RM700 million 10 years non-callable 5 years Tier 2 subordinated debt to CIMB Group Holdings Berhad bearing a fixed rate coupon of 4.95% p.a.. The said subordinated debt was issued from the existing RM10 billion Tier 2 subordinated debt programme.

d) During the financial period, Ziya Capital Bhd ("Ziya"), an Islamic special purpose vehicle consolidated by CIMB Islamic Bank, undertook a partial redemption of its Sukuk amounting to RM54 million.

e) During the financial period, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by the Bank, undertook a partial redemption of the Medium Term Note amounting to RM37.2 million.

f) On 13 February 2018, the Bank completed the capital injection of USD6.2 million into new ordinary shares of CIMB Bank PLC. The new ordinary shares were issued by CIMB Bank PLC at an issue price of USD1 each to CIMB Bank.

g) On 29 March 2018, CIMB Thai Bank issued RM390 million 10-years non callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM390 million Notes carry fixed interest rate of 5.20% per annum payable every six months. The RM390 million Notes will mature on 29 March 2028. CIMB Thai Bank may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand. CIMB Thai Bank has an approval from Bank of Thailand to classify the RM390 million Notes (equivalent to THB3,157,479,000) as Tier II capital according to the correspondence For Kor Kor. 221/ 2561.

h) On 21 June 2018, CIMB Bank issued 224.6 million Rights Issue at RM5.69 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM1,278 million.

i) CIMB Bank had redeemed its SGD100 million 3-year senior fixed rate notes with a maturity date of 30 June 2018 issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

A3 (ii) STATUS OF CORPORATE PROPOSAL

a) On 2 July 2018, CIMB Bank Philippines Inc. ("CIMBPH"), a foreign bank branch of CIMB Bank, entered into a Memorandum of Agreement ("MOA") with I-Pay MYEG Philippines Inc ("IPMPI") for the purpose of marketing CIMBPH's financial products on IPMPI's digital services and platforms to eligible individuals in the Republic of Philippines. The MOA will be effective for three years from the date CIMBPH commences its banking operations.

b) On 24 August 2018, CIMBPH signed a MOA with G-Xchange, Inc ("GXI"). GXI is a wholly-owned subsidiary of Globe Fintech Innovations, Inc. ("Mynt"), which in turn is owned by Ant Financial, Ayala Corporation, and Globe Telecom. The agreement is for the purpose of creating and marketing innovative financial products on GXI's digital platform to eligible individuals in the Republic of Philippines. The MOA will be effective for three years from the signing date.

A4. DIVIDENDS PAID AND PROPOSED

A single tier second interim dividend of approximately 29.40 sen per share, on 5,535,895,089 ordinary shares of RM1.00 each, amounting to RM1,628 million in respect of the financial year ended 31 December 2017, which was approved by the Board of Directors on 29 January 2018, was paid on 22 March 2018.

The Directors have proposed a first interim dividend of approximately 19.80 sen per share, on 5,760,474,273 ordinary shares, amounting to RM1,141 million in respect of the financial year ending 31 December 2018.

A5. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events that had occurred between 30 June 2018 and the date of this announcement, other than those disclosed under Status of Corporate Proposal.

PART A - EXPLANATORY NOTES (CONTINUED)

A6. CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 30 June 2018, the expected credit losses in deposit placements maturing within one month and deposits and placements with banks and other financial institutions are RM307,000 and RM1,862,000 for the Group and RM199,000 and RM1,803,000 for the Bank. The 12-month expected credit losses made in the income statements of the Group and the Bank during the financial period amounting to RM506,000 and RM465,000 respectively.

A7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Fair Value				
Money market instruments				
Unquoted:				
Malaysian Government Securities	1,276,380	-	1,276,380	-
Cagamas bonds	522,252	-	479,103	-
Malaysian Government treasury bills	225,659	-	225,659	-
Bank Negara Malaysia Monetary Notes	173,996	-	149,064	-
Bankers' acceptance	44,729	-	44,729	-
Negotiable instruments of deposit	6,565,414	-	4,383,849	-
Other Government securities	3,771,116	-	897,862	-
Government Investment Issues	414,728	-	96,681	-
Other Government treasury bills	5,396,734	-	5,396,734	-
Commercial papers	1,164,835	-	1,164,835	-
	<u>19,555,843</u>	<u>-</u>	<u>14,114,896</u>	<u>-</u>
Quoted securities:				
<u>In Malaysia</u>				
Shares	426,907	-	426,907	-
<u>Outside Malaysia</u>				
Shares	145,839	-	145,839	-
	<u>572,746</u>	<u>-</u>	<u>572,746</u>	<u>-</u>
Unquoted securities:				
<u>In Malaysia</u>				
Shares	796,329	-	785,064	-
Corporate bond and Sukuk	2,415,647	-	2,350,226	-
<u>Outside Malaysia</u>				
Corporate bond	2,489,068	-	2,055,126	-
Private equity and unit trusts funds	405,805	-	405,805	-
	<u>6,106,849</u>	<u>-</u>	<u>5,596,221</u>	<u>-</u>
	<u>26,235,438</u>	<u>-</u>	<u>20,283,863</u>	<u>-</u>

A8. DEBTS INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Fair Value				
Money market instruments				
Unquoted:				
Malaysian Government Securities	651,424	-	651,424	-
Cagamas bonds	167,961	-	142,327	-
Khazanah bonds	71,967	-	71,967	-
Other government treasury bills	77,161	-	77,161	-
Other government securities	1,578,951	-	781,333	-
Negotiable instruments of deposit	317,875	-	317,875	-
Government investment issues	1,044,299	-	299,221	-
Commercial papers	59,622	-	49,972	-
	<u>3,969,260</u>	<u>-</u>	<u>2,391,280</u>	<u>-</u>
Unquoted securities:				
<u>In Malaysia</u>				
Corporate bond and Sukuk	11,553,270	-	11,463,333	-
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	8,499,264	-	3,851,020	-
Unit trust fund	1	-	-	-
	<u>20,052,535</u>	<u>-</u>	<u>15,314,353</u>	<u>-</u>
	<u>24,021,795</u>	<u>-</u>	<u>17,705,633</u>	<u>-</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A8. DEBTS INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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	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	Total RM'000
At 1 Jan 2018	-	-	-	-
Effect of adopting MFRS 9	20,486	4,050	133,306	157,842
Adjusted 1 Jan 2018	20,486	4,050	133,306	157,842
Changes in expected credit losses due to transferred within stages:	(44)	44	-	-
Transferred to Stage 2	(44)	44	-	-
Total charge to Income Statement:	(8,609)	9,081	2,872	3,344
New financial assets purchased	17,295	-	-	17,295
Financial assets that have been derecognised	(1,470)	(161)	-	(1,631)
Change in credit risk	(24,434)	9,242	2,872	(12,320)
Write-offs	-	-	(65,679)	(65,679)
Exchange fluctuation	(247)	-	(891)	(1,138)
At 30 June 2018	11,586	13,175	69,608	94,369

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	Total RM'000
At 1 Jan 2018	-	-	-	-
Effect of adopting MFRS 9	19,376	3,888	133,306	156,570
Adjusted 1 Jan 2018	19,376	3,888	133,306	156,570
Changes in expected credit losses due to transferred within stages:	(44)	44	-	-
Transferred to Stage 2	(44)	44	-	-
Total charge to Income Statement:	(9,988)	9,242	2,872	2,126
New financial assets purchased	13,007	-	-	13,007
Financial assets that have been derecognised	(979)	-	-	(979)
Change in credit risk	(22,016)	9,242	2,872	(9,902)
Write-offs	-	-	(65,679)	(65,679)
Exchange fluctuation	(218)	-	(891)	(1,109)
At 30 June 2018	9,126	13,174	69,608	91,908

PART A - EXPLANATORY NOTES (CONTINUED)

A8. DEBTS INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Gross carrying amount movement for debt instruments at fair value through other comprehensive income classified as credit impaired:

The Group	Lifetime expected credit losses - Credit impaired (Stage 3)	Total
	RM'000	RM'000
At 1 Jan 2018	-	-
Effect of adopting MFRS 9	140,715	140,715
Adjusted 1 Jan 2018	140,715	140,715
Write-offs	(65,679)	(65,679)
Exchange fluctuation	(1,059)	(1,059)
At 30 June 2018	73,977	73,977

The Bank	Lifetime expected credit losses - Credit impaired (Stage 3)	Total
	RM'000	RM'000
At 1 Jan 2018	-	-
Effect of adopting MFRS 9	140,715	140,715
Adjusted 1 Jan 2018	140,715	140,715
Write-offs	(65,679)	(65,679)
Exchange fluctuation	(1,059)	(1,059)
At 30 June 2018	73,977	73,977

PART A - EXPLANATORY NOTES (CONTINUED)

A9. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Quoted securities:				
<u>In Malaysia</u>				
Shares	100	-	100	-
<u>Outside Malaysia</u>				
Shares	2,913	-	-	-
Unit trusts	5,261	-	-	-
	<u>8,274</u>	<u>-</u>	<u>100</u>	<u>-</u>
Unquoted securities:				
<u>In Malaysia</u>				
Shares	170,095	-	169,459	-
Perpetual corporate bonds	327,256	-	327,256	-
<u>Outside Malaysia</u>				
Shares	4,576	-	147	-
Private equity and unit trusts funds	524,646	-	524,646	-
	<u>1,026,573</u>	<u>-</u>	<u>1,021,508</u>	<u>-</u>
	<u>1,034,847</u>	<u>-</u>	<u>1,021,608</u>	<u>-</u>

A10. DEBT INSTRUMENTS AT AMORTISED COST

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Money market instruments				
Unquoted:				
Malaysian Government securities	2,970,797	-	2,970,797	-
Cagamas bonds	205,936	-	195,890	-
Other Government treasury bills	2,139,175	-	2,139,175	-
Other Government's securities	1,356,773	-	641,271	-
Malaysian Government Investment Issue	8,711,261	-	6,856,321	-
Khazanah bonds	443,597	-	430,935	-
	<u>15,827,539</u>	<u>-</u>	<u>13,234,389</u>	<u>-</u>
Unquoted securities:				
<u>In Malaysia</u>				
Corporate bond and Sukuk	16,589,814	-	12,899,057	-
<u>Outside Malaysia</u>				
Corporate bond and Sukuk	3,290,158	-	2,328,093	-
	<u>19,879,972</u>	<u>-</u>	<u>15,227,150</u>	<u>-</u>
Amortisation of premium net of accretion of discount	55,379	-	82,473	-
Less : Expected credit losses	(25,704)	-	(20,808)	-
	<u>35,737,186</u>	<u>-</u>	<u>28,523,204</u>	<u>-</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A10. DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Expected credit losses movement for debt instruments at amortised cost:

The Group	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	Total RM'000
At 1 Jan 2018	-	-	-	-
Effect of adopting MFRS 9	9,604	9,876	7,180	26,660
Adjusted 1 Jan 2018	9,604	9,876	7,180	26,660
Total charge to Income Statement:	323	(1,248)	-	(925)
New financial assets purchased	3,171	-	-	3,171
Financial assets that have been derecognised	(148)	(13)	-	(161)
Change in credit risk	(2,700)	(1,235)	-	(3,935)
Exchange fluctuation	(28)	-	(3)	(31)
At 30 June 2018	9,899	8,628	7,177	25,704

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	Total RM'000
At 1 Jan 2018	-	-	-	-
Effect of adopting MFRS 9	9,186	9,876	-	19,062
Adjusted 1 Jan 2018	9,186	9,876	-	19,062
Total charge to Income Statement:	3,021	(1,248)	-	1,773
New financial assets purchased	5,311	-	-	5,311
Financial assets that have been derecognised	(128)	(13)	-	(141)
Change in credit risk	(2,162)	(1,235)	-	(3,397)
Exchange fluctuation	(27)	-	-	(27)
At 30 June 2018	12,180	8,628	-	20,808

Gross carrying amount movement for debt instruments at amortised cost classified as credit impaired:

The Group	Lifetime expected credit losses - credit impaired (Stage 3) RM'000	Total RM'000
At 1 Jan 2018	-	-
Effect of adoption of MFRS 9	7,180	7,180
Adjusted 1 Jan 2018	7,180	7,180
Exchange fluctuation	(3)	(3)
At 30 June 2018	7,177	7,177

PART A - EXPLANATORY NOTES (CONTINUED)**A11. FINANCIAL ASSETS HELD FOR TRADING**

	The Group 31 Dec 2017 RM'000	The Bank 31 Dec 2017 RM'000
Money market instruments		
Unquoted:		
Malaysian Government Securities	365,484	365,484
Cagamas bonds	188,085	137,326
Malaysian Government treasury bills	25,298	23,941
Other Government securities	2,273,146	1,201,031
Other Government treasury bills	4,099,551	4,099,551
Bank Negara Malaysia Monetary Notes	99,343	99,343
Bankers' acceptance	22,149	22,149
Negotiable instruments of deposit	6,288,869	3,523,918
Commercial papers	72,816	72,816
Government Investment Issue	451,167	104,068
	<u>13,885,908</u>	<u>9,649,627</u>
Quoted securities:		
<u>In Malaysia</u>		
Shares	818,460	818,460
<u>Outside Malaysia</u>		
Shares	511,314	511,314
	<u>1,329,774</u>	<u>1,329,774</u>
Unquoted securities:		
<u>In Malaysia</u>		
Shares	1	1
Corporate bond and Sukuk	2,091,025	2,032,902
<u>Outside Malaysia</u>		
Private equity funds	164,242	164,242
Corporate bond and Sukuk	2,939,104	2,815,858
	<u>5,194,372</u>	<u>5,013,003</u>
Total financial assets held-for-trading	<u>20,410,054</u>	<u>15,992,404</u>

PART A - EXPLANATORY NOTES (CONTINUED)**A12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	The Group 31 Dec 2017 RM'000	The Bank 31 Dec 2017 RM'000
Money market instruments		
Unquoted:		
Malaysian Government Securities	289,569	289,569
Malaysian Government Sukuk	22,107	-
Khazanah bonds	132,052	132,052
Government Investment Issue	696,373	341,307
Negotiable instruments of deposit	482,401	482,401
Other Government securities	598,316	585,784
Cagamas bonds	140,874	135,351
Commercial papers	39,825	39,825
	<u>2,401,517</u>	<u>2,006,289</u>
Quoted securities:		
<u>Outside Malaysia</u>		
Shares	4,215	131
Unit trusts	6,001	-
	<u>10,216</u>	<u>131</u>
Unquoted securities:		
<u>In Malaysia</u>		
Shares	1,046,808	1,034,906
Corporate bond and Sukuk	13,763,383	12,285,937
Loan stocks	10,087	10,087
<u>Outside Malaysia</u>		
Shares	32,937	147
Private equity and unit trusts funds	480,263	455,624
Corporate bond and Sukuk	7,164,956	4,516,742
	<u>22,498,434</u>	<u>18,303,443</u>
	<u>24,910,167</u>	<u>20,309,863</u>
Allowance for impairment losses:		
Corporate bond	(67,627)	(67,627)
Private equity funds	(124,472)	(101,892)
Unquoted shares	(103,343)	(74,990)
Loan stocks	(10,087)	(10,087)
Unit trusts	(362)	-
	<u>(305,891)</u>	<u>(254,596)</u>
Total financial investments available-for-sale	<u>24,604,276</u>	<u>20,055,267</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A13. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group 31 Dec 2017 RM'000	The Bank 31 Dec 2017 RM'000
Money market instruments		
Unquoted:		
Malaysian Government Securities	2,973,797	2,973,797
Government Investment Issue	8,328,896	6,771,930
Other Government securities	1,004,223	656,882
Other government treasury bills	2,311,257	2,311,257
Cagamas bonds	203,649	203,649
Khazanah bonds	443,597	430,935
	<u>15,265,419</u>	<u>13,348,450</u>
Unquoted securities:		
<u>In Malaysia</u>		
Loans stocks	7,020	-
Corporate bond and Sukuk	16,613,687	13,456,157
<u>Outside Malaysia</u>		
Corporate bond and Sukuk	2,398,814	1,825,506
	<u>19,019,521</u>	<u>15,281,663</u>
Amortisation of premium net of accretion of discount	45,342	68,448
Less : Allowance for impairment losses	(7,180)	-
Total financial investments held-to-maturity	<u>34,323,102</u>	<u>28,698,561</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A14. LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
(i) By type of financing				
<i>At amortised cost</i>				
Overdrafts	5,197,021	5,311,225	3,391,489	3,517,690
Term loans/financing				
- Housing loan/financing	82,661,154	79,878,492	57,841,551	57,140,575
- Syndicated term loan	15,941,326	16,393,012	13,964,544	14,198,497
- Other term loans/financing	103,146,966	99,087,551	59,510,173	59,695,032
- Factoring receivables	26,151	13,225	-	-
- Lease receivables	22,534	53,534	-	-
- Hire purchase receivables	18,747,782	18,164,036	7,967,079	8,647,871
Bills receivable	10,582,412	9,556,193	7,139,812	5,539,051
Trust receipts	2,073,204	1,764,126	1,200,425	831,995
Claim on customers under acceptance credit	3,340,698	3,788,108	2,679,988	2,932,626
Staff loans *	929,503	850,565	703,258	665,962
Credit card receivables	6,786,673	7,131,703	6,633,259	6,948,533
Revolving credit	26,192,336	23,060,060	19,575,719	18,495,219
Share margin financing	812,394	888,736	811,608	884,999
Gross loans, advances and financing, at amortised cost	276,460,154	265,940,566	181,418,905	179,498,050
<i>At fair value through profit or loss</i>				
Term loans/financing				
- Syndicated term loan	853,813	-	362,325	-
- Other term loans/financing	17,510	-	-	-
Gross loans, advances and financing, at fair value through profit or loss	871,323	-	362,325	-
Total Gross loans, advances and financing	277,331,477	265,940,566	181,781,230	179,498,050
Fair value changes arising from fair value hedges	52,283	86,537	4,471	16,664
	277,383,760	266,027,103	181,785,701	179,514,714
Less: Expected credit losses/Allowance for impairment losses				
<i>At amortised cost:</i>				
- Expected credit losses on loans, advances and financing	(5,140,529)	-	(3,363,850)	-
- Individual portfolio impairment allowance	-	(2,464,883)	-	(1,643,137)
- Portfolio impairment allowance	-	(1,773,511)	-	(974,541)
	(5,140,529)	(4,238,394)	(3,363,850)	(2,617,678)
Total net loans, advances and financing	272,243,231	261,788,709	178,421,851	176,897,036

* Included in staff loans of the Group and the Bank are loans to Directors amounting to RM4,816,950 (2017: RM2,266,054) and RM3,579,308 (2017: RM2,266,054) respectively.

