

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	The Group		The Bank	
		31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
ASSETS					
Cash and short term funds	A6	10,458,495	10,441,142	10,458,449	10,441,096
Deposits and placements with banks and other financial institutions	A6	462,559	483,685	462,559	483,685
Financial assets at fair value through profit or loss	A7	4,276,070	2,925,344	4,276,070	2,925,344
Debt instruments at fair value through other comprehensive income	A8	3,349,268	2,756,547	3,349,268	2,756,547
Equity instruments at fair value through other comprehensive income	A9	575	575	575	575
Debt instruments at amortised cost	A10	7,139,070	6,544,723	7,139,070	6,544,723
Islamic derivative financial instruments	A28(i)	507,235	564,384	507,235	564,384
Financing, advances and other financing/loans	A11	73,517,450	70,618,727	73,517,450	70,618,727
Other assets	A12	978,325	723,563	978,325	723,563
Deferred taxation		93,351	77,248	93,351	77,248
Statutory deposits with Bank Negara Malaysia		2,224,432	2,076,422	2,224,432	2,076,422
Amount due from holding company		-	90,731	-	90,731
Amount due from related companies		697	620	697	620
Investment in subsidiaries		-	-	11	11
Property, plant and equipment		1,894	2,756	1,894	2,756
Right use of assets		3,316	-	3,316	-
Intangible assets		69,755	71,536	69,755	71,536
Goodwill		136,000	136,000	136,000	136,000
TOTAL ASSETS		103,218,492	97,514,003	103,218,457	97,513,968
LIABILITIES AND EQUITY					
Deposits from customers	A13	81,030,645	75,931,556	81,337,578	76,216,744
Investment accounts of customers	A14	786,517	1,769,270	786,517	1,769,270
Deposits and placements of banks and other financial institutions	A15	3,400,269	2,083,580	3,400,269	2,083,580
Investment accounts due to designated financial institutions	A16	7,686,709	8,216,809	7,686,709	8,216,809
Financial liabilities designated at fair value through profit or loss	A17	25,440	21,918	25,440	21,918
Islamic derivative financial instruments	A28(i)	550,627	598,975	550,627	598,975
Amount due to holding company		202,682	-	202,682	-
Amount due to related companies		33	50	33	50
Other liabilities	A18	1,214,219	393,125	1,240,522	465,301
Lease liabilities		3,339	-	3,339	-
Recourse obligation on loans and financing sold to Cagamas		1,516,760	1,915,503	1,516,760	1,915,503
Provision for taxation		122,768	95,443	122,768	95,443
Sukuk		334,217	358,265	-	-
Subordinated Sukuk	A19	613,978	615,033	613,978	615,033
TOTAL LIABILITIES		97,488,203	91,999,527	97,487,222	91,998,626
EQUITY					
Capital and reserves attributable to equity holder of the Bank					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		4,510,289	4,294,476	4,511,235	4,295,342
		5,510,289	5,294,476	5,511,235	5,295,342
Perpetual preference shares		220,000	220,000	220,000	220,000
TOTAL EQUITY		5,730,289	5,514,476	5,731,235	5,515,342
TOTAL EQUITY AND LIABILITIES		103,218,492	97,514,003	103,218,457	97,513,968
RESTRICTED AGENCY INVESTMENT ACCOUNT (*)	A30	6,277,683	6,230,998	6,277,683	6,230,998
TOTAL ISLAMIC BANKING ASSET		109,496,175	103,745,001	109,496,140	103,744,966
COMMITMENTS AND CONTINGENCIES	A28(ii)	61,449,832	59,218,325	61,449,832	59,218,325
Net assets per ordinary share attributable to owners of the Parent (RM)		5.51	5.29	5.51	5.30

* The disclosure is in accordance with the requirements of Bank Negara Malaysia guideline on Financial Reporting for Islamic Banking Institution dated 2 February 2018.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD 31 MARCH 2019

		The Group			
		1st Quarter Ended		Three Months Ended	
		31 March	31 March	31 March	31 March
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A20	1,024,261	846,152	1,024,261	846,152
Income derived from investment of investment account	A21	110,948	109,053	110,948	109,053
Income derived from investment of shareholder's funds	A22	97,712	55,333	97,712	55,333
Expected credit losses on financing, advances and other financing/loans	A23(a)	(43,870)	(46,579)	(43,870)	(46,579)
Expected credit losses written back for commitments and contingencies		24,154	44	24,154	44
Other expected credit losses	A23(b)	(401)	(889)	(401)	(889)
Total distributable income		1,212,804	963,114	1,212,804	963,114
Income attributable to depositors and others	A24	(679,441)	(521,014)	(679,441)	(521,014)
Profit distributed to investment account holder	A25	(84,697)	(86,786)	(84,697)	(86,786)
Total net income		448,666	355,314	448,666	355,314
Personnel expenses	A26	(6,022)	(6,836)	(6,022)	(6,836)
Other overheads and expenditures	A27	(194,696)	(141,534)	(194,696)	(141,534)
Profit before taxation and zakat		247,948	206,944	247,948	206,944
Taxation and zakat		(58,089)	(50,838)	(58,089)	(50,838)
Profit for the financial period		189,859	156,106	189,859	156,106

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD 31 MARCH 2019

	The Group			
	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	189,859	156,106	189,859	156,106
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Debt instruments at fair value through other comprehensive income	26,373	238	26,373	238
- Net gain from change in fair value	45,466	1,241	45,466	1,241
- Realised gain transferred to statement of income on disposal	(13,298)	(1,975)	(13,298)	(1,975)
- Changes in expected credit losses	397	797	397	797
- Income tax effects	(6,192)	175	(6,192)	175
Other comprehensive income for the period, net of tax	26,373	238	26,373	238
Total comprehensive income for the financial period	216,232	156,344	216,232	156,344
Earnings per share (sen)	B3	18.99	15.61	18.99

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD 31 MARCH 2019

		The Bank			
		1st Quarter Ended		Three Months Ended	
		31 March	31 March	31 March	31 March
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A20	1,024,261	846,152	1,024,261	846,152
Income derived from investment of investment account	A21	110,948	109,053	110,948	109,053
Income derived from investment of shareholder's funds	A22	98,223	55,973	98,223	55,973
Expected credit losses on financing, advances and other financing/loans	A23(a)	(43,870)	(46,579)	(43,870)	(46,579)
Expected credit losses written back for commitments and contingencies		24,154	44	24,154	44
Other expected credit losses	A23(b)	(401)	(889)	(401)	(889)
Total distributable income		1,213,315	963,754	1,213,315	963,754
Income attributable to depositors and others	A24	(679,903)	(521,802)	(679,903)	(521,802)
Profit distributed to investment account holder	A25	(84,697)	(86,786)	(84,697)	(86,786)
Total net income		448,715	355,166	448,715	355,166
Personnel costs	A26	(6,022)	(6,836)	(6,022)	(6,836)
Other overheads and expenditures	A27	(194,665)	(141,478)	(194,665)	(141,478)
Profit before taxation and zakat		248,028	206,852	248,028	206,852
Taxation and zakat		(58,089)	(50,838)	(58,089)	(50,838)
Profit for the financial period		189,939	156,014	189,939	156,014