PART A - EXPLANATORY NOTES (CONTINUED)

A14. LOANS, ADVANCES AND FINANCING (CONTINUED)

(a) Included in the Group's and the Bank's loans, advances and financing balances are RM37,373,000 (2017: RM39,767,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

(b) The Group and the Bank have undertaken fair value hedge on the interest rate risk of loans, advances and financing of RM4,190,611,000 (2017: RM4,271,223,000) and RM502,570,000 (2017: RM576,169,000) respectively, using interest rate swaps.

(c) As part of an arrangement with CIMB Islamic in relation to the Restricted Profit Sharing Investment Accounts ("RPSIA"), the Bank records as deposits and placements with banks and other financial institutions, its exposure in the arrangement, whereas CIMB Islamic records its exposure as loans, advances and financing. The RPSIA arrangement exposes the Bank to the risks and rewards on the financing and accordingly, the Bank accounts for expected credit losses for financing arising thereon.

As at 30 June 2018, the gross carrying amount relating to RPSIA financing are RM7,317,995,000 (2017: RM6,123,712,000). The 12-month expected credit losses charged in the income statements of the Group and the Bank during the financial period amounting to RM8,447,000 (2017: portfolio impairment allowance of RM10,248,000) respectively.

	The Group		The Bank	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
(ii) By type of customers				
Domestic banking institutions	45,673	17,862	32,980	3,229
Domestic non-bank financial institutions				
- stockbroking companies	2,442	102,604	2,442	2,577
- others	4,042,338	3,887,681	927,667	666,710
Domestic business enterprises				
- small medium enterprises	31,891,428	29,561,239	20,107,229	20,322,676
- others	37,837,077	35,998,187	19,599,348	18,708,366
Government and statutory bodies	10,274,337	10,018,671	2,957,803	2,957,994
Individuals	150,661,727	146,342,101	96,995,346	97,918,586
Other domestic entities	624,481	635,922	112,975	124,210
Foreign entities	41,951,974	39,376,299	41,045,440	38,793,702
Gross loans, advances and financing	<u>277,331,477</u>	<u>265,940,566</u>	<u>181,781,230</u>	<u>179,498,050</u>
(iii) By interest rate sensitivity				
Fixed rate				
- Housing loans/ financing	2,437,242	2,478,211	1,531,275	1,743,059
- Hire purchase receivables	12,628,595	11,684,042	3,449,477	3,642,314
- Other fixed rate loans	27,550,709	28,386,772	14,302,805	15,025,664
Variable rate				
- BLR plus	93,488,903	96,542,767	74,855,486	78,059,603
- Cost-plus	47,881,256	42,362,558	30,912,339	29,202,156
- Other variable rates	93,344,772	84,486,216	56,729,848	51,825,254
Gross loans, advances and financing	<u>277,331,477</u>	<u>265,940,566</u>	<u>181,781,230</u>	<u>179,498,050</u>
(iv) By economic purpose				
Personal use	12,148,981	11,819,834	7,276,467	6,789,901
Credit cards	6,786,673	7,131,703	6,633,259	6,948,533
Purchase of consumer durables	86,871	90,220	69,672	72,270
Construction	11,650,184	10,097,252	6,851,970	6,655,321
Residential property (housing)	85,332,886	82,658,252	60,008,071	59,494,093
Non-residential property	26,257,544	24,905,360	21,245,904	20,719,538
Purchase of fixed assets other than land and buildings	2,207,107	2,027,745	1,742,459	1,559,519
Mergers and acquisitions	1,870,857	2,241,907	1,851,145	2,239,170
Purchase of securities	27,840,306	25,094,414	15,882,964	16,064,629
Purchase of transport vehicles	19,457,162	18,967,461	8,321,724	9,012,765
Working capital	55,685,349	56,027,510	35,469,617	36,455,314
Other purposes	28,007,557	24,878,908	16,427,978	13,486,997
Gross loans, advances and financing	<u>277,331,477</u>	<u>265,940,566</u>	<u>181,781,230</u>	<u>179,498,050</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A14. LOANS, ADVANCES AND FINANCING (CONTINUED)

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
(v) By geographical distribution				
Malaysia	198,201,274	189,113,107	130,952,542	131,033,519
Indonesia	2,690,457	2,874,078	2,690,457	2,874,078
Thailand	29,840,298	29,932,977	3,788,969	3,671,229
Singapore	27,990,830	26,364,326	27,990,830	26,364,324
United Kingdom	3,889,423	3,886,601	3,777,742	3,886,601
Hong Kong	1,482,785	2,292,034	1,482,785	2,292,034
China	5,356,344	4,496,128	5,356,344	4,496,128
Other countries	7,880,066	6,981,315	5,741,561	4,880,137
Gross loans, advances and financing	<u>277,331,477</u>	<u>265,940,566</u>	<u>181,781,230</u>	<u>179,498,050</u>
(vi) By economic sector				
Primary agriculture	7,153,803	6,788,484	4,864,702	4,675,464
Mining and quarrying	6,326,937	6,250,775	4,117,091	4,054,472
Manufacturing	14,571,845	13,834,505	8,903,070	8,114,894
Electricity, gas and water supply	3,136,175	2,696,346	1,587,759	1,124,954
Construction	11,461,554	10,574,293	8,814,930	9,004,862
Transport, storage and communications	10,672,031	9,314,030	6,605,724	6,509,755
Education, health and others	14,677,928	14,379,289	6,298,998	6,389,897
Wholesale and retail trade, and restaurants and hotels	20,601,809	19,521,762	15,249,940	14,350,356
Finance, insurance/takaful, real estate and business activities	34,472,676	32,467,880	24,378,594	23,185,444
Household	152,484,260	148,128,764	99,305,214	100,253,517
Others	1,772,459	1,984,438	1,655,208	1,834,435
	<u>277,331,477</u>	<u>265,940,566</u>	<u>181,781,230</u>	<u>179,498,050</u>
(vii) By residual contractual maturity				
Within one year	59,168,382	55,434,164	41,708,373	39,198,055
One year to less than three years	26,638,861	25,862,291	16,523,309	16,713,943
Three years to less than five years	23,300,028	21,999,991	14,639,405	14,386,062
Five years and more	168,224,206	162,644,120	108,910,143	109,199,990
Gross loans, advances and financing	<u>277,331,477</u>	<u>265,940,566</u>	<u>181,781,230</u>	<u>179,498,050</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A14. LOANS, ADVANCES AND FINANCING (CONTINUED)

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
(viii) Credit impaired / impaired loans, advances and financing by economic purpose				
Personal use	359,859	218,357	266,692	126,474
Credit cards	110,658	120,180	106,591	114,100
Purchase of consumer durables	569	342	154	4
Construction	1,373,380	1,385,487	1,132,060	1,129,708
Residential property (housing)	1,174,526	1,045,612	701,887	699,830
Non-residential property	230,551	234,801	161,117	170,065
Purchase of fixed assets other than land and buildings	26,632	6,267	26,557	6,267
Purchase of securities	133,557	133,309	131,585	131,939
Purchase of transport vehicles	274,090	281,753	131,558	145,244
Working capital	1,813,577	1,849,581	1,115,644	1,232,546
Merger and acquisition	149,813	152,701	149,813	152,701
Other purposes	764,465	759,709	18,592	21,680
Gross credit impaired / impaired loans, advances and financing	<u>6,411,677</u>	<u>6,188,099</u>	<u>3,942,250</u>	<u>3,930,558</u>
(ix) Credit impaired / impaired loans, advances and financing by geographical distribution				
Malaysia	3,270,098	3,224,042	2,833,384	2,841,864
Indonesia	152,481	157,615	152,481	157,615
Thailand	1,954,265	1,806,331	-	-
Singapore	744,481	710,639	744,481	710,639
United Kingdom	5,892	7,499	5,892	7,499
China	23,106	23,234	23,106	23,234
Other countries	261,354	258,739	182,906	189,707
Gross credit impaired / impaired loans, advances and financing	<u>6,411,677</u>	<u>6,188,099</u>	<u>3,942,250</u>	<u>3,930,558</u>
(x) Credit impaired/impaired loans, advances and financing by economic sector				
Primary agriculture	52,304	44,315	45,693	41,549
Mining and quarrying	706,544	623,364	703,830	620,836
Manufacturing	1,083,003	1,025,532	194,325	158,118
Electricity, gas and water supply	315	552	315	552
Construction	188,166	130,837	144,410	117,424
Transport, storage and communications	1,123,395	1,261,984	1,056,515	1,191,741
Education, health and others	172,265	176,651	99,491	103,827
Wholesale and retail trade, and restaurants and hotels	748,502	745,550	362,933	372,889
Finance, insurance/takaful, real estate and business activities	480,940	434,930	215,348	182,638
Household	1,849,919	1,737,341	1,113,082	1,136,289
Others	6,324	7,043	6,308	4,695
Gross credit impaired / impaired loans, advances and financing	<u>6,411,677</u>	<u>6,188,099</u>	<u>3,942,250</u>	<u>3,930,558</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A14. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

Loans, advances and financing at amortised cost:

The Group	12-month expected credit losses (Stage 1)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses - Credit impaired (Stage 3)	Purchased credit impaired	Individual impairment provision under MFRS 139	Portfolio impairment provision under MFRS 139	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 Jan 2018	-	-	-	-	2,464,883	1,773,511	4,238,394
Effect of adopting MFRS 9	1,025,503	763,907	3,355,289	7,561	(2,464,883)	(1,773,511)	913,866
Adjusted 1 Jan 2018	1,025,503	763,907	3,355,289	7,561	-	-	5,152,260
Changes in expected credit losses due to transferred within stages:	562,103	(510,918)	(51,185)	-	-	-	-
Transferred to Stage 1	763,810	(596,167)	(167,643)	-	-	-	-
Transferred to Stage 2	(186,926)	361,691	(174,765)	-	-	-	-
Transferred to Stage 3	(14,781)	(276,442)	291,223	-	-	-	-
Total charge to Income Statement:	(465,304)	342,499	595,944	(3,101)	-	-	470,038
New financial assets originated	245,877	3,235	52,520	-	-	-	301,632
Financial assets that have been derecognised	(184,773)	(78,564)	-	-	-	-	(263,337)
Writeback in respect of full recoveries	-	-	(63,579)	-	-	-	(63,579)
Change in credit risk	(526,408)	417,828	607,003	(3,101)	-	-	495,322
Write-offs	(1,397)	(61)	(456,624)	(1,922)	-	-	(460,004)
Exchange fluctuation	(6,787)	(5,707)	(25,413)	(98)	-	-	(38,005)
Other movements	1,521	9,618	5,101	-	-	-	16,240
At 30 June 2018	1,115,639	599,338	3,423,112	2,440	-	-	5,140,529

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)	Purchased credit impaired	Individual impairment provision under MFRS 139	Portfolio impairment provision under MFRS 139	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 Jan 2018	-	-	-	-	1,643,137	974,541	2,617,678
Effect of adopting MFRS 9	702,566	478,824	2,239,192	-	(1,643,137)	(974,541)	802,904
Adjusted 1 Jan 2018	702,566	478,824	2,239,192	-	-	-	3,420,582
Changes in expected credit losses due to transferred within stages:	369,870	(298,162)	(71,708)	-	-	-	-
Transferred to Stage 1	490,125	(377,863)	(112,262)	-	-	-	-
Transferred to Stage 2	(108,385)	235,793	(127,408)	-	-	-	-
Transferred to Stage 3	(11,870)	(156,092)	167,962	-	-	-	-
Total charge to Income Statement:	(323,714)	204,280	305,427	-	-	-	185,993
New financial assets originated	112,242	21	17,282	-	-	-	129,545
Financial assets that have been derecognised	(104,878)	(59,630)	-	-	-	-	(164,508)
Writeback in respect of full recoveries	-	-	(7,703)	-	-	-	(7,703)
Change in credit risk	(331,078)	263,889	295,848	-	-	-	228,659
Write-offs	(549)	-	(247,284)	-	-	-	(247,833)
Exchange fluctuation	(3,636)	(1,634)	(2,412)	-	-	-	(7,682)
Other movements	1,628	9,761	1,401	-	-	-	12,790
At 30 June 2018	746,165	393,069	2,224,616	-	-	-	3,363,850

The Bank	CIMB Islamic Bank
30 June 2018	30 June 2018

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

1.0%	1.0%
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PART A - EXPLANATORY NOTES (CONTINUED)

A14. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group RM'000	The Bank RM'000
<u>Individual impairment allowance</u>		
At 1 Jan 2017	2,350,633	1,610,822
Net allowance made during the financial period/year	713,087	250,233
Amounts written off	(229,148)	(185,053)
Allowance for impaired loan disposed to third party	(323,132)	-
Exchange fluctuation	(46,557)	(32,865)
At 31 Dec 2017	2,464,883	1,643,137
<u>Portfolio impairment allowance</u>		
At 1 Jan 2017	1,977,802	1,100,176
Net allowance made/(written back) during the financial period/year	778,441	375,862
Amount transferred from a subsidiary	-	73
Allowance for impaired loan disposed to third party	(19,187)	-
Sale of impaired loans	(77,105)	-
Exchange fluctuation	(16,940)	(5,656)
Written off	(869,500)	(495,914)
At 31 Dec 2017	1,773,511	974,541
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	1.3%	1.2%

PART A - EXPLANATORY NOTES (CONTINUED)

A14. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

Gross carrying amount movement of loans, advances and financing at amortised cost classified as credit impaired: (continued)

	The Group			
	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Impaired loans under MFRS 139 RM'000	Total RM'000
	At 1 Jan 2018	-	-	6,188,099
Effect of adopting MFRS 9	6,301,508	9,431	(6,188,099)	122,840
Adjusted 1 Jan 2018	6,301,508	9,431	-	6,310,939
Transfer within stages	823,381	-	-	823,381
New financial assets originated	75,058	-	-	75,058
Write-offs	(456,996)	(1,922)	-	(458,918)
Amount fully recovered	(125,662)	-	-	(125,662)
Other changes in loans, advances and financing	(151,469)	(61)	-	(151,530)
Exchange fluctuation	(61,398)	(193)	-	(61,591)
At 30 June 2018	6,404,422	7,255	-	6,411,677

	The Bank			
	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Impaired loans under MFRS 139 RM'000	Total RM'000
	At 1 Jan 2018	-	-	3,930,558
Effect of adopting MFRS 9	3,930,558	-	(3,930,558)	-
Adjusted 1 Jan 2018	3,930,558	-	-	3,930,558
Transfer within stages	367,193	-	-	367,193
New financial assets originated	18,727	-	-	18,727
Write-offs	(247,656)	-	-	(247,656)
Amount fully recovered	(41,460)	-	-	(41,460)
Other changes in loans, advances and financing	(64,375)	-	-	(64,375)
Exchange fluctuation	(20,737)	-	-	(20,737)
At 30 June 2018	3,942,250	-	-	3,942,250

	The Group 30 June 2018	The Bank 30 June 2018
Ratio of credit impaired loans to total loans, advances and financing	2.31%	2.17%

PART A - EXPLANATORY NOTES (CONTINUED)**A14. LOANS, ADVANCES AND FINANCING (CONTINUED)****Impaired loans under MFRS 139:**

	The Group	The Bank
	31 Dec 2017	31 Dec 2017
	RM'000	RM'000
At 1 Jan 2017	5,585,752	3,483,449
Classified as impaired during the financial period/year	5,381,049	3,175,844
Reclassified as not impaired during the financial period/year	(1,813,509)	(1,300,934)
Amount written back in respect of recoveries	(1,065,227)	(713,133)
Amount written off	(1,098,983)	(680,334)
Sale of impaired loans	(754,596)	-
Exchange fluctuation	(46,387)	(34,334)
At 31 Dec 2017	<u>6,188,099</u>	<u>3,930,558</u>
Ratio of gross impaired loans to total loans, advances and financing	<u>2.33%</u>	<u>2.19%</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A15. OTHER ASSETS

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Foreclosed assets	101,734	105,549	-	-
Structured financing	1,289,098	1,393,843	1,289,098	1,393,843
Collateral pledged for derivative transactions	3,222,279	2,881,523	2,155,127	2,451,770
Collateral for securities borrowing	36,634	65,702	36,634	65,702
Other debtors, deposits and prepayments	3,693,060	4,926,060	3,266,342	4,221,250
	8,342,805	9,372,677	6,747,201	8,132,565

A16. DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
(i) By type of deposit				
Demand deposits	66,104,106	66,164,099	51,571,322	53,684,177
Saving deposits	30,446,505	29,843,398	20,010,778	19,188,667
Fixed deposits	123,215,562	128,087,555	89,962,422	95,172,815
Negotiable instruments of deposit	350,645	845,652	-	-
Others	73,703,224	70,959,417	40,179,415	39,397,292
	293,820,042	295,900,121	201,723,937	207,442,951

(ii) By type of customer

Government and statutory bodies	13,838,224	12,138,585	6,928,870	7,810,065
Business enterprises	122,689,682	114,310,971	84,243,387	80,482,589
Individuals	111,144,371	113,251,760	79,907,175	84,205,501
Others	46,147,765	56,198,805	30,644,505	34,944,796
	293,820,042	295,900,121	201,723,937	207,442,951

(iii) Maturity structure of fixed deposits and negotiable instruments of deposit

Due within six months	88,661,015	107,590,616	68,341,549	80,981,870
Six months to less than one year	33,350,358	20,232,288	20,433,069	13,370,391
One year to less than three years	1,411,248	678,297	1,078,368	424,298
Three years to less than five years	135,347	431,773	101,197	396,023
Five years and more	8,239	233	8,239	233
	123,566,207	128,933,207	89,962,422	95,172,815

A17. INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Unrestricted investment accounts	3,043,560	907,763	-	-

PART A - EXPLANATORY NOTES (CONTINUED)

A18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Licensed banks	24,524,580	13,937,480	24,470,773	14,838,683
Licensed finance companies	896,594	1,223,313	79,889	92,360
Licensed investment banks	124,633	39,379	124,633	39,039
Bank Negara Malaysia	21,502	6,176	21,502	6,176
Other financial institutions	2,311,591	1,895,601	2,084,932	1,187,851
	27,878,900	17,101,949	26,781,729	16,164,109

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

	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Due within six months	27,075,378	16,245,477	26,229,168	15,364,639
Six months to less than one year	694,213	755,408	452,275	699,038
One year to less than three years	109,309	632	100,286	-
Three years to less than five years	-	100,432	-	100,432
	27,878,900	17,101,949	26,781,729	16,164,109

A19. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Bank	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers - structured investments	1,675,463	1,903,205	1,674,201	1,900,972
Debentures	1,210,586	650,016	-	-
Bills payable	2,399,733	2,220,219	-	-
	5,285,782	4,773,440	1,674,201	1,900,972

The Group and the Bank have issued structured investments, bills payable and debentures, 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 financial liabilities designated at fair value of the Group and the Bank at 30 June 2018 were RM209,656,000 (2017: RM282,365,000) and RM209,573,000 (2017: RM282,355,000) respectively lower than the contractual amount at maturity for the structured investments, RM38,234,000 (2017: RM18,142,000) lower than the contractual amount at maturity for the debentures and RM283,867,000 (2017: RM345,801,000) higher than the contractual amount at maturity for bills payable.

A20. OTHER LIABILITIES

	Note	The Group		The Bank	
		30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
		RM'000	RM'000	RM'000	RM'000
Due to brokers and clients		211,468	145,699	211,468	145,699
Accrued employee benefits		20,358	31,192	19,954	19,527
Post employment benefit obligations		214,391	209,381	35,521	33,697
Sundry creditors		1,618,434	3,818,974	1,454,917	3,465,349
Expenditure payable		1,198,475	1,326,778	919,209	1,052,999
Collateral for securities lending		67,371	72,023	67,371	72,023
Expected credit losses/Allowance for commitments and contingencies	A20 (a)	446,521	49,095	294,891	-
Provision for legal claims		67,631	71,924	41,692	42,038
Credit card expenditure payable		150,685	126,512	144,804	126,512
Collateral received for derivative transactions		1,835,369	1,626,637	1,246,915	1,156,847
Structured deposits		4,103,065	3,942,352	4,062,632	3,901,570
Others		741,205	583,024	630,523	414,253
		10,674,973	12,003,591	9,129,897	10,430,514

PART A - EXPLANATORY NOTES (CONTINUED)

A20. OTHER LIABILITIES (CONTINUED)

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

The Group	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	Total RM'000
At 1 Jan 2018	-	-	-	49,095	49,095
Effect of adopting MFRS 9	301,080	36,406	104,212	(49,095)	392,603
Adjusted 1 Jan 2018	301,080	36,406	104,212	-	441,698
Changes in expected credit losses due to transferred within stages:	73,275	(55,008)	(18,267)	-	-
Transferred to Stage 1	125,406	(59,649)	(65,757)	-	-
Transferred to Stage 2	(5,926)	8,718	(2,792)	-	-
Transferred to Stage 3	(46,205)	(4,077)	50,282	-	-
Total charge to Income Statement:	(55,798)	51,294	11,992	-	7,488
New exposures	21,244	(6,065)	84	-	15,263
Exposures derecognised or matured	(23,834)	(270)	(6,784)	-	(30,888)
Change in credit risk	(53,208)	57,629	18,692	-	23,113
Exchange fluctuation	(1,186)	(91)	(1,328)	-	(2,605)
Other movements	221	(277)	(4)	-	(60)
At 30 June 2018	317,592	32,324	96,605	-	446,521

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	Total RM'000
At 1 Jan 2018	-	-	-	-	-
Effect of adopting MFRS 9	229,138	32,214	46,568	-	307,920
Adjusted 1 Jan 2018	229,138	32,214	46,568	-	307,920
Changes in expected credit losses due to transferred within stages:	70,955	(52,572)	(18,383)	-	-
Transferred to Stage 1	122,371	(56,654)	(65,717)	-	-
Transferred to Stage 2	(5,213)	7,881	(2,668)	-	-
Transferred to Stage 3	(46,203)	(3,799)	50,002	-	-
Total charge to Income Statement:	(64,159)	49,372	2,573	-	(12,214)
New exposures	(11,884)	(6,358)	-	-	(18,242)
Exposures derecognised or matured	(231)	-	(5,256)	-	(5,487)
Change in credit risk	(52,044)	55,730	7,829	-	11,515
Exchange fluctuation	(731)	(57)	(2)	-	(790)
Other movements	30	(29)	(26)	-	(25)
At 30 June 2018	235,233	28,928	30,730	-	294,891

As at 30 June 2018, the gross carrying amount of loan commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM589,440,000 and RM523,832,000 respectively.

PART A - EXPLANATORY NOTES (CONTINUED)

A21. INTEREST INCOME

	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
The Group				
Loans and advances				
- interest income	2,583,155	2,532,935	5,083,047	5,070,828
- unwinding income [^]	26,805	20,984	53,836	37,485
Money at call and deposits with financial institutions	167,814	188,839	321,676	310,049
Reverse repurchase agreements	36,769	33,788	72,166	63,900
Financial assets at fair value through profit or loss	125,115	-	232,317	-
Debt instruments at fair value through other comprehensive income	199,152	-	386,227	-
Debt instruments at amortised cost	274,025	-	542,222	-
Equity instruments at fair value through other comprehensive income	5,118	-	12,010	-
Financial assets held for trading	-	103,184	-	186,036
Financial investments available-for-sale	-	201,062	-	395,166
Financial investments held-to-maturity	-	261,596	-	500,596
	<u>3,417,953</u>	<u>3,342,388</u>	<u>6,703,501</u>	<u>6,564,060</u>
Net accretion of discount less amortisation of premium	26,163	(27)	38,378	(8,656)
	<u>3,444,116</u>	<u>3,342,361</u>	<u>6,741,879</u>	<u>6,555,404</u>
The Bank				
Loans and advances				
- interest income	2,142,285	2,098,557	4,202,650	4,196,327
- unwinding income [^]	20,033	16,050	40,576	28,490
Money at call and deposits with financial institutions	252,170	229,947	475,105	380,139
Reverse repurchase agreements	34,562	31,981	66,458	58,689
Financial assets at fair value through profit or loss	107,484	-	203,442	-
Debt instruments at fair value through other comprehensive income	181,024	-	352,665	-
Debt instruments at amortised cost	271,486	-	535,819	-
Equity instruments at fair value through other comprehensive income	5,118	-	12,010	-
Financial assets held for trading	-	97,373	-	174,180
Financial investments available-for-sale	-	175,340	-	345,532
Financial investments held-to-maturity	-	251,937	-	480,977
	<u>3,014,162</u>	<u>2,901,185</u>	<u>5,888,725</u>	<u>5,664,334</u>
Net accretion of discount less amortisation of premium	32,200	7,958	50,505	8,601
	<u>3,046,362</u>	<u>2,909,143</u>	<u>5,939,230</u>	<u>5,672,935</u>

[^] Unwinding income is interest income earned on credit impaired / impaired financial assets.

PART A - EXPLANATORY NOTES (CONTINUED)

A22. INTEREST EXPENSE

	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
The Group				
Deposits and placements of banks and other financial institutions	118,023	77,549	188,468	151,128
Deposits from other customers	1,211,400	1,185,914	2,389,866	2,315,442
Repurchase agreements	68,533	23,773	114,931	48,184
Financial liabilities designated at fair value through profit or loss	33,071	31,165	61,980	61,801
Negotiable certificates of deposits	27,981	33,276	46,503	68,931
Recourse obligation on loan and financing sold to Cagamas	31,936	28,044	62,576	57,807
Bonds, Sukuk and debentures	116,963	79,956	207,250	116,650
Subordinated obligations	137,546	127,105	263,212	252,732
Other borrowings	37,585	26,164	71,207	45,334
Structured deposits	27,271	13,931	50,584	27,245
	1,810,309	1,626,877	3,456,577	3,145,254
The Bank				
Deposits and placements of banks and other financial institutions	112,868	71,476	177,517	139,244
Deposits from other customers	1,133,326	1,103,681	2,236,300	2,144,184
Repurchase agreements	65,549	21,643	111,907	45,913
Financial liabilities designated at fair value through profit or loss	20,929	18,276	39,682	37,576
Negotiable certificates of deposits	27,170	32,205	44,718	66,593
Recourse obligation on loan and financing sold to Cagamas	31,936	28,044	62,576	57,807
Bonds and debentures	106,391	71,304	184,876	106,760
Subordinated obligations	129,554	114,668	247,545	227,897
Other borrowings	42,585	30,358	81,404	45,782
Structured deposits	27,271	13,931	50,584	27,245
	1,697,579	1,505,586	3,237,109	2,899,001

PART A - EXPLANATORY NOTES (CONTINUED)

A23. NET NON-INTEREST INCOME

	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
The Group				
Net fee and commission income				
Commissions	181,016	135,648	393,358	242,711
Fee on loans and advances	120,925	97,424	243,015	221,671
Service charges and fees	143,962	129,448	258,168	262,245
Guarantee fees	16,283	15,120	29,031	32,167
Other fee income	42,018	70,435	152,064	129,043
Fee and commission income	504,204	448,075	1,075,636	887,837
Fee and commission expense	(124,130)	(116,753)	(255,705)	(212,464)
Net fee and commission income	380,074	331,322	819,931	675,373
Gross dividend income from:				
Financial assets at fair value through profit or loss	11,951	-	15,403	-
Equity instruments at fair value through other comprehensive income	854	-	1,822	-
Debt instruments at fair value through other comprehensive income	16	-	16	-
Financial assets held for trading	-	12,942	-	14,756
Financial investments available-for-sale	-	4,919	-	7,148
	12,821	17,861	17,241	21,904
Net (loss)/gain arising from financial assets at fair value through profit or loss				
- realised	(416,933)	-	(292,864)	-
- unrealised	126,284	-	(265,649)	-
	(290,649)	-	(558,513)	-
Net gain/(loss) arising from derivative financial instrument				
- realised	962,258	(456,679)	291,744	(82,011)
- unrealised	67,589	98,000	712,759	(433,026)
	1,029,847	(358,679)	1,004,503	(515,037)
Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss				
- realised	57,108	(7,024)	48,152	(14,768)
- unrealised	(27,802)	(129,456)	(163)	(144,603)
	29,306	(136,480)	47,989	(159,371)
Net loss arising from hedging activities				
	(5,627)	(16,641)	(20,621)	(10,798)
Net (loss)/gain from sale of investment in debt instruments at fair value through other comprehensive income				
	(7,628)	-	15,138	-
Net gain arising from financial assets held for trading:				
- realised	-	128,475	-	174,489
- unrealised	-	46,333	-	361,348
	-	174,808	-	535,837
Net gain from sale of financial investments available-for-sale				
	-	21,561	-	32,246
Net loss from redemption of financial investment held-to-maturity				
	-	1,878	-	1,878
Other non-interest income				
Foreign exchange (loss)/gain	(581,359)	643,308	(18,114)	844,713
Rental income	1,197	2,377	2,889	4,284
(Loss)/gain on disposal of property, plant and equipment/assets held for sale	(1,115)	6,179	8,810	10,809
Loss on disposal of foreclosed properties	(17,999)	(11,396)	(38,878)	(14,385)
Gain on disposal of subsidiary	224	-	224	-
Others	11,654	8,042	26,803	50,826
	(587,398)	648,510	(18,266)	896,247
	560,746	684,140	1,307,402	1,478,279

PART A - EXPLANATORY NOTES (CONTINUED)

A23. NET NON-INTEREST INCOME (CONTINUED)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
The Bank				
Net fee and commission income				
Commissions	132,799	105,880	331,352	190,269
Fee on loans and advances	118,719	95,061	239,210	217,898
Service charges and fees	107,068	110,951	222,560	223,215
Guarantee fees	13,450	12,302	23,655	26,582
Other fee income	59,096	55,940	117,578	100,948
Fee and commission income	431,132	380,134	934,355	758,912
Fee and commission expense	(115,048)	(109,518)	(237,765)	(199,052)
Net fee and commission income	316,084	270,616	696,590	559,860
Gross dividend income from:				
Financial assets at fair value through profit or loss	12,067	-	15,335	-
Equity instruments at fair value through other comprehensive income	28	-	978	-
Financial assets held for trading	-	12,942	-	14,756
Financial investments available-for-sale	-	3,901	-	5,901
	12,095	16,843	16,313	20,657
Net (loss)/gain arising from financial assets at fair value through profit or loss				
- realised	(401,041)	-	(266,083)	-
- unrealised	135,226	-	(248,304)	-
	(265,815)	-	(514,387)	-
Net gain/(loss) arising from derivative financial instrument				
- realised	828,357	(394,495)	109,737	(40,914)
- unrealised	182,909	(10,241)	810,089	(640,153)
	1,011,266	(404,736)	919,826	(681,067)
Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss				
- realised	60,072	(5,551)	58,769	(9,269)
- unrealised	(69,865)	(35,195)	(76,876)	(36,860)
	(9,793)	(40,746)	(18,107)	(46,129)
Net loss arising from hedging activities	(6,463)	(16,582)	(19,904)	(10,791)
Net (loss)/gain from sale of investment in debt instruments at fair value through other comprehensive income	(7,968)	-	12,895	-
Net gain arising from financial assets held for trading				
- realised	-	109,376	-	154,868
- unrealised	-	56,533	-	354,512
	-	165,909	-	509,380
Net gain from sale of financial investments available-for-sale	-	16,814	-	27,099
Net loss from redemption of financial investment held-to-maturity	-	1,878	-	1,878
Other non-interest income				
Foreign exchange (loss)/gain	(585,761)	571,706	20,353	858,585
Rental income	1,101	1,896	2,151	3,254
Gain on disposal of property, plant and equipment/assets held for sale	566	3,821	9,666	7,165
Loss on disposal of subsidiary	(2,127)	-	(2,127)	-
Others	9,190	2,363	18,290	11,359
	(577,031)	579,786	48,333	880,363
	472,375	589,782	1,141,559	1,261,250

PART A - EXPLANATORY NOTES (CONTINUED)

A24. OVERHEADS

	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
The Group				
Personnel costs				
- Salaries, allowances and bonuses	676,630	621,950	1,373,728	1,253,347
- Pension costs (defined contribution plan)	68,322	64,049	141,821	129,121
- Pension costs (defined benefit plan)	4,873	5,001	9,769	11,877
- Overtime	3,459	4,025	7,301	8,532
- Staff incentives and other staff payments	39,231	46,611	86,094	79,576
- Medical expenses	22,349	21,922	44,830	43,261
- Others	22,890	28,379	38,856	46,462
	<u>837,754</u>	<u>791,937</u>	<u>1,702,399</u>	<u>1,572,176</u>
Establishment costs				
- Depreciation of property, plant and equipment	40,402	46,235	85,039	93,073
- Amortisation of prepaid lease payments	2	-	5	-
- Rental	76,155	72,491	153,938	148,114
- Amortisation of intangible assets	55,637	44,172	111,543	92,429
- Repair and maintenance	89,065	67,280	174,437	156,144
- Outsourced services	20,136	26,221	37,280	50,805
- Security expenses	25,106	24,050	44,703	50,113
- Others	16,803	22,305	38,570	43,451
	<u>323,306</u>	<u>302,754</u>	<u>645,515</u>	<u>634,129</u>
Marketing expenses				
- Sales commission	1,024	1,319	2,018	2,820
- Advertisement	38,512	40,292	66,406	74,154
- Others	10,236	7,667	18,316	12,954
	<u>49,772</u>	<u>49,278</u>	<u>86,740</u>	<u>89,928</u>
Administration and general expenses				
- Communication	5,245	6,937	10,702	13,379
- Consultancy and professional fees	15,907	16,379	27,332	29,326
- Legal expenses	(3,454)	(1,894)	(1,348)	14,751
- Stationery	7,436	7,279	13,920	15,109
- Postages	9,287	12,416	20,867	24,588
- Administrative travelling and vehicle expenses	7,929	10,874	17,545	20,684
- Incidental expenses on banking operations	11,662	8,648	24,257	18,367
- Insurance	44,280	43,298	86,619	87,977
- Others	76,733	63,944	149,900	148,333
	<u>175,025</u>	<u>167,881</u>	<u>349,794</u>	<u>372,514</u>
Shared service cost	6,268	7,450	21,284	17,870
	<u>1,392,125</u>	<u>1,319,300</u>	<u>2,805,732</u>	<u>2,686,617</u>