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD 31 MARCH 2019

	The Bank			
	1st Quarter Ended 31 March 2019 RM'000	31 March 2018 RM'000	Three Months Ended 31 March 2019 RM'000	31 March 2018 RM'000
Profit for the financial period	189,939	156,014	189,939	156,014
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Debt instruments at fair value through other comprehensive income	26,373	238	26,373	238
- Net gain from change in fair value	45,466	1,241	45,466	1,241
- Realised gain transferred to statement of income on disposal	(13,298)	(1,975)	(13,298)	(1,975)
- Changes in expected credit losses	397	797	397	797
- Income tax effects	(6,192)	175	(6,192)	175
Other comprehensive income for the period, net of tax	26,373	238	26,373	238
Total comprehensive income for the financial period	216,312	156,252	216,312	156,252
Earnings per share basis (sen)	B3	18.99	15.60	18.99

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

The Group	← Attributable to owners of the Parent →									
	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
31 March 2019	1,000,000	(5,251)	(2,457)	458	404,378	962	3,896,386	5,294,476	220,000	5,514,476
Profit for the financial period	-	-	-	-	-	-	189,859	189,859	-	189,859
Other comprehensive expense (net of tax)	-	26,373	-	-	-	-	-	26,373	-	26,373
- debt instruments at fair value through other comprehensive income	-	26,373	-	-	-	-	-	26,373	-	26,373
Total comprehensive income for the financial period	-	26,373	-	-	-	-	189,859	216,232	-	216,232
Transfer to regulatory reserve	-	-	-	-	39,793	-	(39,793)	-	-	-
Share-based payment expense	-	-	-	-	-	299	-	299	-	299
Shares released under Equity Ownership Plan	-	-	-	-	-	(718)	-	(718)	-	(718)
At 31 March 2019	1,000,000	21,122	(2,457)	458	444,171	543	4,046,452	5,510,289	220,000	5,730,289

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

The Group	← Attributable to owners of the Parent →										
	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Revaluation reserve - financial investments available- for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
31 March 2018											
At 1 January 2018	1,000,000	-	(20,873)	(2,457)	458	291,600	766	3,305,512	4,575,006	220,000	4,795,006
Effect of adopting MFRS 9	-	(11,935)	20,873	-	-	(45,635)	-	(81,022)	(117,719)	-	(117,719)
1 January 2018, as restated	1,000,000	(11,935)	-	(2,457)	458	245,965	766	3,224,490	4,457,287	220,000	4,677,287
Profit for the financial period	-	-	-	-	-	-	-	156,106	156,106	-	156,106
Other comprehensive income (net of tax)	-	238	-	-	-	-	-	-	238	-	238
- debt instruments at fair value through other comprehensive income	-	238	-	-	-	-	-	-	238	-	238
Total comprehensive income for the financial period	-	238	-	-	-	-	-	156,106	156,344	-	156,344
Transfer to regulatory reserve	-	-	-	-	-	55,071	-	(55,071)	-	-	-
Share-based payment expense	-	-	-	-	-	-	211	-	211	-	211
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(587)	-	(587)	-	(587)
At 31 March 2018	1,000,000	(11,697)	-	(2,457)	458	301,036	390	3,325,525	4,613,255	220,000	4,833,255

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

The Bank	← Fair value reserve- debt instruments at fair value		Non-distributable			Distributable			Perpetual preference shares	Total Equity
	Ordinary share capital RM'000	through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total RM'000		
31 March 2019										
At 1 January 2019	1,000,000	(5,251)	(2,457)	458	404,378	962	3,897,252	5,295,342	220,000	5,515,342
Profit for the financial period	-	-	-	-	-	-	189,939	189,939	-	189,939
Other comprehensive expense (net of tax)	-	26,373	-	-	-	-	-	26,373	-	26,373
- debt instruments at fair value through other comprehensive income	-	26,373	-	-	-	-	-	26,373	-	26,373
Total comprehensive income for the financial period	-	26,373	-	-	-	-	189,939	216,312	-	216,312
Transfer to regulatory reserve	-	-	-	-	39,793	-	(39,793)	-	-	-
Share-based payment expense	-	-	-	-	-	299	-	299	-	299
Shares released under Equity Ownership Plan	-	-	-	-	-	(718)	-	(718)	-	(718)
At 31 March 2019	1,000,000	21,122	(2,457)	458	444,171	543	4,047,398	5,511,235	220,000	5,731,235

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

← Non-distributable → Distributable

The Bank	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Revaluation reserve - financial investments available- for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
31 March 2018											
At 1 January 2018	1,000,000	-	(20,873)	(2,457)	458	291,600	766	3,306,221	4,575,715	220,000	4,795,715
Effect of adopting MFRS 9	-	(11,935)	20,873	-	-	(45,635)	-	(81,022)	(117,719)	-	(117,719)
1 January 2018, as restated	1,000,000	(11,935)	-	(2,457)	458	245,965	766	3,225,199	4,457,996	220,000	4,677,996
Profit for the financial period	-	-	-	-	-	-	-	156,014	156,014	-	156,014
Other comprehensive income (net of tax)	-	238	-	-	-	-	-	-	238	-	238
- debt instruments at fair value through other comprehensive income	-	238	-	-	-	-	-	-	238	-	238
Total comprehensive income for the period	-	238	-	-	-	-	-	156,014	156,252	-	156,252
Share-based payment expense	-	-	-	-	-	-	211	-	211	-	211
Transfer to regulatory reserve	-	-	-	-	-	55,071	-	(55,071)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(587)	-	(587)	-	(587)
At 31 March 2018	1,000,000	(11,697)	-	(2,457)	458	301,036	390	3,326,142	4,613,872	220,000	4,833,872

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	The Group		The Bank	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Profit before taxation and zakat	247,948	206,944	248,028	206,852
Adjustments for non-cash items	(112,442)	(120,632)	(112,442)	(120,632)
Operating profit before changes in working capital	135,506	86,312	135,586	86,220
Net changes in operating assets	(4,579,951)	(5,898,663)	(4,579,951)	(5,898,663)
Net changes in operating liabilities	5,989,816	7,349,470	5,965,688	7,322,668
Tax paid	(55,071)	(65,486)	(55,071)	(65,486)
Net cash generated from operating activities	1,490,300	1,471,633	1,466,252	1,444,739
Net cash flows used in investing activities	(1,041,154)	(392,335)	(1,041,154)	(392,335)
Net cash flows used in financing activities	(431,793)	(191,756)	(407,745)	(164,862)
Net change in cash and cash equivalents	17,353	887,542	17,353	887,542
Cash and cash equivalents at beginning of the financial period	10,441,142	14,282,896	10,441,096	14,282,850
Cash and cash equivalents at end of the financial period	10,458,495	15,170,438	10,458,449	15,170,392

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018

PART A - EXPLANATORY NOTES

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 31 March 2019 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, 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 and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements.