PART A - EXPLANATORY NOTES (CONTINUED)**A24. OVERHEADS (CONTINUED)**

	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
The Bank				
Personnel costs				
- Salaries, allowances and bonuses	535,010	491,549	1,092,949	988,210
- Pension costs (defined contribution plan)	62,982	58,782	130,260	118,264
- Overtime	2,270	2,513	4,730	5,595
- Staff incentives and other staff payments	32,081	38,242	65,163	64,433
- Medical expenses	21,324	20,307	42,591	40,211
- Others	13,765	21,753	19,707	30,542
	<u>667,432</u>	<u>633,146</u>	<u>1,355,400</u>	<u>1,247,255</u>
Establishment costs				
- Depreciation of property, plant and equipment	30,491	35,287	65,225	69,945
- Rental	63,380	60,388	127,771	123,859
- Amortisation of intangible assets	50,229	38,199	100,401	80,871
- Repair and maintenance	80,003	59,819	157,920	141,455
- Outsourced services	17,390	23,989	33,381	46,883
- Security expenses	23,336	23,732	42,965	49,504
- Others	10,656	16,687	26,855	32,249
	<u>275,485</u>	<u>258,101</u>	<u>554,518</u>	<u>544,766</u>
Marketing expenses				
- Sales commission	327	260	685	559
- Advertisement	33,741	33,757	59,505	65,097
- Others	9,650	6,666	17,160	11,355
	<u>43,718</u>	<u>40,683</u>	<u>77,350</u>	<u>77,011</u>
Administration and general expenses				
- Communication	4,062	3,954	8,118	8,576
- Consultancy and professional fees	11,238	13,639	21,979	24,695
- Legal expenses	(4,909)	(4,074)	(4,657)	9,393
- Stationery	4,994	5,210	9,690	10,733
- Postages	7,324	10,672	16,839	20,293
- Administrative travelling and vehicle expenses	5,570	8,449	12,691	15,912
- Incidental expenses on banking operations	8,073	6,469	16,582	13,159
- Insurance	11,828	10,918	21,196	20,888
- Others	62,734	48,838	118,683	122,420
	<u>110,914</u>	<u>104,075</u>	<u>221,121</u>	<u>246,069</u>
Shared service cost	(118,137)	(103,023)	(227,266)	(201,615)
	<u>979,412</u>	<u>932,982</u>	<u>1,981,123</u>	<u>1,913,486</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A25(a). EXPECTED CREDIT LOSSES/ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
The Group				
Expected credit losses/allowance for impairment losses on loans, advances and financing at amortised cost:				
- Expected credit losses on loans, advances and financing	228,306	-	470,038	-
- Individual impairment allowance	-	221,145	-	253,941
- Portfolio impairment allowance	-	197,537	-	377,919
Credit impaired / Impaired loans, advances and financing:				
- recovered	(94,379)	(87,979)	(196,997)	(175,043)
- written off	2,896	3,943	6,890	9,376
	<u>136,823</u>	<u>334,646</u>	<u>279,931</u>	<u>466,193</u>
The Bank				
Expected credit losses/allowance for impairment losses on loans, advances and financing at amortised cost:				
- Expected credit losses on loans, advances and financing	130,535	-	185,993	-
- Individual impairment allowance (written-back)	-	109,361	-	87,241
- Portfolio impairment allowance	-	94,072	-	173,125
Credit impaired / Impaired loans, advances and financing:				
- recovered	(45,952)	(49,075)	(103,783)	(96,596)
- written off	2,128	2,908	5,150	7,008
	<u>86,711</u>	<u>157,266</u>	<u>87,360</u>	<u>170,778</u>

A25(b). OTHER EXPECTED CREDIT LOSSES / ALLOWANCES FOR OTHER IMPAIRMENT LOSSES

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
The Group				
Expected credit losses (written-back)/made on:				
- Debt instrument at fair value through other comprehensive income	(9,942)	-	3,344	-
- Debt instrument at amortised cost	(3,224)	-	(925)	-
- Money at call and deposits and placements with banks and other financial institutions	1,241	-	506	-
- Other receivables	307	-	(869)	-
	<u>(11,618)</u>	<u>-</u>	<u>2,056</u>	<u>-</u>
Allowance made on:				
- Financial investments available-for-sale	-	17,056	-	17,062
- Other receivables	-	679	-	3,821
	<u>-</u>	<u>17,735</u>	<u>-</u>	<u>20,883</u>
The Bank				
Expected credit losses (written-back)/made on:				
- Debt instrument at fair value through other comprehensive income	(9,738)	-	2,126	-
- Debt instrument at amortised cost	(548)	-	1,773	-
- Money at call and deposits and placements with banks and other financial institutions	1,357	-	465	-
- Other receivables	50	-	73	-
	<u>(8,879)</u>	<u>-</u>	<u>4,437</u>	<u>-</u>
Allowance made/(written-back) on:				
- Financial investments available-for-sale	-	17,056	-	17,062
- Other receivables	-	(1,409)	-	(590)
	<u>-</u>	<u>15,647</u>	<u>-</u>	<u>16,472</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A26. DERIVATIVE FINANCIAL INSTRUMENTS

The following tables summarise the contractual 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 at risk.

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

At 30 June 2018	The Group			The Bank		
	Principal RM'000	Fair values		Principal RM'000	Fair values	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
<u>Foreign exchange derivatives</u>						
Currency forward	30,650,679	455,008	(702,278)	23,248,609	319,599	(611,156)
- less than one year	24,516,750	343,780	(415,490)	18,330,427	236,603	(338,583)
- one year to three years	5,107,003	103,519	(185,584)	4,202,631	82,412	(170,505)
- more than three years	1,026,926	7,709	(101,204)	715,551	584	(102,068)
Currency swaps	277,524,133	3,442,564	(3,518,333)	135,039,781	875,896	(922,968)
- less than one year	274,824,740	3,380,181	(3,489,833)	133,191,041	857,511	(894,805)
- one year to three years	2,501,182	53,304	(23,711)	1,680,652	11,743	(23,374)
- more than three years	198,211	9,079	(4,789)	168,088	6,642	(4,789)
Currency spots	4,880,826	6,821	(5,303)	3,428,958	4,125	(3,241)
- less than one year	4,880,826	6,821	(5,303)	3,428,958	4,125	(3,241)
Currency options	19,481,366	338,241	(354,422)	18,902,660	322,244	(340,886)
- less than one year	16,439,192	139,212	(132,459)	16,289,910	137,135	(132,843)
- one year to three years	2,807,771	172,630	(183,585)	2,378,347	158,710	(169,665)
- more than three years	234,403	26,399	(38,378)	234,403	26,399	(38,378)
Cross currency interest rate swaps	65,835,976	2,308,751	(2,101,063)	34,194,817	1,875,016	(1,621,088)
- less than one year	16,400,284	136,550	(428,780)	6,612,493	272,237	(495,707)
- one year to three years	20,140,999	911,822	(690,346)	12,828,660	772,704	(512,949)
- more than three years	29,294,693	1,260,379	(981,937)	14,753,664	830,075	(612,432)
	398,372,980	6,551,385	(6,681,399)	214,814,825	3,396,880	(3,499,339)
<u>Interest rate derivatives</u>						
<u>Interest rate swaps</u>						
- less than one year	415,770,931	2,255,027	(1,618,764)	254,483,095	1,443,451	(1,048,183)
- less than one year	134,129,160	202,648	(143,224)	73,288,426	135,293	(81,600)
- one year to three years	150,758,550	738,901	(584,779)	104,342,868	607,225	(454,653)
- more than three years	130,883,221	1,313,478	(890,761)	76,851,801	700,933	(511,930)
Interest rate futures	5,343,671	8,499	(10,082)	5,343,671	8,499	(10,082)
- less than one year	4,838,921	8,484	(9,952)	4,838,921	8,484	(9,952)
- one year to three years	504,750	15	(130)	504,750	15	(130)
Interest rate options	426,710	1	(3,378)	853,302	5,221	(5,221)
- less than one year	426,592	-	(3,377)	853,184	5,220	(5,220)
- more than three years	118	1	(1)	118	1	(1)
	421,541,312	2,263,527	(1,632,224)	260,680,068	1,457,171	(1,063,486)
<u>Equity related derivatives</u>						
<u>Equity swaps</u>						
- less than one year	876,862	1,928	(14,198)	868,455	1,829	(14,198)
- less than one year	6,341	-	(12,601)	6,341	-	(12,601)
- one year to three years	7,000	100	-	7,000	100	-
- more than three years	863,521	1,828	(1,597)	855,114	1,729	(1,597)
Equity options	10,083,445	101,096	(85,753)	10,098,830	100,778	(85,435)
- less than one year	6,576,669	91,263	(79,880)	6,592,054	90,945	(79,562)
- one year to three years	3,388,973	9,809	(5,849)	3,388,973	9,809	(5,849)
- more than three years	117,803	24	(24)	117,803	24	(24)
Equity futures	168,561	3,334	(1,777)	168,561	3,334	(1,777)
- less than one year	168,561	3,334	(1,777)	168,561	3,334	(1,777)
	11,128,868	106,358	(101,728)	11,135,846	105,941	(101,410)

PART A - EXPLANATORY NOTES (CONTINUED)

A26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group			The Bank		
	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000
At 30 June 2018						
<u>Commodity related derivatives</u>						
Commodity swaps	2,229,351	268,916	(476,734)	2,229,344	268,912	(476,743)
- less than one year	1,738,239	235,243	(303,988)	1,738,232	235,239	(303,997)
- one year to three years	489,941	33,673	(172,530)	489,941	33,673	(172,530)
- more than three years	1,171	-	(216)	1,171	-	(216)
Commodity futures	1,545,739	147,295	(25,230)	1,545,739	147,295	(25,230)
- less than one year	1,545,739	147,295	(25,230)	1,545,739	147,295	(25,230)
Commodity options	3,914,185	209,077	(226,975)	3,914,185	209,077	(226,975)
- less than one year	3,213,573	192,332	(211,138)	3,213,573	192,332	(211,138)
- one year to three years	700,612	16,745	(15,837)	700,612	16,745	(15,837)
	7,689,275	625,288	(728,939)	7,689,268	625,284	(728,948)
<u>Credit related contract</u>						
Credit default swaps	4,518,205	34,338	(25,421)	4,518,214	34,361	(25,292)
- one year to three years	338,959	2,313	(598)	338,959	2,313	(598)
- more than three years	4,179,246	32,025	(24,823)	4,179,255	32,048	(24,694)
Total return swaps	598,570	6,426	(6,679)	598,570	6,426	(6,679)
- less than one year	302,850	372	(139)	302,850	372	(139)
- one year to three years	155,510	2,846	(2,846)	155,510	2,846	(2,846)
- more than three years	140,210	3,208	(3,694)	140,210	3,208	(3,694)
Credit Spread Option	16,152	-	(23)	16,152	-	(23)
- less than one year	16,152	-	(23)	16,152	-	(23)
	5,132,927	40,764	(32,123)	5,132,936	40,787	(31,994)
<u>Bond contract</u>						
Bond forward	1,725,214	31,277	(3,114)	120,000	1,885	(74)
- less than one year	207,046	5,552	-	-	-	-
- one year to three years	785,556	9,605	(1,912)	-	-	-
- more than three years	732,612	16,120	(1,202)	120,000	1,885	(74)
<u>Hedging derivatives</u>						
Currency swaps	6,566,966	87,835	(249,940)	3,292,752	55,628	(89,625)
- less than one year	3,292,752	55,628	(89,625)	3,292,752	55,628	(89,625)
- one year to three years	901,468	4,249	(101,647)	-	-	-
- more than three years	2,372,746	27,958	(58,668)	-	-	-
Cross currency interest rate swaps	1,518,839	2,634	(87,116)	1,518,839	2,634	(87,116)
- less than one year	367,516	-	(8,378)	367,516	-	(8,378)
- one year to three years	1,151,323	2,634	(78,738)	1,151,323	2,634	(78,738)
Interest rate swaps	26,676,976	106,438	(397,425)	30,042,269	174,891	(396,876)
- less than one year	1,177,789	497	(5,675)	1,453,431	717	(5,675)
- one year to three years	8,213,164	27,388	(79,179)	11,488,164	95,621	(79,179)
- more than three years	17,286,023	78,553	(312,571)	17,100,674	78,553	(312,022)
Total derivatives assets/(liabilities)	880,353,357	9,815,506	(9,914,008)	534,426,803	5,861,101	(5,998,868)

PART A - EXPLANATORY NOTES (CONTINUED)

A26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 Dec 2017	The Group			The Bank		
	Principal RM'000	Fair values		Principal RM'000	Fair values	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
<u>Foreign exchange derivatives</u>						
Currency forward	30,088,906	446,403	(845,347)	23,574,986	380,006	(726,781)
- less than one year	25,027,245	373,817	(576,226)	19,082,349	322,077	(451,480)
- one year to three years	4,258,039	70,554	(134,093)	3,712,448	56,229	(133,459)
- more than three years	803,622	2,032	(135,028)	780,189	1,700	(141,842)
Currency swaps	188,296,627	1,562,797	(1,908,338)	75,601,706	521,916	(1,037,548)
- less than one year	187,256,814	1,511,512	(1,896,255)	75,304,831	519,485	(1,025,586)
- one year to three years	641,980	26,858	(8,349)	250,785	2,428	(8,228)
- more than three years	397,833	24,427	(3,734)	46,090	3	(3,734)
Currency spots	3,579,335	4,057	(4,128)	2,858,399	3,469	(3,514)
- less than one year	3,579,335	4,057	(4,128)	2,858,399	3,469	(3,514)
Currency options	20,317,487	284,078	(311,528)	19,950,647	277,175	(302,122)
- less than one year	17,469,375	138,216	(150,851)	17,350,588	137,954	(148,087)
- one year to three years	1,362,966	39,858	(41,703)	1,114,913	33,217	(35,061)
- more than three years	1,485,146	106,004	(118,974)	1,485,146	106,004	(118,974)
Cross currency interest rate swaps	60,809,880	2,598,613	(2,624,681)	34,593,836	2,179,919	(2,098,111)
- less than one year	14,286,780	299,615	(604,012)	7,963,986	460,436	(736,038)
- one year to three years	19,448,062	1,036,607	(883,042)	11,213,525	816,128	(676,896)
- more than three years	27,075,038	1,262,391	(1,137,627)	15,416,325	903,355	(685,177)
	303,092,235	4,895,948	(5,694,022)	156,579,574	3,362,485	(4,168,076)
<u>Interest rate derivatives</u>						
Interest rate swaps	385,620,302	2,483,855	(1,719,087)	256,581,940	1,603,248	(1,215,559)
- less than one year	123,582,908	300,782	(280,969)	74,563,965	229,329	(215,505)
- one year to three years	128,205,049	743,412	(508,603)	91,537,193	575,147	(347,051)
- more than three years	133,832,345	1,439,661	(929,515)	90,480,782	798,772	(653,003)
Interest rate futures	9,631,775	8,322	(7,058)	9,631,775	8,322	(7,058)
- less than one year	8,833,038	8,151	(6,846)	8,833,038	8,151	(6,846)
- one year to three years	798,737	171	(212)	798,737	171	(212)
Interest rate options	559,754	3,162	(2,897)	373,248	2,897	(2,897)
- less than one year	373,126	2,897	(2,897)	373,126	2,897	(2,897)
- more than three years	186,628	265	-	122	-	-
	395,811,831	2,495,339	(1,729,042)	266,586,963	1,614,467	(1,225,514)
<u>Equity related derivatives</u>						
Equity swaps	921,932	39,245	(1,618)	921,932	39,245	(1,618)
- less than one year	5,312	-	(663)	5,312	-	(663)
- one year to three years	89,002	38,106	-	89,002	38,106	-
- more than three years	827,618	1,139	(955)	827,618	1,139	(955)
Equity options	10,164,149	57,553	(117,163)	10,171,000	57,242	(116,852)
- less than one year	4,177,734	6,472	(68,004)	4,184,585	6,161	(67,693)
- one year to three years	5,840,126	47,509	(46,139)	5,840,126	47,509	(46,139)
- more than three years	146,289	3,572	(3,020)	146,289	3,572	(3,020)
Equity futures	343,155	782	(3,362)	343,155	782	(3,362)
- less than one year	343,155	782	(3,362)	343,155	782	(3,362)
	11,429,236	97,580	(122,143)	11,436,087	97,269	(121,832)

PART A - EXPLANATORY NOTES (CONTINUED)

A26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 Dec 2017	The Group			The Bank		
	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000	Principal RM'000	Fair values Assets RM'000	Liabilities RM'000
<u>Commodity related derivatives</u>						
Commodity swaps	2,542,517	297,789	(350,027)	2,510,815	297,780	(350,027)
- less than one year	2,247,711	282,311	(232,653)	2,216,009	282,302	(232,653)
- one year to three years	294,806	15,478	(117,374)	294,806	15,478	(117,374)
Commodity futures	1,147,390	111,671	(53,468)	1,147,390	111,671	(53,468)
- less than one year	1,147,390	111,671	(53,468)	1,147,390	111,671	(53,468)
Commodity options	3,784,702	214,223	(217,138)	3,784,702	214,223	(217,138)
- less than one year	3,671,685	214,223	(217,138)	3,671,685	214,223	(217,138)
- one year to three years	113,017	-	-	113,017	-	-
	7,474,609	623,683	(620,633)	7,442,907	623,674	(620,633)
<u>Credit related contract</u>						
Credit default swaps	2,826,699	4,249	(947)	2,824,938	27,292	(22,020)
- less than one year	271,116	339	(94)	271,116	339	(594)
- one year to three years	279,788	1,384	(220)	279,788	1,384	(720)
- more than three years	2,275,795	2,526	(633)	2,274,034	25,569	(20,706)
Total return swaps	372,138	7,853	(7,925)	372,138	7,853	(7,925)
- less than one year	60,818	554	-	60,818	554	-
- one year to three years	168,410	3,751	(3,751)	168,410	3,751	(3,751)
- more than three years	142,910	3,548	(4,174)	142,910	3,548	(4,174)
Credit spread option	16,218	-	(310)	16,218	-	(310)
- less than one year	16,218	-	(310)	16,218	-	(310)
	3,215,055	12,102	(9,182)	3,213,294	35,145	(30,255)
<u>Bond Forward</u>						
	1,170,650	5,674	(15,831)	120,000	1,243	(99)
- Up to 1 year	198,939	455	(2,682)	-	-	-
- More than 1 year to 3 years	335,711	495	(6,124)	-	-	-
- More than 3 years	636,000	4,724	(7,025)	120,000	1,243	(99)
<u>Hedging derivatives</u>						
Currency swaps	4,149,117	147,419	(18,633)	4,149,117	147,419	(18,633)
- less than one year	4,149,117	147,419	(18,633)	4,149,117	147,419	(18,633)
Cross currency interest rate swaps	4,158,466	5,124	(238,267)	1,682,292	5,124	(58,211)
- less than one year	225,545	-	(5,800)	225,545	-	(5,800)
- one year to three years	1,865,417	5,124	(159,755)	960,170	5,124	(45,923)
- more than three years	2,067,504	-	(72,712)	496,577	-	(6,488)
Interest rate swaps	25,444,830	87,578	(280,684)	28,709,047	175,716	(280,356)
- less than one year	1,755,946	1,567	(10,871)	2,031,079	2,241	(10,871)
- one year to three years	6,335,537	17,250	(95,027)	9,610,536	104,625	(95,027)
- more than three years	17,353,347	68,761	(174,786)	17,067,432	68,850	(174,458)
Total derivatives assets/(liabilities)	755,946,029	8,370,447	(8,728,437)	479,919,281	6,062,542	(6,523,609)

PART A - EXPLANATORY NOTES (CONTINUED)

A26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

Market Risk

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

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfill their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 30 June 2018, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM9,815,506,000 and RM5,861,101,000 respectively (31 December 2017: RM8,370,447,000 and RM6,062,542,000 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 June 2018, the Group and the Bank has posted cash collateral of RM3,222,279,000 and RM2,155,127,000 respectively (31 December 2017: RM2,881,523,000 and RM2,451,770,000 respectively) 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)

A27. COMMITMENTS AND CONTINGENCIES

The Group	30 June 2018	31 Dec 2017
	Principal	Principal
	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	3,554,552	3,940,359
Transaction-related contingent items	6,344,282	6,116,543
Short-term self-liquidating trade-related contingencies	3,777,330	3,767,991
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	56,241,013	53,995,802
- maturity exceeding one year	31,539,464	29,784,625
Miscellaneous commitments and contingencies	2,756,483	1,018,887
Total credit-related commitments and contingencies	104,213,124	98,624,207
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	340,722,060	251,994,211
- one year to five years	48,917,470	44,562,752
- more than five years	16,819,255	14,842,855
	406,458,785	311,399,818
Interest rate related contracts :		
- less than one year	140,572,462	134,545,018
- one year to five years	245,982,580	229,115,266
- more than five years	61,663,246	57,596,377
	448,218,288	421,256,661
Equity related contracts:		
- less than one year	6,751,571	4,526,201
- one year to five years	3,517,491	6,026,266
- more than five years	859,806	876,769
	11,128,868	11,429,236
Credit related contracts:		
- less than one year	319,002	348,152
- one year to five years	3,765,981	1,902,674
- more than five years	1,047,944	964,229
	5,132,927	3,215,055
Commodity related contracts:		
- less than one year	6,497,551	7,066,786
- one year to five years	1,191,724	407,823
	7,689,275	7,474,609
Bond contracts:		
- less than one year	207,046	198,939
- one year to five years	1,398,168	851,711
- more than five years	120,000	120,000
	1,725,214	1,170,650
Total treasury-related commitments and contingencies	880,353,357	755,946,029
	984,566,481	854,570,236

PART A - EXPLANATORY NOTES (CONTINUED)

A27. COMMITMENTS AND CONTINGENCIES (CONTINUED)

	30 June 2018	31 Dec 2017
	Principal	Principal
	RM'000	RM'000
The Bank		
<u>Credit-related</u>		
Direct credit substitutes	3,252,275	3,359,900
Transaction-related contingent items	4,209,164	4,175,910
Short-term self-liquidating trade-related contingencies	3,087,667	3,106,689
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	44,214,028	43,044,596
- maturity exceeding one year	24,127,659	22,815,345
Miscellaneous commitments and contingencies	893,795	809,871
Total credit-related commitments and contingencies	<u>79,784,588</u>	<u>77,312,311</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	181,513,097	126,934,815
- one year to five years	32,613,336	28,742,848
- more than five years	5,499,983	6,733,320
	219,626,416	162,410,983
Interest rate related contracts :		
- less than one year	80,433,962	85,801,208
- one year to five years	176,017,908	175,535,269
- more than five years	34,270,467	33,959,533
	290,722,337	295,296,010
Equity related contracts:		
- less than one year	6,766,956	4,533,052
- one year to five years	3,517,491	6,026,266
- more than five years	851,399	876,769
	11,135,846	11,436,087
Credit related contracts:		
- less than one year	319,002	348,152
- one year to five years	3,765,982	1,902,674
- more than five years	1,047,952	962,468
	5,132,936	3,213,294
Commodity related contracts:		
- less than one year	6,497,544	7,035,084
- one year to five years	1,191,724	407,823
	7,689,268	7,442,907
Bond contracts:		
- more than five years	120,000	120,000
	120,000	120,000
Total treasury-related commitments and contingencies	<u>534,426,803</u>	<u>479,919,281</u>
	<u>614,211,391</u>	<u>557,231,592</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A28. CAPITAL ADEQUACY

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (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 Capital Adequacy Framework (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 2 February 2018.

The IRB Approach adopted by CIMB Bank and CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advance IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

The capital adequacy ratios of CIMB Thai Bank is based on the Bank of Thailand ("BOT") guidelines issued on 8 November 2012. The risk weighted assets of CIMB Thai Bank is based on Bank of Thailand ("BOT") requirements and are computed in accordance with the revised "Notification of The BOT. No. SoNorSor. 12/2555 - The supervisory capital funds of commercial banks". Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

Capital Adequacy ratio of CIMB Bank (Vietnam) Ltd. is calculated and managed according to local regulations as per the requirement of State Bank of Vietnam (SBV) in circular 36/2014/TT-NHNN dated 20 November 2014, amended by circular 06/2016/TT-NHNN dated 27 May 2016 with minimum compliance of 9%. On 30 December 2016, SBV officially issued circular 41/2016/TT-NHNN (effective 1 January 2020) requiring banks and branches of foreign banks to maintain the minimum CAR at 8% which covers credit, market and operational risk .

30 June 2018 - Basel III

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

	The Group RM'000	The Bank* RM'000
Before deducting proposed dividend		
Common equity tier 1 ratio	12.763%	12.342%
Tier 1 ratio	13.847%	13.731%
Total capital ratio	<u>18.002%</u>	<u>18.361%</u>
After deducting proposed dividend		
Common equity tier 1 ratio	12.279%	11.652%
Tier 1 ratio	13.362%	13.041%
Total capital ratio	<u>17.518%</u>	<u>17.671%</u>

CIMB Group Holdings Berhad ("CIMB Group"), the ultimate holding company of the Bank, successfully completed its eleventh DRS of which RM1,278 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM1,278 million into CIMB Bank via rights issue which was completed on 29 June 2018.

CIMB Group implemented a Dividend Reinvestment Scheme ("DRS") for the first interim dividend in respect of the financial year ending 2018. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into the Bank, which would increase the capital adequacy ratios of the Group and the Bank above those stated above.

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

	The Group RM'000	The Bank* RM'000
Credit risk	198,704,751	138,531,774
Market risk	15,784,187	11,466,358
Large exposure risk requirements	830,026	830,026
Operational risk	<u>20,221,437</u>	<u>14,462,863</u>
Total risk-weighted assets	<u>235,540,401</u>	<u>165,291,021</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A28. CAPITAL ADEQUACY (CONTINUED)

30 June 2018 - Basel III (Continued)

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

	The Group RM'000	The Bank* RM'000
Common Equity Tier I capital		
Ordinary share capital	18,888,794	18,888,794
Other reserves	19,241,549	12,901,550
Qualifying non-controlling interests	177,124	-
Less: Proposed dividends	<u>(1,140,574)</u>	<u>(1,140,574)</u>
Common Equity Tier I capital before regulatory adjustments	37,166,893	30,649,770
<u>Less: Regulatory adjustments</u>		
Goodwill	(5,147,609)	(3,555,075)
Intangible assets	(911,740)	(798,440)
Deferred tax assets	(488,134)	(304,464)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-	(5,350,886)
Regulatory reserve	(1,693,258)	(1,376,915)
Others	(4,079)	(4,079)
Common Equity Tier I capital after regulatory adjustments	<u>28,922,073</u>	<u>19,259,911</u>
Additional Tier I capital		
Perpetual preference shares	200,000	200,000
Innovative Tier I Capital	924,720	924,720
Perpetual subordinated capital securities	1,400,000	1,400,000
Qualifying capital instruments held by third parties	36,603	-
	<u>2,561,323</u>	<u>2,524,720</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(9,587)	(229,587)
Additional Tier I capital after regulatory adjustments	<u>2,551,736</u>	<u>2,295,133</u>
Total Tier I capital	<u>31,473,809</u>	<u>21,555,044</u>
Tier II capital		
Subordinated notes	7,750,000	7,750,000
Redeemable preference shares	29,740	29,740
Qualifying capital instruments held by third parties	454,581	-
Surplus eligible provisions over expected loss	858,276	696,097
General provisions ^	695,764	281,445
Tier II capital before regulatory adjustments	<u>9,788,361</u>	<u>8,757,282</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-	(1,103,482)
Total Tier II capital	<u>9,788,361</u>	<u>7,653,800</u>
Total capital	<u>41,262,170</u>	<u>29,208,844</u>

The capital adequacy of the banking subsidiary companies of the Bank are as follows:

	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank PLC	CIMB Bank (Vietnam) Ltd
Common equity tier 1 ratio	14.088%	11.503%	N/A	N/A
Tier 1 ratio	14.678%	11.503%	N/A	N/A
Total capital ratio	<u>17.329%</u>	<u>16.593%</u>	<u>16.979%</u>	<u>246.140%</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A28. CAPITAL ADEQUACY (CONTINUED)

31 Dec 2017 - Basel III

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

	The Group	The Bank*
Before deducting proposed dividend		
Common equity tier I ratio	12.942%	12.866%
Tier I ratio	14.095%	14.333%
Total capital ratio	<u>17.700%</u>	<u>17.784%</u>
After deducting proposed dividend		
Common equity tier I ratio	12.227%	11.879%
Tier I ratio	13.381%	13.347%
Total capital ratio	<u>16.986%</u>	<u>16.797%</u>

CIMB Group successfully completed its ninth DRS of which RM871 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM490 million into CIMB Bank via rights issue which was completed on 21 June 2017.

CIMB Group successfully completed its tenth DRS of which RM968 million was reinvested into new CIMB Group shares. Pursuant to the completion of DRS, CIMB Group reinvested cash dividend surplus of RM934 million into CIMB Bank via rights issue which was completed on 22 December 2017.

CIMB Group's second interim dividend in respect of the financial year ended 2017 will be made applicable under the DRS. Pursuant to the DRS, CIMB Group intends to reinvest the excess cash dividend into CIMB Bank, which would increase the capital adequacy ratios of CIMB Bank Group and CIMB Bank above those stated above.

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

	The Group RM'000	The Bank* RM'000
Credit risk	193,146,506	138,811,146
Market risk	14,125,733	11,050,726
Large exposure risk requirements	768,600	768,600
Operational risk	19,782,736	14,330,500
Total risk-weighted assets	<u>227,823,575</u>	<u>164,960,972</u>

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

	The Group RM'000	The Bank* RM'000
Common Equity Tier I capital		
Ordinary share capital	17,610,939 @	17,610,939 @
Other reserves	20,007,741 @	13,904,088 @
Qualifying non-controlling interests	152,698	-
Less: Proposed dividends	<u>(1,627,553)</u>	<u>(1,627,553)</u>
Common Equity Tier I capital before regulatory adjustments	36,143,825	29,887,474
<u>Less: Regulatory adjustments</u>		
Goodwill	(5,177,536)	(3,555,075)
Intangible assets	(951,237)	(832,713)
Deferred tax assets	(382,224)	(157,309)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-	(4,260,702)
Regulatory reserve	(1,500,556)	(1,208,956)
Others	<u>(275,149)</u>	<u>(276,973)</u>
Common Equity Tier I capital after regulatory adjustments	<u>27,857,123</u>	<u>19,595,746</u>
Additional Tier I capital		
Perpetual preference shares	200,000	200,000
Innovative Tier I Capital	1,000,000	1,000,000
Perpetual subordinated capital securities	1,400,000	1,400,000
Qualifying capital instruments held by third parties	30,301	-
Additional Tier I capital before and after regulatory adjustments	<u>2,630,301</u>	<u>2,600,000</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	<u>(2,641)</u>	<u>(178,641)</u>
Additional Tier I capital after regulatory adjustments	<u>2,627,660</u>	<u>2,421,359</u>
Total Tier I capital	<u>30,484,783</u>	<u>22,017,105</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A28. CAPITAL ADEQUACY (CONTINUED)

<u>31 Dec 2017 - Basel III (Continued)</u>	The Group RM'000	The Bank* RM'000
Tier II capital		
Subordinated notes	7,050,000	7,050,000
Redeemable preference shares	29,740	29,740
Surplus eligible provisions over expected loss	118,446	267,987
Qualifying capital instruments held by third parties	363,627	-
Portfolio impairment allowance and regulatory reserves ^	651,277	254,766
Tier II capital before regulatory adjustments	<u>8,213,090</u>	<u>7,602,493</u>
<u>Less: Regulatory adjustments</u>		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	<u>(660)</u>	<u>(1,911,008)</u>
Total Tier II capital	<u>8,212,430</u>	<u>5,691,485</u>
Total capital	<u>38,697,213</u>	<u>27,708,590</u>

The capital adequacy of the banking subsidiary companies of the Bank are as follows:

	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank PLC
Common equity tier I ratio	13.286%	12.471%	N/A
Tier I ratio	13.892%	12.471%	N/A
Total capital ratio	<u>16.291%</u>	<u>16.631%</u>	<u>16.622%</u>

* Includes the operations of CIMB Bank (L) Limited.

^ The capital base of the Group and the Bank has excluded general provisions/portfolio impairment allowance from Tier II capital of RM212 million (2017: RM165 million) and RM197 million (2017: RM151 million) respectively.

@ The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM10,910,056,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the new Companies Act 2016 (the "Act"), on 31 January 2017 any amount standing to the credit of the Bank's share premium account has become part of the Bank's share capital. Notwithstanding this provision, the Bank may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act.

PART A - EXPLANATORY NOTES (CONTINUED)

A29. LEVERAGE RATIO

The leverage ratio framework applicable to the Malaysian banking entities is based on BNM Leverage Ratio Policy ("the Policy") 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 June 2018

	The Group	The Bank*
Leverage ratio	<u>6.80%</u>	<u>6.30%</u>

* Includes the operations of CIMB Bank (L) Limited.

PART A - EXPLANATORY NOTES (CONTINUED)

A30. SEGMENTAL REPORT

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 both conventional and Islamic financial products and services such as residential property loans, non-residential property loans, secured personal loans, motor vehicle financing, credit cards, unsecured personal financing, 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 CIMB 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 both conventional and 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 loans, 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)**A30. SEGMENTAL REPORT (CONTINUED)**

The Group
30 June 2018

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and Others RM'000	Total RM'000
Net interest income/(expense)						
- external income	2,312,935	347,221	459,058	166,798	(710)	3,285,302
- inter-segment	(355,433)	123,174	169,402	62,857	-	-
	<u>1,957,502</u>	<u>470,395</u>	<u>628,460</u>	<u>229,655</u>	<u>(710)</u>	<u>3,285,302</u>
Income from Islamic Banking operations	482,553	115,791	421,161	81,015	-	1,100,520
Net non-interest income/(expense)	735,147	150,338	390,195	(5,381)	37,103	1,307,402
Net income	<u>3,175,202</u>	<u>736,524</u>	<u>1,439,816</u>	<u>305,289</u>	<u>36,393</u>	<u>5,693,224</u>
Overheads	(1,589,358)	(324,554)	(762,453)	(101,052)	(28,315)	(2,805,732)
of which:						
Depreciation of property, plant and equipment	(75,195)	(1,239)	(5,703)	(2,902)	-	(85,039)
Amortisation of prepaid lease payments	(5)	-	-	-	-	(5)
Amortisation of intangible assets	(83,508)	(742)	(16,068)	(11,225)	-	(111,543)
Profit before allowances	<u>1,585,844</u>	<u>411,970</u>	<u>677,363</u>	<u>204,237</u>	<u>8,078</u>	<u>2,887,492</u>
Expected credit losses (made)/written-back on loans, advances and financing	(157,711)	(115,766)	(6,625)	171	-	(279,931)
Expected credit losses (made)/written-back for commitments and contingencies	(9,871)	(2,255)	4,612	26	-	(7,488)
Other expected credit losses (made)/ written-back	-	-	(2,378)	(548)	870	(2,056)
Segment result	<u>1,418,262</u>	<u>293,949</u>	<u>672,972</u>	<u>203,886</u>	<u>8,948</u>	<u>2,598,017</u>
Share of results of joint venture	1,650	-	-	-	-	1,650
Taxation						<u>(609,545)</u>
Profit for the financial period						<u>1,990,122</u>

PART A - EXPLANATORY NOTES (CONTINUED)**A30. SEGMENTAL REPORT (CONTINUED)****The Group**
30 June 2017

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and Others RM'000	Total RM'000
Net interest income/(expense)						
- external income	2,313,372	350,487	495,133	256,127	(4,969)	3,410,150
- inter-segment	(452,075)	101,248	348,604	2,223	-	-
	1,861,297	451,735	843,737	258,350	(4,969)	3,410,150
Income from Islamic Banking operations	400,547	85,959	293,123	66,889	-	846,518
Net non-interest income	645,114	170,294	588,654	58,599	15,618	1,478,279
Net income	2,906,958	707,988	1,725,514	383,838	10,649	5,734,947
Overheads	(1,463,909)	(326,481)	(762,821)	(105,399)	(28,007)	(2,686,617)
of which:						
Depreciation of property, plant and equipment	(77,982)	(1,976)	(8,813)	(4,302)	-	(93,073)
Amortisation of intangible assets	(71,219)	(374)	(10,436)	(10,400)	-	(92,429)
Profit before allowances	1,443,049	381,507	962,693	278,439	(17,358)	3,048,330
Allowances for impairment losses (made)/written-back on loans, advances and financing	(275,846)	(213,864)	23,554	(37)	-	(466,193)
Allowances for other impairment losses	-	-	(17,054)	-	(3,829)	(20,883)
Allowances written-back/(made) for commitments and contingencies	-	19,143	(2,222)	-	-	16,921
Segment result	1,167,203	186,786	966,971	278,402	(21,187)	2,578,175
Share of results of joint venture	2,250	-	-	-	-	2,250
Taxation						(521,599)
Profit for the financial period						2,058,826