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 2018. 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 2018.

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 2018, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2019:

- MFRS 16 “Leases”
- Amendments to MFRS 9 “Prepayment Features with Negative Compensation”
- Amendments to MFRS 128 “Long-term Interests in Associates and Joint Ventures”
- Annual Improvements to MFRSs 2015 – 2017 Cycle
- IC Interpretation 23 “Uncertainty over Income Tax Treatments”

The adoption of MFRS 16 has required additional disclosure of leases. Other than that, 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.

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.

A2. Changes in estimates

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

PART A - EXPLANATORY NOTES (CONTINUED)

A3. Issuance and repayment of debt equity securities

During the period, Ziya Capital Bhd ("Ziya") undertook a partial redemption of its Sukuk amounting to RM24 million.

A4. Proposed dividend

There were no dividends paid or proposed for the financial period ended 31 March 2019.

A5. Significant events after the reporting period

There were no significant events other than those disclosed under issuance and repayment of debt equity securities that had occurred between 31 March 2019 and the date of this announcement.

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

As at 31 March 2019, the expected credit losses in deposit placements maturing within one month and deposits and placements with banks and other financial institutions are RM29,000 and RM158,000 respectively. The 12-month expected credit losses made in the income statement during the financial period is amounting to RM5,000.

	The Group and the Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
A7. Financial assets at fair value through profit or loss		
Money market instruments		
Unquoted		
<u>In Malaysia</u>		
Islamic negotiable instruments of deposits	2,679,980	2,780,790
Islamic commercial papers	59,055	9,603
Government Investment Issues	1,119,373	91,571
Islamic Cagamas bonds	90,255	-
	<u>3,988,437</u>	<u>2,881,964</u>
Unquoted securities		
<u>In Malaysia</u>		
Corporate Sukuk	287,633	43,380
	<u>4,276,070</u>	<u>2,925,344</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A8 Debt instruments at fair value through other comprehensive income

	The Group and the Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
Money market instruments		
Unquoted		
<u>In Malaysia</u>		
Government Investment Issues	639,876	762,319
Islamic Cagamas bonds	46,589	66,607
Malaysian Government Sukuk	5,145	5,062
Islamic commercial papers	24,527	24,271
	<u>716,137</u>	<u>858,259</u>
Unquoted securities		
<u>In Malaysia</u>		
Corporate Sukuk	2,577,418	1,821,983
<u>Outside Malaysia</u>		
Corporate Sukuk	55,713	76,305
	<u>3,349,268</u>	<u>2,756,547</u>

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.

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses- not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
The Group and the Bank				
At 1 January 2019	1,117	-	-	1,117
Total charge to Income Statement:	397	-	-	397
New financial assets purchased	2,418	-	-	2,418
Financial assets that have been derecognised	(40)	-	-	(40)
Change in credit risk	(1,981)	-	-	(1,981)
At 31 March 2019	<u>1,514</u>	<u>-</u>	<u>-</u>	<u>1,514</u>

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses- not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
The Group and the Bank				
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	570	-	-	570
Adjusted 1 January 2018	570	-	-	570
Changes in expected credit losses due to transferred within stages:	7,445	(7,445)	-	-
Transferred to Stage 1	7,446	(7,446)	-	-
Transferred to Stage 2	(1)	1	-	-
Total charge to Income Statement:	(6,898)	7,445	-	547
New financial assets purchased	4,817	-	-	4,817
Financial assets that have been derecognised	(587)	-	-	(587)
Change in credit risk	(11,128)	7,445	-	(3,683)
At 31 December 2018	<u>1,117</u>	<u>-</u>	<u>-</u>	<u>1,117</u>

PART A - EXPLANATORY NOTES (CONTINUED)

		The Group and the Bank	
		31 March	31 December
		2019	2018
		RM'000	RM'000
A9	Equity instruments at fair value through other comprehensive income		
	Unquoted securities		
	<u>In Malaysia</u>		
	Placement with Islamic Banking and Finance	<u>575</u>	<u>575</u>
A10	Debt instruments at amortised cost		
	Money market instruments		
	Unquoted		
	<u>In Malaysia</u>		
	Government Investment Issues	2,209,906	2,159,881
	Islamic Cagamas bonds	40,739	40,326
	Malaysian Government Sukuk	<u>100,246</u>	<u>101,341</u>
		<u>2,350,891</u>	<u>2,301,548</u>
	Unquoted securities		
	<u>In Malaysia</u>		
	Corporate Sukuk	4,783,315	4,238,405
		<u>7,134,206</u>	<u>6,539,953</u>
	Accretion of discount net of amortisation of premium	5,097	4,977
	Less: Expected credit loss	(233)	(207)
		<u>7,139,070</u>	<u>6,544,723</u>

Expected credit losses movement for debt instruments at amortised cost:

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (not credit impaired - Stage 2)	Lifetime expected credit losses (Credit impaired - Stage 3)	Total
The Group and the Bank				
At 1 January 2019	207	-	-	207
Total charge to Income Statement:	26	-	-	26
New financial assets purchased	290	-	-	290
Change in credit risk	(264)	-	-	(264)
At 31 March 2019	<u>233</u>	<u>-</u>	<u>-</u>	<u>233</u>

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (not credit impaired - Stage 2)	Lifetime expected credit losses (Credit impaired - Stage 3)	Total
The Group and the Bank				
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	383	-	-	383
Adjusted 1 January 2018	383	-	-	383
Changes in expected credit losses due to transferred within stages:	(46)	46	-	-
Transferred to Stage 2	(46)	46	-	-
Total charge to Income Statement:	(130)	(46)	-	(176)
New financial assets purchased	935	-	-	935
Financial assets that have been derecognised	(23)	(155)	-	(178)
Change in credit risk	(1,042)	109	-	(933)
At 31 December 2018	<u>207</u>	<u>-</u>	<u>-</u>	<u>207</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A11 (i) By type and Shariah contract

31 March 2019

	The Group and the Bank									
	Sale-based contracts				Lease-based contracts		Loan contract	Others		
	Murabahah	Bai' Bithaman	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi-al-Tamlik *	Al-Ijarah Thumma Al-Bai' #	Qard	Ujrah	Total
RM'000	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^	-	4,910	-	-	965,347	-	-	2,125	-	972,382
Term financing										
House Financing	-	5,643,275	-	-	12,349,841	1,338,255	-	-	-	19,331,371
Syndicated Financing	-	-	178,342	-	1,771,549	-	-	-	-	1,949,891
Hire purchase receivables	-	-	-	-	-	-	7,651,209	-	-	7,651,209
Other term financing	-	1,424,934	6,946,132	-	27,340,111	51,031	-	-	-	35,762,208
Bills receivable	29,594	-	-	15,161	-	-	-	375	-	45,130
Islamic trust receipts	111,611	-	-	-	-	-	-	-	-	111,611
Claims on customers under acceptance credits	1,014,071	-	-	63,412	-	-	-	-	-	1,077,483
Staff financing**	-	-	-	-	125,741	-	-	-	-	125,741
Revolving credits	-	-	-	-	6,586,642	-	-	-	-	6,586,642
Credit card receivables	-	-	-	-	-	-	-	-	135,615	135,615
Share purchase financing	208	-	-	-	-	-	-	-	-	208
Gross financing, advances and other financing/loans, at amortised cost	1,155,484	7,073,119	7,124,474	78,573	49,139,231	1,389,286	7,651,209	2,500	135,615	73,749,491
Fair value changes arising from fair value hedge										28,457
										73,777,948
Less: Expected credit losses										(478,666)
Net financing, advances and other financing/loans, at amortised cost										73,299,282
At fair value through profit or loss										
Term financing										
Syndicated Financing	-	-	-	-	218,168	-	-	-	-	218,168
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	218,168	-	-	-	-	218,168
Total net financing, advances and other financing/loans	1,155,484	7,073,119	7,124,474	78,573	49,357,399	1,389,286	7,651,209	2,500	135,615	73,517,450

^ Includes current account in excess

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

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

** Includes financing to Directors of the Group and the Bank amounting to RM1,944,981 (2018:RM1,958,011).

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans

(i) By type and Shariah contract (continued)

31 December 2018

	The Group and the Bank									
	Sale-based contracts				Lease-based contracts			Loan contract	Others	Total RM'000
	Murabahah RM'000	Bai' Bithaman		Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah	Al-Ijarah	Qard RM'000	
Ajil RM'000			Muntahiah Bi al- Tamlik *				Thumma Al-Bai' #			
At amortised cost										
Cash line^	-	5,704	-	-	891,257	-	-	1,455	-	898,416
Term financing	-	-	-	-	-	-	-	-	-	-
House Financing	-	5,786,483	-	-	11,099,048	1,357,811	-	-	-	18,243,342
Syndicated Financing	-	-	162,279	-	1,858,778	7,450	-	-	-	2,028,507
Hire purchase receivables	-	-	-	-	-	-	7,423,573	-	-	7,423,573
Other term financing	-	1,484,968	6,982,666	-	25,329,083	52,570	-	-	-	33,849,287
Bills receivable	5,075	-	-	21,062	-	-	-	-	-	26,137
Islamic trust receipts	105,196	-	-	-	-	-	-	-	-	105,196
Claims on customers under acceptance credits	1,031,893	-	-	80,964	-	-	-	-	-	1,112,857
Staff financing**	-	-	-	-	114,300	-	-	-	-	114,300
Credit card receivables	-	-	-	-	-	-	-	-	137,325	137,325
Revolving credits	-	-	-	-	6,601,468	-	-	-	-	6,601,468
Share purchase financing	207	-	-	-	-	-	-	-	-	207
Gross financing, advances and other, at amortised cost financing/loans	1,142,371	7,277,155	7,144,945	102,026	45,893,934	1,417,831	7,423,573	1,455	137,325	70,540,615
Fair value changes arising from fair value hedges										32,732
Less: Expected credit losses										(446,186)
Net financing, advances and other financing/loans, at amortised cost										70,127,161
At fair value through profit or loss:										
Term financing										
Syndicated Financing	-	-	-	-	491,566	-	-	-	-	491,566
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	491,566	-	-	-	-	491,566
Total net financing, advances and other financing/loans										70,618,727

^ Includes current account in excess

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

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

** Includes financing to Directors of the Group and the Bank amounting to RM1,944,981 (2018:RM1,958,011).

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans (continued)

(i) By type and Shariah contract (continued)

	The Group and the Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
Total Gross financing, advances and other financing/loans		
- At amortised cost	73,749,491	70,540,615
- At fair value through profit or loss	218,168	491,566
	<u>73,967,659</u>	<u>71,032,181</u>

(a) The Group and the Bank have undertaken fair value hedges on the profit rate risk of financing, advances and other financing/loans of RM3,379,116,000 (2018: RM3,384,006,000) using Islamic profit rate swaps.

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

As at 31 March 2019, the gross carrying amount to RPSIA financing is RM6,599,348,000 (31 December 2018: RM6,907,549,000) and the 12-month expected credit losses relating to this RPSIA amounting to RM87,752,000 (31 December 2018: RM25,658,000) is recognised in the Financial Statements of CIMB Bank Berhad.

(c) Movement of Qard financing

	The Group and the Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
At 1 January 2019/2018	1,455	2,356
New disbursement	1,270	332
Repayment	(225)	(1,233)
As at 31 March/31 December	<u>2,500</u>	<u>1,455</u>
Sources of Qard fund:		
Depositors' fund	2,349	1,371
Shareholders' fund	151	84
	<u>2,500</u>	<u>1,455</u>
Uses of Qard fund:		
Personal use	293	172
Business purpose	2,207	1,283
	<u>2,500</u>	<u>1,455</u>

(ii) By geographical distribution:

Malaysia	<u>73,967,659</u>	<u>71,032,181</u>
	<u>73,967,659</u>	<u>71,032,181</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans (continued)