PART A - EXPLANATORY NOTES (CONTINUED)

A30. SEGMENTAL REPORT (CONTINUED)

**The Group
30 June 2018**

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Total RM'000
Segment assets	159,057,405	32,734,090	206,596,194	25,484,532	423,872,221
Unallocated assets					11,584,521
Total assets					435,456,742
Segment liabilities	138,094,628	33,990,935	203,866,043	13,564,481	389,516,087
Unallocated liabilities					7,320,079
Total liabilities					396,836,166
Other segment items					
Capital expenditure	198,472	3,157	16,796	9,098	227,523
Investment in joint venture	171,337	-	-	-	171,337

**The Group
31 Dec 2017**

	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Total RM'000
Segment assets	154,943,172	32,588,973	192,373,817	24,588,629	404,494,591
Unallocated assets					12,565,250
Total assets					417,059,841
Segment liabilities	137,402,150	34,649,903	186,993,581	11,473,671	370,519,305
Unallocated liabilities					8,435,605
Total liabilities					378,954,910
Other segment items					
Capital expenditure	349,676	7,164	33,239	17,100	407,179
Investment in joint venture	169,688	-	-	-	169,688

PART A-EXPLANATORY NOTES (CONTINUED)

A31. 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)

A31. FAIR VALUE ESTIMATION (CONTINUED)

(i) The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

The Group	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2018					
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through profit or loss					
-Money market instruments	19,555,843	-	19,555,843	-	19,555,843
-Quoted securities	572,746	572,746	-	-	572,746
-Unquoted securities	6,106,849	-	4,904,715	1,202,134	6,106,849
Debt instruments at fair value through other comprehensive income					
-Money market instruments	3,969,260	-	3,969,260	-	3,969,260
-Unquoted securities	20,052,535	-	20,052,534	1	20,052,535
Equity instruments at fair value through other comprehensive income					
-Quoted securities	8,274	8,274	-	-	8,274
-Unquoted securities	1,026,573	-	327,256	699,317	1,026,573
Derivative financial instruments					
-Trading derivatives	9,618,599	160,592	9,360,917	97,090	9,618,599
-Hedging derivatives	196,907	-	196,907	-	196,907
Non-financial assets					
Non-current assets/disposal groups held for sale	4,199	-	4,199	-	4,199
Total	61,111,785	741,612	58,371,631	1,998,542	61,111,785
Recurring fair value measurements					
Financial liabilities					
Derivative financial instruments					
- Trading derivatives	9,179,527	88,838	9,056,846	33,843	9,179,527
- Hedging derivatives	734,481	-	734,481	-	734,481
Financial liabilities designated at fair values through profit or loss					
	5,285,782	-	5,112,106	173,676	5,285,782
Total	15,199,790	88,838	14,903,433	207,519	15,199,790

The Group	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2017					
Recurring fair value measurements					
Financial assets					
Financial assets held for trading					
-Money market instruments	13,885,908	-	13,885,908	-	13,885,908
-Quoted securities	1,329,774	1,329,774	-	-	1,329,774
-Unquoted securities	5,194,372	-	5,030,129	164,243	5,194,372
Financial investments available-for-sale					
-Money market instruments	2,401,517	-	2,401,517	-	2,401,517
-Quoted securities	10,216	10,216	-	-	10,216
-Unquoted securities	22,192,543	-	20,860,712	1,331,831	22,192,543
Derivative financial instruments					
-Trading derivatives	8,130,326	122,342	7,951,588	56,396	8,130,326
-Hedging derivatives	240,121	-	240,121	-	240,121
Non-recurring fair value measurements					
Non-financial assets					
Non-current assets/disposal groups held for sale	4,199	-	4,199	-	4,199
Total	53,388,976	1,462,332	50,374,174	1,552,470	53,388,976
Recurring fair value measurements					
Financial liabilities					
Derivative financial instruments					
- Trading derivatives	8,190,853	157,099	8,009,650	24,104	8,190,853
- Hedging derivatives	537,584	-	537,584	-	537,584
Financial liabilities designated at fair values through profit or loss					
	4,773,440	-	4,378,382	395,058	4,773,440
Total	13,501,877	157,099	12,925,616	419,162	13,501,877

PART A-EXPLANATORY NOTES (CONTINUED)

A31. FAIR VALUE ESTIMATION (CONTINUED)

- (i) The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

The Bank	Carrying amount	The Bank			Total
		Fair Value			
		Level 1	Level 2	Level 3	
	RM'000	RM'000	RM'000	RM'000	RM'000
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through profit or loss					
-Money market instruments	14,114,896	-	14,114,896	-	14,114,896
-Quoted securities	572,746	572,746	-	-	572,746
-Unquoted securities	5,596,221	-	4,405,352	1,190,869	5,596,221
Debt instruments at fair value through other comprehensive income					
-Money market instruments	2,391,280	-	2,391,280	-	2,391,280
-Unquoted securities	15,314,353	-	15,314,353	-	15,314,353
Equity instruments at fair value through other comprehensive income					
-Quoted securities	100	100	-	-	100
-Unquoted securities	1,021,508	-	327,256	694,252	1,021,508
Derivative financial instruments					
-Trading derivatives	5,627,948	160,592	5,362,318	105,038	5,627,948
-Hedging derivatives	233,153	-	233,153	-	233,153
Total	44,872,205	733,438	42,148,608	1,990,159	44,872,205
Recurring fair value measurements					
Financial liabilities					
Derivative financial instruments					
-Trading derivatives	5,425,251	88,838	5,302,570	33,843	5,425,251
-Hedging derivatives	573,617	-	573,617	-	573,617
Financial liabilities designated at fair values through profit or loss					
	1,674,201	-	1,500,525	173,676	1,674,201
Total	7,673,069	88,838	7,376,712	207,519	7,673,069

The Bank	Carrying amount	Fair Value			Total
		31 Dec 2017			
		Level 1	Level 2	Level 3	
	RM'000	RM'000	RM'000	RM'000	RM'000
Recurring fair value measurements					
Financial assets					
Financial assets held for trading					
-Money market instruments	9,649,627	-	9,649,627	-	9,649,627
-Quoted securities	1,329,774	1,329,774	-	-	1,329,774
-Unquoted securities	5,013,003	-	4,848,760	164,243	5,013,003
Financial investments available-for-sale					
-Money market instruments	2,006,289	-	2,006,289	-	2,006,289
-Quoted securities	131	131	-	-	131
-Unquoted securities	18,048,847	-	16,735,052	1,313,795	18,048,847
Derivative financial instruments					
-Trading derivatives	5,734,283	122,342	5,555,545	56,396	5,734,283
-Hedging derivatives	328,259	-	328,259	-	328,259
Total	42,110,213	1,452,247	39,123,532	1,534,434	42,110,213
Recurring fair value measurements					
Financial liabilities					
Derivative financial instruments					
-Trading derivatives	6,166,409	157,099	5,977,712	31,598	6,166,409
-Hedging derivatives	357,200	-	357,200	-	357,200
Financial liabilities designated at fair values through profit or loss					
	1,900,972	-	1,505,914	395,058	1,900,972
Total	8,424,581	157,099	7,840,826	426,656	8,424,581

PART A-EXPLANATORY NOTES (CONTINUED)

A31. FAIR VALUE ESTIMATION (CONTINUED)

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

	Financial Assets				Financial Liabilities		
	Financial assets held-for-trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Financial liabilities designated at fair value	
	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	Total RM'000	Trading derivatives RM'000	RM'000	Total RM'000
The Group							
2017							
At 1 Jan	178,451	1,297,868	96,182	1,572,501	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income	3,136	(2,141)	(38,693)	(37,698)	64,662	(32,607)	32,055
Total gains recognised in other comprehensive income	-	84,294	-	84,294	-	-	-
Purchases	-	27,367	36,054	63,421	(44,016)	-	(44,016)
Sales and redemptions	-	(39,610)	-	(39,610)	-	-	-
Settlements	-	-	(36,621)	(36,621)	95,329	24,011	119,340
Exchange fluctuation	(17,344)	(35,947)	(526)	(53,817)	431	-	431
At 31 Dec	164,243	1,331,831	56,396	1,552,470	(24,104)	(395,058)	(419,162)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2017 under:							
- net non-interest income	3,136	(1,700)	(38,693)	(37,257)	64,662	(15,465)	49,197
- interest expense	-	-	-	-	-	(17,142)	(17,142)
- allowances for other impairment losses	-	(441)	-	(441)	-	-	-
Total gains recognised in other comprehensive income for financial year ended 31 December 2017 under "revaluation reserves"	-	84,294	-	84,294	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2017 under "net non-interest income"	3,136	-	2,577	5,713	18,127	(15,465)	2,662
The Bank							
2017							
At 1 Jan	73,506	1,277,121	109,713	1,460,340	(140,510)	(386,462)	(526,972)
Total gains/(losses) recognised in statement of income	629	(1,694)	(52,224)	(53,289)	57,168	(32,607)	24,561
Total gains recognised in other comprehensive income	-	83,753	-	83,753	-	-	-
Purchases	103,106	27,266	36,054	166,426	(44,016)	-	(44,016)
Sales and redemptions	-	(36,733)	-	(36,733)	-	-	-
Settlements	-	-	(36,621)	(36,621)	95,329	24,011	119,340
Exchange fluctuation	(12,998)	(35,918)	(526)	(49,442)	431	-	431
At 31 Dec	164,243	1,313,795	56,396	1,534,434	(31,598)	(395,058)	(426,656)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2017 under:							
- net non-interest income	629	(1,694)	(52,224)	(53,289)	57,168	(15,465)	41,703
- interest expense	-	-	-	-	-	(17,142)	(17,142)
Total gains recognised in other comprehensive income for financial year ended 31 December 2017 under "revaluation reserves"	-	83,753	-	83,753	-	-	-
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 31 December 2017 under "net non-interest income"	629	-	2,577	3,206	10,633	(15,465)	(4,832)

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING

A32a. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	The Group		The Bank	
		30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Assets					
Cash and short-term funds		12,033,230	13,976,616	1,965,381	1,817,616
Deposits and placements with banks and other financial institutions		140	1,411,098	161,661	1,418,303
Financial assets at fair value through profit or loss		3,017,873	-	379,439	-
Debt instruments at fair value through other comprehensive income		2,916,589	-	410,986	-
Equity instruments at fair value through other comprehensive income		695	-	-	-
Debt Instruments at amortised cost		6,091,433	-	222,585	-
Financial assets held for trading		-	3,547,420	-	322,282
Financial investments available-for-sale		-	2,383,164	-	459,437
Financial investments held-to-maturity		-	4,961,207	-	228,817
Islamic derivative financial instruments		720,454	653,828	31,456	19,521
Financing, advances and other financing/loans	A32c	72,787,393	62,984,440	6,257,979	5,433,031
Other assets		874,770	915,820	462,743	311,730
Deferred taxation		17,617	17,794	-	-
Amount due from conventional operations		1,324,884	1,278,436	-	-
Amount due from related companies		1,386,010	1,215,664	1,385,609	1,215,250
Statutory deposits with Bank Negara Malaysia		1,888,039	1,554,286	-	-
Goodwill		136,000	136,000	-	-
Intangible assets		73,815	79,149	36	58
Property, plant and equipment		4,216	6,038	1	7
Total assets		103,273,158	95,120,960	11,277,876	11,226,052
Liabilities					
Deposits from customers	A32d	73,018,002	68,915,949	4,347,705	4,186,971
Investment accounts of customers	A32e	3,043,560	907,763	-	-
Deposits and placements of banks and other financial institutions		2,291,154	1,880,964	1,967,475	2,381,667
Investment accounts due to designated financial institutions	A32f	9,595,030	8,145,684	-	-
Financial liabilities designated at fair value through profit or loss	A32g	1,262	2,234	-	-
Islamic derivative financial instruments		711,856	701,912	14,206	9,152
Other liabilities		4,660,756	3,777,163	4,266,304	3,157,681
Recourse obligation on loans and financing sold to Cagamas		1,915,346	2,072,300	-	-
Sukuk		409,227	463,257	-	-
Amount due to related company		341,029	1,187,453	245,675	1,090,910
Amount due to conventional operations		-	20,588	-	-
Provision for taxation		34,009	54,389	-	-
Subordinated Sukuk		614,893	615,006	-	-
Total liabilities		96,636,124	88,744,662	10,841,365	10,826,381
Equity					
Ordinary share capital		1,000,000	1,000,000	-	-
Perpetual preference shares		220,000	220,000	-	-
Reserves		5,417,034	5,156,298	436,511	399,671
Total equity		6,637,034	6,376,298	436,511	399,671
Total equity and liabilities		103,273,158	95,120,960	11,277,876	11,226,052

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

**A32(b) UNAUDITED CONSOLIDATED STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	The Group			
	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of depositors' funds and others	873,511	782,262	1,736,454	1,500,930
Income derived from investment of investment accounts	141,453	59,131	250,507	111,160
Net income derived from investment of shareholders' funds	166,191	63,790	246,272	142,648
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans	(23,231)	(43,459)	(83,034)	(43,507)
Expected credit losses for commitments and contingencies	(4,658)	-	(4,805)	-
Other expected credit losses/allowance written-back/(made) for other impairment losses	453	18	987	(19)
Total distributable income	1,153,719	861,742	2,146,381	1,711,212
Income attributable to depositors and others	(579,374)	(475,134)	(1,120,757)	(920,981)
Profit distributed to investment account holder	(113,326)	(44,171)	(200,112)	(80,610)
Total net income	461,019	342,437	825,512	709,621
Other operating expenses	(148,446)	(137,708)	(297,737)	(269,996)
Profit before taxation and zakat	312,573	204,729	527,775	439,625
Taxation and zakat	(62,214)	(43,259)	(113,053)	(90,323)
Profit for the financial period	250,359	161,470	414,722	349,302

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	The Group			
	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit for the financial period	250,359	161,470	414,722	349,302
Other comprehensive (expense)/income:				
<i>Items that will not be reclassified to profit or loss</i>				
Equity instruments at fair value through other comprehensive income	(10)	-	(10)	-
- Net loss from change in fair value	(10)	-	(10)	-
<i>Items that may be reclassified to profit or loss</i>				
Revaluation reserve of financial investments available-for-sale	-	10,672	-	20,221
- Net gain from change in fair value	-	11,856	-	23,473
- Realised gain transferred to statement of income on disposal and impairment	-	(138)	-	(842)
- Income tax effects	-	(1,047)	-	(2,472)
- Currency transaction difference	-	1	-	62
Debt instruments at fair value through other comprehensive income	(18,832)	-	(11,647)	-
- Net loss from change in fair value	(20,679)	-	(12,507)	-
- Realised gain transferred to statement of income on disposal	(427)	-	(2,403)	-
- Changes in expected credit losses	(340)	-	473	-
- Income tax effects	2,614	-	2,790	-
Exchange fluctuation reserve	(397)	(1,557)	(6,653)	1,715
	(19,229)	9,115	(18,300)	21,936
Other comprehensive (expense)/income for the financial period, net of tax	(19,239)	9,115	(18,310)	21,936
Total comprehensive income for the period	231,120	170,585	396,412	371,238
Total net income	461,019	342,437	825,512	709,621
Add:				
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans	23,231	43,459	83,034	43,507
Expected credit losses for commitments and contingencies	4,658	-	4,805	-
Other expected credit losses/allowance (written-back)/made for other impairment losses	(453)	(18)	(987)	19
	488,455	385,878	912,364	753,147
Elimination for transactions with conventional operations	102,028	53,019	188,156	93,371
Income from Islamic operations (per page 2)	590,483	438,897	1,100,520	846,518

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

**A32(b) UNAUDITED STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	The Bank			
	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	53,291	53,552	70,059	105,696
Net income derived from investment of shareholders' funds	25,982	1,384	50,730	2,286
Expected credit losses written-back/(made) on financing, advances and other financing/loans	3,425	(9,420)	(9,799)	(3,439)
Expected credit losses written-back for commitments and contingencies	455	-	264	-
Other expected credit losses/allowance written-back for other impairment losses	84	-	1,507	-
Total distributable income	83,237	45,516	112,761	104,543
Income attributable to depositors and others	(25,619)	(17,517)	(45,988)	(34,133)
Total net income	57,618	27,999	66,773	70,410
Other operating expenses	(958)	-	(1,879)	-
Profit for the financial period	56,660	27,999	64,894	70,410

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	The Bank			
	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	56,660	27,999	64,894	70,410
Other comprehensive (expense)/income:				
<i>Items that may be reclassified to profit or loss</i>				
Revaluation reserve of financial investments available-for-sale	-	7,364	-	12,413
- Net gain from change in fair value	-	6,959	-	12,095
- Realised loss transferred to statement of income on disposal and impairment	-	399	-	249
- Currency translation difference	-	6	-	69
Debt instruments at fair value through other comprehensive income	(10,198)	-	(3,267)	-
- Net loss from change in fair value	(10,215)	-	(3,284)	-
- Changes in expected credit losses	17	-	17	-
Exchange fluctuation reserve	3,765	(4,643)	(7,043)	(2,812)
Other comprehensive (expense)/income for the financial period, net of tax	(6,433)	2,721	(10,310)	9,601
Total comprehensive income for the period	50,227	30,720	54,584	80,011
Total net income	57,618	27,999	66,773	70,410
Add:				
Expected credit losses (written-back)/made on financing, advances and other financing/loans	(3,425)	9,420	9,799	3,439
Expected credit losses written-back for commitments and contingencies	(455)	-	(264)	-
Other expected credit losses/allowance written-back for other impairment losses	(84)	-	(1,507)	-
Elimination for transactions with conventional operations	7,056	3,507	9,839	6,374
Income from Islamic operations (per page 4)	60,710	40,926	84,640	80,223

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

A32c FINANCING, ADVANCES AND OTHER FINANCING/LOANS

i) By type and Shariah contract

The Group
At 30 June 2018

	Sale-based contracts				Lease-based contracts		Equity-based	Loan contract	Other	Total	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Muntabiah Bi al-Ijarah Tamlik					Al-Ijarah Thumma al-Bai
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At amortised cost											
Cash line [^]	-	12,109	2,137	-	815,235	-	-	-	3,206	-	832,687
Term financing											
- House financing	-	6,057,639	-	-	8,788,682	1,395,760	-	-	-	-	16,242,081
- Syndicated financing	477,724	-	172,749	-	1,927,973	27,623	-	700	-	-	2,606,769
- Hire purchase receivables	-	-	-	-	-	-	6,857,300	-	-	-	6,857,300
- Other term financing	1,027,030	1,608,554	9,149,637	-	23,883,737	53,682	-	-	-	-	35,722,640
Bills receivable	-	-	-	17,424	-	-	-	-	410	-	17,834
Islamic trust receipts	80,900	-	-	-	-	-	-	-	-	-	80,900
Claims on customers under acceptance credits	575,259	-	-	81,622	-	-	-	-	-	-	656,881
Staff financing	-	-	-	-	91,755	-	-	-	-	-	91,755
Revolving credits	-	-	-	-	6,972,240	-	-	-	-	-	6,972,240
Credit card receivables	-	-	-	-	-	-	-	-	-	128,988	128,988
Share purchase financing	786	-	-	-	-	-	-	-	-	-	786
Other financing	-	-	-	2,553,923	-	-	-	-	-	-	2,553,923
Gross financing, advances and other financing/loans, at amortised cost	2,161,699	7,678,302	9,324,523	2,652,969	42,479,622	1,477,065	6,857,300	700	3,616	128,988	72,764,784
At fair value through profit or loss											
Term financing											
- Syndicated financing	-	-	42,951	-	441,669	6,868	-	-	-	-	491,488
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	42,951	-	441,669	6,868	-	-	-	-	491,488
Total Gross loans, advances and financing											73,256,272
Fair value changes arising from fair value hedges											47,812
Less: Expected credit losses											73,304,084
At amortised cost:											
- Expected credit losses on financing, advances and other financing/loans											(516,691)
Net financing, advances and other financing/loans											72,787,393

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

A32c FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

i) By type and Shariah contract (Continued)

The Group
At 31 Dec 2017

	Sale-based contracts					Lease-based contracts		Equity-based	Loan contract	Other	Total RM'000
	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Muntahiah Bi al- Tamluk RM'000	Al-Ijarah Thumma al-Bai RM'000	Mudharabah RM'000	Qard RM'000	Ujarah RM'000	
At amortised cost											
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	496,721	-	228,506	-	2,092,012	59,738	-	739	-	-	2,877,716
- Hire purchase receivables	-	-	-	-	-	-	5,709,622	-	-	-	5,709,622
- Other term financing	1,079,047	1,720,870	9,305,762	-	19,486,424	55,169	-	-	-	-	31,647,272
Bills receivable	-	-	-	1,567,399	-	-	-	-	292	-	1,567,691
Islamic trust receipts	153,508	-	-	-	-	-	-	-	-	-	153,508
Claims on customers under acceptance credits	699,677	-	-	152,731	-	-	-	-	-	-	852,408
Staff financing	-	-	-	-	57,729	-	-	-	-	-	57,729
Revolving credits	-	-	-	-	4,929,326	-	-	-	-	-	4,929,326
Credit card receivables	-	-	-	-	-	-	-	-	-	128,947	128,947
Share purchase financing	3,737	-	-	-	-	-	-	-	-	-	3,737
Gross financing, advances and other financing/loans	2,432,690	8,064,622	9,538,489	1,720,130	34,118,541	1,548,241	5,709,622	739	2,356	128,947	63,264,377
Fair value changes arising from fair value hed											69,873
											63,334,250
Less: Allowance for impairment losses											
- Individual impairment allowance											(103,254)
- Portfolio impairment allowance											(246,556)
											(349,810)
Net financing, advances and other financing/loans											62,984,440

[^] Includes current account in excess

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

A32c FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

i) By type and Shariah contract (Continued)

The Bank
At 30 June 2018

At amortised cost	Sale-based contracts			Equity-based contracts	Total
	Murabahah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Mudharabah RM'000	
Cash line [^]	-	-	19	-	19
Term financing					
- Syndicated financing	477,724	-	151,564	700	629,988
- Other term financing	1,027,030	-	1,605,337	-	2,632,367
Islamic trust receipts	3,473	-	-	-	3,473
Staff financing	-	-	70	-	70
Revolving credits	-	-	515,688	-	515,688
Other financing	-	2,553,923	-	-	2,553,923
Gross financing, advances and other financing/loans	<u>1,508,227</u>	<u>2,553,923</u>	<u>2,272,678</u>	<u>700</u>	<u>6,335,528</u>
Fair value changes arising from fair value hedges					-
					<u>6,335,528</u>
Less: Expected credit losses					
At amortised cost:					
- Expected credit losses on financing, advances and other financing/loans					<u>(77,549)</u>
Net financing, advances and other financing/loans					<u>6,257,979</u>

The Bank
At 31 Dec 2017

At amortised cost	Sale-based contracts			Equity-based contracts	Total
	Murabahah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Mudharabah RM'000	
Term financing					
- Syndicated financing	496,721	-	185,740	739	683,200
- Other term financing	1,079,047	-	1,643,376	-	2,722,423
Bills receivable	-	1,543,473	-	-	1,543,473
Islamic trust receipts	68,015	-	-	-	68,015
Staff financing	-	-	24	-	24
Revolving credits	-	-	471,681	-	471,681
Gross financing, advances and other financing/loans	<u>1,643,783</u>	<u>1,543,473</u>	<u>2,300,821</u>	<u>739</u>	<u>5,488,816</u>
Fair value changes arising from fair value hedge					-
					<u>5,488,816</u>
Less: Allowance for impairment losses					
- Individual impairment allowance					<u>(53,902)</u>
- Portfolio impairment allowance					<u>(1,883)</u>
					<u>(55,785)</u>
Net financing, advances and other financing/loans					<u>5,433,031</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

A32c FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

a) During the financial period, the Group has undertaken fair value hedges on the profit rate risk of RM3,688,040,000 (2017: RM3,695,054,000) financing 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 expected credit losses for financing arising thereon.

As at 30 June 2018, the gross carrying amount relating to RPSIA financing is RM7,317,995,000 (2017: RM6,123,712,000) and 12-month expected credit losses relating to this RPSIA is RM8,447,000 (2017: portfolio impairment allowance of RM10,248,000).

c) Movement of Qard financing

	The Group	
	30 June 2018	31 Dec 2017
	RM'000	RM'000
As at 1 Jan	2,356	4,283
New disbursement	2,393	1,064
Repayment	(1,133)	(2,991)
As at 30 Jun/31 Dec	3,616	2,356
Sources of Qard fund:		
Depositors' fund	3,398	2,220
Shareholders' fund	218	136
	3,616	2,356
Uses of Qard fund:		
Personal use	270	162
Business purpose	3,346	2,194
	3,616	2,356

PART A - EXPLANATORY NOTES (CONTINUED)**A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)****A32c FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)****ii) By geographical distribution**

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Malaysia	67,060,161	57,877,099	139,417	101,538
Indonesia	105,576	62,846	105,576	62,846
Singapore	4,690,725	4,150,641	4,690,725	4,150,641
Hong Kong	492,338	283,246	492,338	283,246
Other countries	907,472	890,545	907,472	890,545
	73,256,272	63,264,377	6,335,528	5,488,816

iii) By economic sector

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Primary agriculture	2,394,813	1,993,109	250,884	34,752
Mining and quarrying	2,425,655	2,500,638	870,825	893,190
Manufacturing	2,104,528	1,884,883	84,592	161,289
Electricity, gas and water supply	95,159	103,420	-	-
Construction	2,502,270	1,405,408	57,005	25,545
Transport, storage and communications	4,195,714	2,594,541	494,833	348,573
Education, health and others	7,897,676	7,581,993	-	-
Wholesale and retail trade, and restaurants and hotels	3,063,382	2,145,046	1,549,444	897,214
Finance, insurance/takaful, real estate and business activities	10,185,121	9,515,550	2,838,273	2,891,687
Household	38,128,307	33,246,950	-	-
Others	263,647	292,839	189,672	236,566
	73,256,272	63,264,377	6,335,528	5,488,816

iv) Credit impaired/Impaired financing, advances and other financing/loans by geographical distribution

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Malaysia	481,471	456,101	45,605	74,231
Singapore	66,676	66,950	66,676	66,950
Other countries	139,284	145,462	139,282	145,462
	687,431	668,513	251,563	286,643

v) Credit impaired/Impaired financing, advances and other financing/loans by economic sector

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Primary agriculture	6,438	2,589	-	-
Mining and quarrying	187,949	189,591	185,235	187,063
Manufacturing	25,284	21,636	-	-
Construction	28,255	7,306	-	-
Transport, storage and communications	123,870	159,765	66,328	99,580
Education, health and others	11,980	11,967	-	-
Wholesale and retail trade, and restaurants and hotels	8,766	1,672	-	-
Finance, insurance/takaful, real estate and business activities	46,784	23,887	-	-
Household	248,087	248,060	-	-
Others	18	2,040	-	-
	687,431	668,513	251,563	286,643

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

A32c. FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

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

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

The Group	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 Jan 2018	-	-	-	103,254	246,556	349,810
Effect of adopting MFRS 9	121,655	119,420	219,782	(103,254)	(246,556)	111,047
Adjusted 1 Jan 2018	121,655	119,420	219,782	-	-	460,857
Changes in expected credit losses due to transferred within stages:	134,274	(123,406)	(10,868)	-	-	-
Transferred to Stage 1	162,328	(139,163)	(23,165)	-	-	-
Transferred to Stage 2	(27,938)	56,516	(28,578)	-	-	-
Transferred to Stage 3	(116)	(40,759)	40,875	-	-	-
Total charge to Income Statement:	(101,342)	102,301	106,290	-	-	107,249
New financial assets originated	83,072	-	386	-	-	83,458
Financial assets that have been derecognised	(57,166)	(1,159)	-	-	-	(58,325)
Writeback in respect of full recoveries	-	-	(1,525)	-	-	(1,525)
Change in credit risk	(127,248)	103,460	107,429	-	-	83,641
Write-offs	-	-	(54,392)	-	-	(54,392)
Exchange fluctuation	(134)	(74)	8	-	-	(200)
Other movements	(212)	(143)	3,532	-	-	3,177
At 30 June 2018	154,241	98,098	264,352	-	-	516,691

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 Jan 2018	-	-	-	53,902	1,883	55,785
Effect of adopting MFRS 9	6,930	3,057	58,070	(53,902)	(1,883)	12,272
Adjusted 1 Jan 2018	6,930	3,057	58,070	-	-	68,057
Total charge to Income Statement:	(1,683)	(1,757)	13,239	-	-	9,799
Change in credit risk	(1,683)	(1,757)	13,239	-	-	9,799
Exchange fluctuation	(135)	(74)	8	-	-	(201)
Other movements	(106)	-	-	-	-	(106)
At 30 June 2018	5,006	1,226	71,317	-	-	77,549

CIMB Islamic Bank
30 June 2018

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

1.0%

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

A32c. FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

v) Movements in the allowance for impaired financing, advances and other financing/loans :

	The Group RM'000	The Bank RM'000
Individual impairment allowance		
At 1 Jan	65,362	17,300
Net allowance made during the financial period/year	49,786	40,024
Amount written off	(9,801)	(1,329)
Exchange fluctuation	(2,093)	(2,093)
At 31 Dec 2017	<u>103,254</u>	<u>53,902</u>
Portfolio impairment allowance		
At 1 Jan	249,588	6,726
Net allowance made/(written-back) during the financial period/year	120,114	(4,546)
Amount written off	(122,681)	-
Transfer to conventional operations	(73)	-
Exchange fluctuation	(392)	(297)
At 31 Dec 2017	<u>246,556</u>	<u>1,883</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment	<u>1.07%</u>	<u>-</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

A32c FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

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

	The Group		
	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 Jan 2018	-	668,513
Effect of adopting MFRS 9	668,513	(668,513)	-
Adjusted 1 Jan 2018	668,513	-	668,513
Transfer within stages	127,368	-	127,368
New financial assets originated	1,017	-	1,017
Write-offs	(54,392)	-	(54,392)
Amount fully recovered	(14,276)	-	(14,276)
Other changes in financing, advances and other financing/loans	(37,053)	-	(37,053)
Exchange fluctuation	(3,746)	-	(3,746)
At 30 June 2018	687,431	-	687,431

	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 Jan 2018	-	286,643
Effect of adopting MFRS 9	286,643	(286,643)	-
Adjusted 1 Jan 2018	286,643	-	286,643
Other changes in financing, advances and other financing/loans	(31,333)	-	(31,333)
Exchange fluctuation	(3,747)	-	(3,747)
At 30 June 2018	251,563	-	251,563

	The Group 30 June 2018	The Bank 30 June 2018
Ratio of credit impaired financing, advances and other financing/loans to total financing, advances and other financing/loans	0.9%	4.0%

Impaired financing, advances and other financing/loans under MFRS 139:

	The Group 31 Dec 2017 RM'000	The Bank 31 Dec 2017 RM'000
At 1 Jan 2017	570,970	104,607
Classified as impaired during the financial period/year	645,983	195,836
Reclassified as not impaired during the financial period/year	(295,807)	-
Amount written back in respect of recoveries	(107,680)	-
Amount written off	(132,482)	(1,329)
Exchange fluctuation	(12,471)	(12,471)
At 31 Dec 2017	668,513	286,643

	The Group	The Bank
Ratio of gross impaired financing, advances and other financing/loans to total financing, advances and other financing/loans	1.1%	5.2%

PART A - EXPLANATORY NOTES (CONTINUED)**A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)****A32d. DEPOSITS FROM CUSTOMERS**

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
(i) By type of deposits				
Savings deposit				
Wadiah	3,503,430	3,282,576	191,035	226,960
Qard	1,474	610	-	-
Commodity Murabahah (via Tawarruq arrangement)*	115,059	48,387	70,581	37,936
Demand deposit				
Wadiah	12,944,169	11,281,432	164,933	252,233
Qard	308,153	210,386	112,321	-
Commodity Murabahah (via Tawarruq arrangement)*	133,120	-	133,120	-
Term deposit				
Commodity Murabahah (via Tawarruq arrangement)*	55,870,624	53,531,392	3,660,879	3,639,384
Islamic negotiable instruments				
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	-	398,199	-	-
Short term money market deposit-i				
Wakalah	10,507	11,961	10,507	11,961
Wadiah	4,329	9,516	4,329	9,516
Fixed Deposit-i				
Wadiah	-	8,981	-	8,981
General investment account				
Mudharabah	913	2,169	-	-
Specific investment account				
Mudharabah	109,411	113,014	-	-
Others - Qard	16,813	17,326	-	-
	73,018,002	68,915,949	4,347,705	4,186,971

*included Qard contract of RM440,501,000 (2017: RM329,721,000)

(ii) By maturity structures of term deposits

	The Group		The Bank	
	30 June 2018 RM'000	31 Dec 2017 RM'000	30 June 2018 RM'000	31 Dec 2017 RM'000
Due within six months	44,676,410	48,119,521	2,383,145	2,979,081
Six months to less than one year	10,990,494	5,762,301	1,270,050	633,835
One year to less than three years	218,511	78,284	22,520	56,926
Three years to less than five years	958	2,114	-	-
Five years and more	109,411	113,012	-	-
	55,995,784	54,075,232	3,675,715	3,669,842

PART A - EXPLANATORY NOTES (CONTINUED)

A32. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

A32d. DEPOSITS FROM CUSTOMERS (CONTINUED)

(iii) By type of customer

	The Group		The Bank	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	6,541,576	3,745,450	137	145
Business enterprises	32,375,131	28,122,389	1,935,955	1,966,444
Individuals	18,879,283	17,224,352	2,238,278	2,054,872
Others	15,222,012	19,823,758	173,335	165,510
	73,018,002	68,915,949	4,347,705	4,186,971

A32e. INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group		The Bank	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts (Mudharabah)				
-without maturity				
Special Mudharabah Investment Account	368,627	289,203	-	-
-with maturity				
Term Investment Account-i	2,674,933	618,560	-	-
	3,043,560	907,763	-	-

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

A32f. INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	The Group		The Bank	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Restricted investment accounts				
Mudharabah	9,595,030	8,145,684	-	-
By type of counterparty				
Licensed banks	9,595,030	8,145,684	-	-

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

A32g. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Bank	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers - structured investments	1,262	2,234	-	-

The Group has issued structured investments, and has designated them at fair value in accordance with MFRS9. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the financial liabilities designated at fair value of the Group as at 30 June 2018 was RM83,000 (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)

A33. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	The Group		The Bank	
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Outstanding credit exposures with connected parties	11,409,991	10,292,353	8,872,788	8,082,182
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.7%	2.5%	2.7%	2.5%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.0%	0.0%	0.0%	0.0%

PART A - EXPLANATORY NOTES (CONTINUED)