	The Group and the Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
(iii) By type of customer :		
Domestic non-bank financial institutions	2,531,146	2,559,537
Domestic business enterprises		
- Small medium enterprises	11,063,518	10,539,046
- Others	10,039,697	10,068,019
Government and statutory bodies	5,342,903	5,316,905
Individuals	44,293,000	41,918,011
Other domestic entities	169,442	84,965
Foreign entities	527,953	545,698
Gross financing, advances and other financing/loans	<u>73,967,659</u>	<u>71,032,181</u>
(iv) By profit rate sensitivity :		
Fixed rate		
- House financing	98,876	96,355
- Hire purchase receivables	6,206,142	5,924,614
- Others	7,179,492	7,235,659
Variable rate		
- House financing	19,232,495	18,146,987
- Others	41,250,654	39,628,566
Gross financing, advances and other financing/loans	<u>73,967,659</u>	<u>71,032,181</u>
(v) By economic purpose :		
Personal use	2,315,048	2,321,190
Credit card	135,615	137,325
Construction	3,332,584	3,420,799
Residential property	19,872,217	18,751,334
Non-residential property	6,096,745	5,685,175
Purchase of fixed assets other than land and building	171,375	179,287
Merger and acquisition	877	1,128
Purchase of securities	13,067,306	12,148,632
Purchase of transport vehicles	8,215,756	8,040,821
Working capital	17,936,156	17,201,425
Other purpose	2,823,980	3,145,065
Gross financing, advances and other financing/loans	<u>73,967,659</u>	<u>71,032,181</u>
(vi) By economic sector:		
Primary agriculture	2,200,087	2,178,023
Mining and quarrying	903,966	1,574,073
Manufacturing	2,677,241	2,480,562
Electricity, gas and water supply	107,625	95,820
Construction	2,669,704	2,604,476
Transport, storage and communications	4,138,055	3,729,773
Education, health and others	6,033,873	5,935,866
Wholesale and retail trade, and restaurants and hotels	2,386,024	2,200,005
Finance, insurance/takaful, real estate and business activities	8,237,567	8,011,493
Household	44,522,355	42,147,609
Others	91,162	74,481
Gross financing, advances and other financing/loans	<u>73,967,659</u>	<u>71,032,181</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans (continued)

	The Group and the Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
(vii) By residual contractual maturity :		
Within one year	12,756,978	12,811,731
One year to less than three years	4,375,855	4,615,270
Three years to less than five years	3,202,188	2,829,012
Five years and more	53,632,638	50,776,168
Gross financing, advances and other financing/loans	73,967,659	71,032,181
(viii) Credit impaired financing by economic purpose :		
Personal use	16,131	17,717
Credit card	2,233	1,879
Construction	31,438	29,020
Residential property	189,056	157,524
Non-residential property	104,396	61,027
Purchase of fixed assets other than land & building	75	75
Purchase of securities	1,363	1,485
Purchase of transport vehicles	66,254	61,866
Working capital	158,699	57,334
Other purpose	52,233	49,785
Gross credit impaired financing, advances and other financing/loans	621,878	437,712
(ix) Credit impaired financing by geographical distribution:		
Malaysia	621,878	437,712
	621,878	437,712
(x) Credit impaired financing by economic sector:		
Primary agriculture	68,047	6,658
Mining and quarrying	5,077	2,779
Manufacturing	37,697	28,146
Construction	22,305	25,435
Transport, storage and communications	56,594	56,614
Education, health and others	12,581	10,613
Wholesale and retail trade, and restaurants and hotels	17,254	9,706
Finance, insurance/takaful, real estate and business activities	112,947	44,369
Household	289,374	253,390
Others	2	2
Gross credit impaired financing, advances and other financing/loans	621,878	437,712

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans (continued)

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

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

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	172,096	75,042	199,048	446,186
Changes in expected credit losses due to transferred within stages:	95,004	(75,807)	(19,197)	-
Transferred to Stage 1	108,586	(99,737)	(8,849)	-
Transferred to Stage 2	(13,369)	35,154	(21,785)	-
Transferred to Stage 3	(213)	(11,224)	11,437	-
Total charge to Income Statement:	(80,352)	77,460	60,201	57,309
New financial assets originated	39,923	-	186	40,109
Financial assets that have been derecognised	(23,764)	(58)	-	(23,822)
Writeback in respect of full recoveries	-	-	(7,043)	(7,043)
Change in credit risk	(96,511)	77,518	67,058	48,065
Write-offs	-	-	(26,338)	(26,338)
Other movements	750	(238)	997	1,509
	187,498	76,457	214,711	478,666

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans (continued)

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

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

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
At 1 January 2018	-	-	-	49,352	244,673	294,025
Effect of adopting MFRS 9	114,725	116,363	161,712	(49,352)	(244,673)	98,775
Adjusted 1 January 2018	114,725	116,363	161,712	-	-	392,800
Changes in expected credit losses due to transferred within stages:	219,579	(185,163)	(34,416)	-	-	-
Transferred to Stage 1	273,384	(230,727)	(42,657)	-	-	-
Transferred to Stage 2	(53,576)	110,989	(57,413)	-	-	-
Transferred to Stage 3	(229)	(65,425)	65,654	-	-	-
Transferred to Lifetime ECL credit impaired – Individual provision						-
Total charge to Income Statement:	(163,062)	137,309	183,317	-	-	157,564
New financial assets originated	161,688	56	462	-	-	162,206
Financial assets that have been derecognised	(107,361)	(1,295)	-	-	-	(108,656)
Writeback in respect of full recoveries	-	-	(3,911)	-	-	(3,911)
Change in credit risk	(217,389)	138,548	186,766	-	-	107,925
Write-offs	-	-	(118,734)	-	-	(118,734)
Other movements	854	6,533	7,169	-	-	14,556
	172,096	75,042	199,048	-	-	446,186

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans (continued)

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

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

	The Group and the Bank		
	Lifetime expected credit losses -Credit impaired (Stage 3)	Impaired financing, advances and other financing/loans under MFRS 139	Total
	RM'000	RM'000	RM'000
At 1 January 2019	437,712	-	437,712
Transfer within stages	174,349	-	174,349
New financial assets originated	45,833	-	45,833
Write-offs	(26,338)	-	(26,338)
Amount fully recovered	(14,871)	-	(14,871)
Other changes in financing, advances and other financing/loans	5,193	-	5,193
At 31 March 2019	621,878	-	621,878

	The Group and the Bank		
	Lifetime expected credit losses -Credit impaired (Stage 3)	Impaired financing, advances and other financing/loans under MFRS 139	Total
	RM'000	RM'000	RM'000
At 1 January 2018	-	381,870	381,870
Effect of adopting MFRS 9	381,870	(381,870)	-
Adjusted 1 January 2018	381,870	-	381,870
Transfer within stages	245,139	-	245,139
New financial assets originated	1,178	-	1,178
Write-offs	(118,733)	-	(118,733)
Amount fully recovered	(44,299)	-	(44,299)
Other changes in financing, advances and other financing/loans	(27,443)	-	(27,443)
At 31 December 2018	437,712	-	437,712

	The Group and the Bank	
	31 March 2019	31 December 2018
Ratio of credit impaired financing to total financing, advances and other financing/loans	0.84%	0.62%

PART A - EXPLANATORY NOTES (CONTINUED)

A12 Other assets

	The Group and the Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
Deposits and prepayments	8,277	6,020
Sundry debtors	657,171	109,581
Collateral pledged for derivative transactions	134,480	239,940
Clearing accounts	178,397	368,022
	978,325	723,563