A34. 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 adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
Cash and short-term funds		
Closing balance under MFRS 139 as at 31 December 2017	33,341,519	19,642,521
- recognition of expected credit losses under MFRS 9	(41)	-
Opening balance under MFRS 9 as at 1 January 2018	<u>33,341,478</u>	<u>19,642,521</u>
Reverse repurchase agreements		
Closing balance under MFRS 139 as at 31 December 2017	6,484,687	5,000,601
- unrealised loss on reverse repurchase agreements at fair value through profit or loss	(13,680)	(13,680)
Opening balance under MFRS 9 as at 1 January 2018	<u>6,471,007</u>	<u>4,986,921</u>
Deposits and placements with banks and other financial institutions		
Closing balance under MFRS 139 as at 31 December 2017	1,194,205	9,227,427
- recognition of expected credit losses under MFRS 9	(1,607)	(1,524)
Opening balance under MFRS 9 as at 1 January 2018	<u>1,192,598</u>	<u>9,225,903</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	20,402,996	15,985,346
- reclassification from financial investments available-for-sale	1,502,211	1,490,946
- reclassification from financial investments held-to-maturity	535,516	535,516
- unrealised loss on financial assets at fair value through profit or loss	(13,786)	(13,786)
Opening balance under MFRS 9 as at 1 January 2018	<u>22,426,937</u>	<u>17,998,022</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	21,555,816	17,333,365
- reclassification from financial investments held-to-maturity	803,095	495,760
- unrealised gain on debt instruments at fair value through other comprehensive income	9,548	6,720
Opening balance under MFRS 9 as at 1 January 2018	<u>22,368,459</u>	<u>17,835,845</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	627,921	612,568
- Reversal of MFRS 139 impairment loss for equity instruments at fair value through other comprehensive income	147,249	118,198
- Unrealised loss on equity instruments at fair value through other comprehensive income	(147,249)	(118,198)
Opening balance under MFRS 9 as at 1 January 2018	<u>627,921</u>	<u>612,568</u>
Debt instruments at amortised cost		
Closing balance under MFRS 139 as at 31 December 2017		
- reclassification from financial investments held-to-maturity	32,984,491	27,667,285
- reclassification from financial investments available-for-sale	918,328	618,388
- reclassification from financial assets held for trading	7,058	7,058
- Remeasurement of debt instruments at amortised cost	23,802	15,619
- recognition of expected credit losses under MFRS 9	(19,479)	(19,062)
Opening balance under MFRS 9 as at 1 January 2018	<u>33,914,200</u>	<u>28,289,288</u>

A34. 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 adopting 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	20,410,054	15,992,404
- reclassification to financial assets at fair value through profit or loss	(20,402,996)	(15,985,346)
- reclassification to debt instruments at amortised cost	(7,058)	(7,058)
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	24,604,276	20,055,267
- reclassification to debt instruments at fair value through other comprehensive income	(21,555,816)	(17,333,365)
- reclassification to financial assets at fair value through profit or loss	(1,502,211)	(1,490,946)
- reclassification to debt instruments at amortised cost	(918,328)	(618,388)
- reclassification to equity instruments at fair value through other comprehensive income	(627,921)	(612,568)
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	34,323,102	28,698,561
- reclassification to debt instruments at amortised cost	(32,984,491)	(27,667,285)
- reclassification to debt instruments at fair value through other comprehensive income	(803,095)	(495,760)
- reclassification to financial assets at fair value through profit or loss	(535,516)	(535,516)
Opening balance under MFRS 9 as at 1 January 2018	-	-
Loans, advances and financing		
Closing balance under MFRS 139 as at 31 December 2017	261,788,709	176,897,036
- recognition of expected credit losses under MFRS 9	(905,415)	(802,904)
Opening balance under MFRS 9 as at 1 January 2018	260,883,294	176,094,132
Deferred tax assets		
Closing balance under MFRS 139 as at 31 December 2017	333,851	111,658
- Tax effect arising from MFRS 9	134,022	155,236
Opening balance under MFRS 9 as at 1 January 2018	467,873	266,894
Other liabilities		
Closing balance under MFRS 139 as at 31 December 2017	12,003,591	10,430,514
- recognition of expected credit losses under MFRS 9	392,603	307,920
Opening balance under MFRS 9 as at 1 January 2018	12,396,194	10,738,434
Provision for taxation		
Closing balance under MFRS 139 as at 31 December 2017	358,462	300,254
- Tax effect arising from MFRS 9	(296,912)	(256,894)
Opening balance under MFRS 9 as at 1 January 2018	61,550	43,360

PART A - EXPLANATORY NOTES (CONTINUED)

A34. 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 adopting 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	17,643,982	12,433,661
- Transfer to regulatory reserve	(11,092)	(56,728)
- Reversal of MFRS 139 impairment loss for equity instruments at fair value through other comprehensive income	147,249	118,198
- Transfer from revaluation reserve - financial investment available-for-sale	672,566	659,669
- unrealised loss on financial assets at fair value through profit or loss	(13,786)	(13,786)
- Remeasurement of debt instruments at amortised cost	20	20
- unrealised loss on reverse repurchase agreements at fair value through profit or loss	(13,680)	(13,680)
- Non-controlling interests' share of impact arising from remeasurement under MFRS 9	(1,223)	-
- Recognition of expected credit losses under MFRS 9	(1,343,680)	(1,154,675)
- Tax effect arising from MFRS 9	275,701	256,895
- Transfer to cost of hedging reserve	(55)	(55)
- Transfer from own credit risk reserve	4,212	4,212
	17,360,214	12,233,731
Revaluation reserve - financial investment available-for-sale		
Closing balance under MFRS 139 as at 31 December 2017	500,464	501,733
- Transfer to retained profits	(672,566)	(659,669)
- Revaluation loss transfer to fair value reserve - debt instruments at fair value through other comprehensive income	144,509	137,617
- Transfer to fair value reserve - equity instruments at fair value through other comprehensive income	(125,078)	(123,016)
- Non-controlling interests' share of impact arising from remeasurement under MFRS 9	2,254	-
- Day 1 remeasurement of debts at amortised cost	23,782	15,599
- Tax effect arising from MFRS 9	126,635	127,736
	-	-
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	(144,509)	(137,617)
- Unrealised gain on debt instruments at fair value through other comprehensive income	9,548	6,720
- Recognition of expected credit losses under MFRS 9	24,535	23,265
- Non-controlling interests' share of impact arising from remeasurement under MFRS 9	(673)	-
- Tax effect arising from MFRS 9	41,218	39,745
	(69,881)	(67,887)
Fair value reserve - Equity instruments at fair value through other comprehensive income		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- Transfer from revaluation reserve - financial investment available-for-sale	125,078	123,016
- Unrealised loss on equity instruments at fair value through other comprehensive income	(147,249)	(118,198)
- Non-controlling interests' share of impact arising from remeasurement under MFRS 9	1,603	-
- Tax effect arising from MFRS 9	(12,620)	(12,246)
	(33,188)	(7,428)

A34. 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 adopting MFRS 9 as at 1 January 2018	
	The Group RM'000	The Bank RM'000
Own credit risk reserve		
Closing balance under MFRS 139 as at 31 December 2017		
- Transfer from retained profits	(4,212)	(4,212)
	<u>(4,212)</u>	<u>(4,212)</u>
Regulatory reserve		
Closing balance under MFRS 139 as at 31 December 2017	1,500,556	1,208,956
- Transfer from retained profits	11,092	56,728
	<u>1,511,648</u>	<u>1,265,684</u>
Cost of hedging reserve		
Closing balance under MFRS 139 as at 31 December 2017		
- Transfer from retained profits	55	55
	<u>55</u>	<u>55</u>
Non-controlling interests		
Closing balance under MFRS 139 as at 31 December 2017	256,511	-
Non-controlling interests' share of impact arising from remeasurement under MFRS 9	(1,961)	-
	<u>254,550</u>	<u>-</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A34. 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				Bank					
	Audited as at 31 Dec 2017 RM'000	Remeasurement RM'000	Effect of adopting MFRS 9 Reclassification RM'000	Total RM'000	Adjusted 1 Jan 2018 RM'000	Audited as at 31 Dec 2017 RM'000	Remeasurement RM'000	Effect of adopting MFRS 9 Reclassification RM'000	Total RM'000	Adjusted 1 Jan 2018 RM'000
Assets										
Cash and short term funds	33,341,519	(41)	-	(41)	33,341,478	19,642,521	-	-	-	19,642,521
Reverse repurchase agreements	6,484,687	(13,680)	-	(13,680)	6,471,007	5,000,601	(13,680)	-	(13,680)	4,986,921
Deposits and placements with banks and other financial institutions	1,194,205	(1,607)	-	(1,607)	1,192,598	9,227,427	(1,524)	-	(1,524)	9,225,903
Financial assets at fair value through profit or loss	-	(13,786)	22,440,723	22,426,937	22,426,937	-	(13,786)	18,011,808	17,998,022	17,998,022
Debt instruments at fair value through other comprehensive income	-	9,548	22,358,911	22,368,459	22,368,459	-	6,720	17,829,125	17,835,845	17,835,845
Equity instruments at fair value through other comprehensive income	-	-	627,921	627,921	627,921	-	-	612,568	612,568	612,568
Debt instruments at amortised cost	-	4,323	33,909,877	33,914,200	33,914,200	-	(3,443)	28,292,731	28,289,288	28,289,288
Financial assets held for trading	20,410,054	-	(20,410,054)	(20,410,054)	-	15,992,404	-	(15,992,404)	(15,992,404)	-
Financial investments available-for-sale	24,604,276	-	(24,604,276)	(24,604,276)	-	20,055,267	-	(20,055,267)	(20,055,267)	-
Financial investments held-to-maturity	34,323,102	-	(34,323,102)	(34,323,102)	-	28,698,561	-	(28,698,561)	(28,698,561)	-
Derivative financial instruments	8,370,447	-	-	-	8,370,447	6,062,542	-	-	-	6,062,542
Loans, advances and financing	261,788,709	(905,415)	-	(905,415)	260,883,294	176,897,036	(802,904)	-	(802,904)	176,094,132
Other assets	9,372,677	-	-	-	9,372,677	8,132,565	-	-	-	8,132,565
Tax recoverable	9,246	-	-	-	9,246	-	-	-	-	-
Deferred taxation	333,851	(21,890)	155,912	134,022	467,873	111,658	-	155,236	155,236	266,894
Statutory deposits with central banks	8,630,364	-	-	-	8,630,364	6,503,641	-	-	-	6,503,641
Amounts due from holding company and ultimate holding company	3,227	-	-	-	3,227	3,227	-	-	-	3,227
Amount due from subsidiaries	-	-	-	-	-	63,827	-	-	-	63,827
Amount due from related companies	1,107,017	-	-	-	1,107,017	1,105,782	-	-	-	1,105,782
Investment in subsidiaries	-	-	-	-	-	6,002,931	-	-	-	6,002,931
Investment in joint venture	169,688	-	-	-	169,688	125,000	-	-	-	125,000
Goodwill	5,177,536	-	-	-	5,177,536	3,555,075	-	-	-	3,555,075
Intangible assets	1,002,253	-	-	-	1,002,253	877,706	-	-	-	877,706
Prepaid lease payments	397	-	-	-	397	-	-	-	-	-
Property, plant and equipment	732,387	-	-	-	732,387	396,628	-	-	-	396,628
	417,055,642	(942,548)	155,912	(786,636)	416,269,006	308,454,399	(828,617)	155,236	(673,381)	307,781,018
Non-current assets/disposal groups held for sale	4,199	-	-	-	4,199	-	-	-	-	-
TOTAL ASSETS	417,059,841	(942,548)	155,912	(786,636)	416,273,205	308,454,399	(828,617)	155,236	(673,381)	307,781,018

PART A - EXPLANATORY NOTES (CONTINUED)

A34. CHANGE IN COMPARATIVES (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					Bank				
	Audited as at 31 Dec 2017 RM'000	Remeasurement RM'000	Effect of adopting MFRS 9 Reclassification RM'000	Total RM'000	Adjusted 1 Jan 2018 RM'000	Audited as at 31 Dec 2017 RM'000	Remeasurement RM'000	Effect of adopting MFRS 9 Reclassification RM'000	Total RM'000	Adjusted 1 Jan 2018 RM'000
Liabilities										
Deposits from customers	295,900,121	-	-	-	295,900,121	207,442,951	-	-	-	207,442,951
Investment accounts of customers	907,763	-	-	-	907,763	-	-	-	-	-
Deposits and placements of banks and other financial institutions	17,101,949	-	-	-	17,101,949	16,164,109	-	-	-	16,164,109
Repurchase agreements	3,318,517	-	-	-	3,318,517	3,318,517	-	-	-	3,318,517
Financial liabilities designated at fair value	4,773,440	-	-	-	4,773,440	1,900,972	-	-	-	1,900,972
Derivative financial instruments	8,728,437	-	-	-	8,728,437	6,523,609	-	-	-	6,523,609
Bills and acceptances payable	1,926,089	-	-	-	1,926,089	1,086,455	-	-	-	1,086,455
Amount due to subsidiaries	-	-	-	-	-	12,555	-	-	-	12,555
Amount due to related companies	13,267	-	-	-	13,267	10,308	-	-	-	10,308
Other liabilities	12,003,591	392,603	-	392,603	12,396,194	10,430,514	307,920	-	307,920	10,738,434
Recourse obligation on loans and financing sold to Cagamas	5,195,248	-	-	-	5,195,248	3,122,948	-	-	-	3,122,948
Provision for taxation	358,462	(296,912)	-	(296,912)	61,550	300,254	(256,894)	-	(256,894)	43,360
Deferred taxation	2,639	-	-	-	2,639	-	-	-	-	-
Bonds, sukuk and debentures	13,263,385	-	-	-	13,263,385	11,204,948	-	-	-	11,204,948
Other borrowings	5,100,684	-	-	-	5,100,684	5,697,728	-	-	-	5,697,728
Subordinated obligations	10,361,318	-	-	-	10,361,318	9,533,891	-	-	-	9,533,891
Total liabilities	378,954,910	95,691	-	95,691	379,050,601	276,749,759	51,026	-	51,026	276,800,785
Equity										
Ordinary share capital	17,610,939	-	-	-	17,610,939	17,610,939	-	-	-	17,610,939
Reserves	20,007,741	(1,036,278)	155,912	(880,366)	19,127,375	13,863,961	(879,643)	155,236	(724,407)	13,139,554
	37,618,680	(1,036,278)	155,912	(880,366)	36,738,314	31,474,900	(879,643)	155,236	(724,407)	30,750,493
Perpetual preference shares	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Redeemable preference shares	29,740	-	-	-	29,740	29,740	-	-	-	29,740
Non-controlling interests	256,511	(1,961)	-	(1,961)	254,550	-	-	-	-	-
TOTAL EQUITY	38,104,931	(1,038,239)	155,912	(882,327)	37,222,604	31,704,640	(879,643)	155,236	(724,407)	30,980,233
TOTAL EQUITY AND LIABILITIES	417,059,841	(942,548)	155,912	(786,636)	416,273,205	308,454,399	(828,617)	155,236	(673,381)	307,781,018

PART A - EXPLANATORY NOTES (CONTINUED)**A34. 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 1 Jan 2018 RM'000
	Audited as at 31 Dec 2017 RM'000	Effect of adopting MFRS 9		Total RM'000	
		Remeasurement RM'000	Reclassification RM'000		
Retained profits	17,643,982	(985,386)	701,618	(283,768)	17,360,214
Revaluation reserve - financial investment available-for-sale	500,464	26,036	(526,500)	(500,464)	-
Fair value reserves					
- Debt instruments at fair value through other comprehensive income	-	32,732	(102,613)	(69,881)	(69,881)
- Equity instruments at fair value through other comprehensive income	-	(116,595)	83,407	(33,188)	(33,188)
Own credit risk reserve	-	(4,212)	-	(4,212)	(4,212)
Regulatory reserve	1,500,556	11,092	-	11,092	1,511,648
Cost of hedging reserve	-	55	-	55	55
Non-controlling interests	256,511	(1,961)	-	(1,961)	254,550
	19,901,513	(1,038,239)	155,912	(882,327)	19,019,186

	The Bank				Adjusted 1 Jan 2018 RM'000
	Audited as at 31 Dec 2017 RM'000	Effect of adopting MFRS 9		Total RM'000	
		Remeasurement RM'000	Reclassification RM'000		
Retained profits	12,433,661	(859,599)	659,669	(199,930)	12,233,731
Revaluation reserve - financial investment available-for-sale	501,733	15,599	(517,332)	(501,733)	-
Fair value reserves					
- Debt instruments at fair value through other comprehensive income	-	29,984	(97,871)	(67,887)	(67,887)
- Equity instruments at fair value through other comprehensive income	-	(118,198)	110,770	(7,428)	(7,428)
Own credit risk reserve	-	(4,212)	-	(4,212)	(4,212)
Regulatory reserve	1,208,956	56,728	-	56,728	1,265,684
Cost of hedging reserve	-	55	-	55	55
	14,144,350	(879,643)	155,236	(724,407)	13,419,943

Part B

B1. GROUP PERFORMANCE REVIEW

The Group registered a profit before taxation and zakat of RM2,599.7 million for the half year ended 30 June 2018, 0.7% higher as compared to profit before taxation and zakat of RM2,580.4 million registered in the previous corresponding period. Profit for the financial period decreased by 3.3% to RM1,990.1 million.

Income from Islamic Banking operations increased by 30.0% to RM1,100.5 million. This was however offset by the decrease in net interest income and net non-interest income by RM124.8 million (3.7%) and RM170.9 million (11.6%) respectively.

Overheads increased by 4.4% to RM2,805.7 million while expected credit losses on loans, advances & financing and other expected credit losses reduced by 40.0% and 90.2% to RM279.9 million and RM2.1 million respectively.

B2. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Bank is cautious on the prospects for the rest of 2018 in view of rising global trade tensions and market uncertainties. CIMB Malaysia is expected to track the domestic economy and investment climate. CIMB Singapore's prospects will be driven by regional economic conditions. CIMB Thai will likely grow in line with its business recalibration initiatives and gradual improvement in asset quality.

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 after non-controlling interests by the weighted average number of ordinary shares in issue during the financial period.

	The Group			
	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period after non-controlling interests (RM '000)	974,154	944,927	1,979,558	2,051,228
Weighted average number of ordinary shares in issue ('000)	5,560,574	5,286,652	5,548,303	5,281,681
Basic earnings per share (expressed in sen per share)	17.52	17.87	35.68	38.84

	The Bank			
	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	650,055	745,031	1,432,252	1,605,712
Weighted average number of ordinary shares in issue ('000)	5,560,574	5,286,652	5,548,303	5,281,681
Basic earnings per share (expressed in sen per share)	11.69	14.09	25.81	30.40

b) Diluted EPS

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