	The Group		The Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000

A13 Deposits from customers

(i) By type of deposit

	3,466,770	3,158,586	3,466,770	3,158,586
Savings deposits	3,466,770	3,158,586	3,466,770	3,158,586
Commodity Murabahah (via Tawarruq arrangement)*	3,466,770	3,158,586	3,466,770	3,158,586
Demand deposits	13,511,007	11,693,594	13,511,007	11,693,594
Qard	11,944,273	10,051,750	11,944,273	10,051,750
Commodity Murabahah (via Tawarruq arrangement)*	1,566,734	1,641,844	1,566,734	1,641,844
Term deposits	63,928,348	60,954,429	64,235,281	61,239,617
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	32,811,015	38,381,725	33,117,948	38,666,913
Fixed Return Income Account-i (via Tawarruq arrangement)*	31,117,333	22,572,704	31,117,333	22,572,704
Specific investment account	103,287	104,791	103,287	104,791
Mudharabah	103,287	104,791	103,287	104,791
Others	21,233	20,156	21,233	20,156
Qard	21,233	20,156	21,233	20,156
	81,030,645	75,931,556	81,337,578	76,216,744

*included Qard contract of RM403,131,000 (2018:RM630,892,000)

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
A13 Deposits from customers (continued)				
(ii) Maturity structures of term deposits and investment accounts.				
Due within six months	55,727,884	52,734,450	56,034,817	53,019,638
Six months to less than one year	8,194,376	8,173,706	8,194,376	8,173,706
One year to less than three years	5,468	45,645	5,468	45,645
Three years to less than five years	78,903	80,363	78,903	80,363
Five years and more	25,004	25,056	25,004	25,056
	<u>64,031,635</u>	<u>61,059,220</u>	<u>64,338,568</u>	<u>61,344,408</u>
(iii) By type of customer				
Government and statutory bodies	4,997,060	3,826,910	4,997,060	3,826,910
Business enterprises	29,681,721	30,513,897	29,681,721	30,513,897
Individuals	29,156,621	20,823,202	29,156,621	20,823,202
Others	17,195,243	20,767,547	17,502,176	21,052,735
	<u>81,030,645</u>	<u>75,931,556</u>	<u>81,337,578</u>	<u>76,216,744</u>

	The Group and the Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
A14 Investment accounts of customers		
Unrestricted investment accounts (Mudharabah)		
-without maturity		
Special Mudharabah Investment Account	536,131	465,733
-with maturity		
Term Investment Account-i	250,386	1,303,537
	<u>786,517</u>	<u>1,769,270</u>

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

A15 Deposits and placements of banks and other financial institutions		
Licensed investment banks	110	29,433
Licensed banks	2,423,495	1,037,022
Other financial institutions	976,664	1,017,125
	<u>3,400,269</u>	<u>2,083,580</u>

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

Due within six months	2,827,884	1,887,840
Six months to less than one year	572,385	195,740
	<u>3,400,269</u>	<u>2,083,580</u>

PART A - EXPLANATORY NOTES (CONTINUED)

		The Group and the Bank	
		31 March	31 December
		2019	2018
		RM'000	RM'000
A16 Investment accounts due to designated financial institutions			
Restricted investment accounts			
Mudharabah		<u>7,686,709</u>	<u>8,216,809</u>
By type of counterparty			
Licensed banks		<u>7,686,709</u>	<u>8,216,809</u>

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

		The Group and the Bank	
		31 March	31 December
		2019	2018
		RM'000	RM'000
A17 Financial liabilities designated at fair value through profit or loss			
Deposits from customers - structured investments			
		<u>25,440</u>	<u>21,918</u>

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

The carrying amount of the Group and the Bank as at 31 March 2019 of financial liabilities designated at fair value were RM 605,000 (31 December 2018:RM1,235,000) 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.

		The Group		The Bank	
		31 March	31 December	31 March	31 December
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
A18 Other liabilities					
Accruals and other payables		837,793	87,107	837,793	87,107
Clearing accounts		273,976	179,993	273,976	179,993
Structured deposits		37,314	34,178	37,314	34,178
Expected credit losses for financing commitments and financial guarantee contracts	A18(a)	41,099	65,271	41,099	65,271
Collateral received for derivative transactions		3,740	1,980	3,740	1,980
Others		20,297	24,596	46,600	96,772
		<u>1,214,219</u>	<u>393,125</u>	<u>1,240,522</u>	<u>465,301</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A18 Other liabilities (continued)

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

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses -not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
At 1 January 2019	59,997	3,724	1,550	65,271
Effect of adopting MFRS 9				-
Adjusted 1 January 2019	59,997	3,724	1,550	65,271
Changes in expected credit losses due to transferred within stages:	8,758	(8,381)	(377)	-
Transferred to Stage 1	9,102	(8,650)	(452)	-
Transferred to Stage 2	(312)	595	(283)	-
Transferred to Stage 3	(32)	(326)	358	-
Total charge to Income Statement:	(35,358)	7,535	3,669	(24,154)
New exposures	15,605	-	-	15,605
Exposures derecognised or matured	(2,056)	-	(12)	(2,068)
Change in credit risk	(48,907)	7,535	3,681	(37,691)
Other movements	(433)	302	113	(18)
At 31 March 2019	32,964	3,180	4,955	41,099

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses -not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	62,473	3,035	1,423	66,931
Adjusted 1 January 2018	62,473	3,035	1,423	66,931
Changes in expected credit losses due to transferred within stages:	5,002	(5,413)	411	-
Transferred to Stage 1	6,367	(6,279)	(88)	-
Transferred to Stage 2	(1,353)	1,538	(185)	-
Transferred to Stage 3	(12)	(672)	684	-
Total charge to Income Statement:	(7,383)	5,830	(284)	(1,837)
New exposures	73,895	-	-	73,895
Exposures derecognised or matured	(41,187)	(349)	(5)	(41,541)
Change in credit risk	(40,091)	6,179	(279)	(34,191)
Other movements	(95)	272	-	177
At 31 December 2018	59,997	3,724	1,550	65,271

As at 31 March 2019, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM7,518,000 (2018: RM4,126,000) respectively.

PART A - EXPLANATORY NOTES (CONTINUED)

A19 Subordinated sukuk

The Group and the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

	1st Quarter Ended		Three Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
A20 Income derived from investment of depositors' funds and others				
The Group and the Bank				
Income derived from investment of :				
a) General investment deposits	758,795	427,957	758,795	427,957
b) Specific investment deposits	840	1,091	840	1,091
c) Other deposits	264,626	417,104	264,626	417,104
	1,024,261	846,152	1,024,261	846,152
a) Income derived from investment of general investment deposits				
Financing, advances and other financing/loans				
- Profit income	563,844	316,417	563,844	316,417
- Unwinding income [^]	3,489	1,722	3,489	1,722
Debt instruments at fair value through other comprehensive income	22,231	10,922	22,231	10,922
Debt instrument at amortised cost	48,838	23,802	48,838	23,802
Money at call and deposit with financial institutions	65,961	40,142	65,961	40,142
	704,363	393,005	704,363	393,005
Accretion of discount less amortisation of premium	(673)	(148)	(673)	(148)
	703,690	392,857	703,690	392,857
Other profit income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	12,367	7,147	12,367	7,147
- Net accretion of discount less amortisation of premium	20,016	9,841	20,016	9,841
Total finance income and hibah	32,383	16,988	32,383	16,988
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	5,723	247	5,723	247
- realised	5,914	293	5,914	293
- unrealised	(191)	(46)	(191)	(46)
- Net gain from sale of investment in debt instruments at fair value through comprehensive income	9,264	955	9,264	955
- Net loss arising from financing, advances and other financings at fair value through profit or loss:	(1,625)	-	(1,625)	-
- unrealised	(1,625)	-	(1,625)	-
- Net gain from foreign exchange transactions	6,832	15,833	6,832	15,833
	20,194	17,035	20,194	17,035
Fee and commission income	2,528	1,077	2,528	1,077
	758,795	427,957	758,795	427,957
b) Income derived from investment of specific investment deposits				
Financing, advances and other financing/loans				
- Unwinding income [^]	840	1,091	840	1,091
Money at call and deposit with financial institutions				
	840	1,091	840	1,091

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

PART A - EXPLANATORY NOTES (CONTINUED)

1st Quarter Ended		Three Months Ended	
31 March	31 March	31 March	31 March
2019	2018	2019	2018
RM'000	RM'000	RM'000	RM'000

A20 Income derived from investment of depositors funds and others (continued)

The Group and the Bank

c) Income derived from investment of other deposits

Financing, advances and other financing/loans				
- Profit income	196,639	308,394	196,639	308,394
- Unwinding income [^]	1,217	1,678	1,217	1,678
Debt instruments at fair value through other comprehensive income	7,753	10,645	7,753	10,645
Debt instrument at amortised cost	17,032	23,198	17,032	23,198
Money at call and deposit with financial institutions	23,004	39,124	23,004	39,124
	245,645	383,039	245,645	383,039
Accretion of discount less amortisation of premium	(235)	(145)	(235)	(145)
	245,410	382,894	245,410	382,894
Other profit income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	4,313	6,965	4,313	6,965
- Net accretion of discount less amortisation of premium	6,980	9,593	6,980	9,593
Total finance income and hibah	11,293	16,558	11,293	16,558
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	1,995	240	1,995	240
- realised	2,062	285	2,062	285
- unrealised	(67)	(45)	(67)	(45)
- Net gain from sale of investment in debt instruments at fair value through comprehensive income	3,231	931	3,231	931
- Net loss arising from financing, advances and other financings at fair value through profit or loss:	(567)	-	(567)	-
- unrealised	(567)	-	(567)	-
- Net gain from foreign exchange transactions	2,382	15,431	2,382	15,431
	7,041	16,602	7,041	16,602
Fee and commission income	882	1,050	882	1,050
	264,626	417,104	264,626	417,104

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

A21 Income derived from investment of investment account

The Group and The Bank

Financing, advances and other financing/loans				
- Profit income	100,720	91,049	100,720	91,049
- Unwinding income [^]	-	8	-	8
Money at call and deposit with financial institutions	10,228	17,996	10,228	17,996
	110,948	109,053	110,948	109,053

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

PART A - EXPLANATORY NOTES (CONTINUED)

1st Quarter Ended		Three Months Ended	
31 March	31 March	31 March	31 March
2019	2018	2019	2018
RM'000	RM'000	RM'000	RM'000

A22 Income derived from investment of shareholder's funds

The Group

Financing, advances and other financing/loans				
- Profit income	48,871	29,663	48,871	29,663
- Unwinding income [^]	302	161	302	161
Debt instruments at fair value through other comprehensive income	1,927	1,024	1,927	1,024
Debt instrument at amortised cost	4,233	2,231	4,233	2,231
Money at call and deposit with financial institutions	5,717	3,763	5,717	3,763
	61,050	36,842	61,050	36,842
Accretion of discount less amortisation of premium	(58)	(14)	(58)	(14)
	60,992	36,828	60,992	36,828
Other profit income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	1,072	670	1,072	670
- Net accretion of discount less amortisation of premium	1,735	923	1,735	923
Total finance income and hibah	2,807	1,593	2,807	1,593
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	496	23	496	23
- realised	513	27	513	27
- unrealised	(17)	(4)	(17)	(4)
- Net gain from sale of investment in debt instruments at fair value through comprehensive income	803	90	803	90
- Net loss arising from financing, advances and other financings at fair value through profit or loss:	(141)	-	(141)	-
- unrealised	(141)	-	(141)	-
- Net gain from foreign exchange transactions	592	1,484	592	1,484
- Net loss arising from hedging activities	(584)	(2,312)	(584)	(2,312)
- Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss	(703)	-	(703)	-
- realised	(73)	10	(73)	10
- unrealised	(630)	(10)	(630)	(10)
- Net gain/(loss) arising from derivative financial instrument	2,664	(20,704)	2,664	(20,704)
- realised	(5,773)	(10,876)	(5,773)	(10,876)
- unrealised	8,437	(9,828)	8,437	(9,828)
	3,127	(21,419)	3,127	(21,419)
Fee and commission income	35,442	41,190	35,442	41,190
Less : fee and commission expense	(5,281)	(3,664)	(5,281)	(3,664)
Net fee and commission income	30,161	37,526	30,161	37,526
Other income				
- Sundry income	625	805	625	805
	97,712	55,333	97,712	55,333

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

PART A - EXPLANATORY NOTES (CONTINUED)

	1st Quarter Ended		Three Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
A22 Income derived from investment of shareholder's funds (continued)				
The Bank				
Financing, advances and other financing/loans				
- Profit income	48,871	29,663	48,871	29,663
- Unwinding income [^]	302	161	302	161
Debt instruments at fair value through other comprehensive income	1,927	1,024	1,927	1,024
Debt instrument at amortised cost	4,233	2,231	4,233	2,231
Money at call and deposit with financial institutions	5,717	3,763	5,717	3,763
	61,050	36,842	61,050	36,842
Accretion of discount less amortisation of premium	(58)	(14)	(58)	(14)
	60,992	36,828	60,992	36,828
Other profit income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	1,072	670	1,072	670
- Net accretion of discount less amortisation of premium	1,735	923	1,735	923
Total finance income and hibah	2,807	1,593	2,807	1,593
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	496	23	496	23
- realised	513	27	513	27
- unrealised	(17)	(4)	(17)	(4)
- Net gain from sale of investment in debt instruments at fair value through comprehensive income	803	90	803	90
- Net loss arising from financing, advances and other financings at fair value through profit or loss:	(141)		(141)	
- unrealised	(141)		(141)	
- Net gain from foreign exchange transactions	592	1,484	592	1,484
- Net loss arising from hedging activities	(584)	(2,312)	(584)	(2,312)
- Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss	(703)	-	(703)	-
- realised	(73)	10	(73)	10
- unrealised	(630)	(10)	(630)	(10)
- Net gain/(loss) arising from derivative financial instrument	2,664	(20,704)	2,664	(20,704)
- realised	(5,773)	(10,876)	(5,773)	(10,876)
- unrealised	8,437	(9,828)	8,437	(9,828)
	3,127	(21,419)	3,127	(21,419)
Fee and commission income	35,953	41,829	35,953	41,829
Less : fee and commission expense	(5,281)	(3,664)	(5,281)	(3,664)
Net fee and commission income	30,672	38,165	30,672	38,165
Other income				
- Sundry income	625	806	625	806
	98,223	55,973	98,223	55,973

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

PART A - EXPLANATORY NOTES (CONTINUED)

	1st Quarter Ended		Three Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
A23(a) Expected credit losses on financing, advances and other financing/loans				
The Group and the Bank				
Expected credit losses on financing, advances and other financing/loans at amortised cost:				
-Expected credit losses on financing, advances and other financing/loans	57,309	59,255	57,309	59,255
Credit impaired financing, advances and other financing/loans :				
- recovered	(14,003)	(13,644)	(14,003)	(13,644)
- written off	564	968	564	968
	43,870	46,579	43,870	46,579

A23(b) Other expected credit losses made/(written back)

The Group and the Bank

Expected credit losses made/(written back) on:

- Debt instrument at fair value through other comprehensive income	397	796	397	796
- Debt instrument at amortised cost	26	(17)	26	(17)
- Money at call and deposits and placements with banks and other financial institutions	5	156	5	156
- Other receivables	(27)	(46)	(27)	(46)
	401	889	401	889

PART A - EXPLANATORY NOTES (CONTINUED)

	1st Quarter Ended		Three Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
A24 Income attributable to depositors and others				
The Group				
Deposits from customers				
- Mudharabah	848	1,090	848	1,090
- Non-Mudharabah	627,062	474,679	627,062	474,679
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	19,656	12,232	19,656	12,232
Others				
- Financial liabilities designated at fair value through profit or loss	210	12	210	12
- Recourse obligation on loans and financing sold to Cagamas	20,572	21,283	20,572	21,283
- Sukuk	2,982	3,655	2,982	3,655
- Subordinated Sukuk	7,947	7,927	7,947	7,927
- Structured deposits	130	136	130	136
- Others	34	-	34	-
	679,441	521,014	679,441	521,014
The Bank				
Deposits from customers				
- Mudharabah	848	1,090	848	1,090
- Non-Mudharabah	627,062	474,679	627,062	474,679
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	19,656	12,232	19,656	12,232
Others				
- Financial liabilities designated at fair value through profit or loss	210	12	210	12
- Recourse obligation on loans and financing sold to Cagamas	20,572	21,283	20,572	21,283
- Subordinated Sukuk	7,947	7,927	7,947	7,927
- Structured deposits	130	136	130	136
- Others	3,478	4,443	3,478	4,443
	679,903	521,802	679,903	521,802
A25 Profit distributed to investment account holder				
The Group and the Bank				
-Restricted	75,369	75,958	75,369	75,958
-Unrestricted	9,328	10,828	9,328	10,828
	84,697	86,786	84,697	86,786

PART A - EXPLANATORY NOTES (CONTINUED)

	1st Quarter Ended		Three Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
A26 Personnel expenses				
The Group and the Bank				
Salaries, allowances and bonuses	5,861	5,751	5,861	5,751
Pension costs (defined contribution plan)	583	610	583	610
Staff incentives and other staff payments	(1,554)	84	(1,554)	84
Medical expenses	43	44	43	44
Others	1,089	347	1,089	347
	6,022	6,836	6,022	6,836
A27 Other overheads and expenditures				
The Group				
Establishment				
Depreciation of property, plant equipment	918	951	918	951
Depreciation of right-of-use assets	144	-	144	-
Rental	125	704	125	704
Amortisation of intangible assets	2,338	2,624	2,338	2,624
Repairs and maintenance	555	190	555	190
Outsourcing expenses	105	103	105	103
Security expenses	5	10	5	10
Utility expenses	9	39	9	39
Others	347	448	347	448
	4,546	5,069	4,546	5,069
Marketing				
Advertisement and publicity	3,514	366	3,514	366
Others	1,172	78	1,172	78
	4,686	444	4,686	444
General expenses				
Communication	23	28	23	28
Consultancy and professional fees	261	1,034	261	1,034
Legal expenses	154	306	154	306
Stationery	113	85	113	85
Postages	76	763	76	763
Donation	2,070	451	2,070	451
Incidental expenses on banking operations	1,137	1,076	1,137	1,076
Takaful	3,309	2,756	3,309	2,756
Others	178,321	2,248	178,321	2,248
	185,464	8,747	185,464	8,747
Shared service costs	-	127,274	-	127,274
	194,696	141,534	194,696	141,534

PART A - EXPLANATORY NOTES (CONTINUED)

	1st Quarter Ended		Three Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
A27 Other overheads and expenditures (continued)				
The Bank				
Establishment				
Depreciation of property, plant equipment	918	951	918	951
Depreciation of right-of-use assets	144	-	144	-
Rental	125	704	125	704
Amortisation of intangible assets	2,338	2,624	2,338	2,624
Repairs and maintenance	555	190	555	190
Outsourcing expenses	105	103	105	103
Security expenses	5	10	5	10
Utility expenses	9	39	9	39
Others	347	448	347	448
	4,546	5,069	4,546	5,069
Marketing				
Advertisement and publicity	3,514	366	3,514	366
Others	1,172	78	1,172	78
	4,686	444	4,686	444
General expenses				
Communication	23	28	23	28
Consultancy and professional fees	261	1,034	261	1,034
Legal expenses	154	306	154	306
Stationery	113	85	113	85
Postages	76	763	76	763
Donation	2,070	451	2,070	451
Incidental expenses on banking operations	1,137	1,076	1,137	1,076
Takaful	3,309	2,756	3,309	2,756
Others	178,290	2,192	178,290	2,192
	185,433	8,691	185,433	8,691
Shared service costs	-	127,274	-	127,274
	194,665	141,478	194,665	141,478

PART A - EXPLANATORY NOTES (CONTINUED)

A28 Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

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

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

The Group and the Bank	31 March 2019			31 December 2018		
	Principal Amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000	Principal amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency forwards	9,497,305	221,782	(194,753)	10,195,921	236,801	(214,115)
- Less than one year	6,980,619	87,634	(71,886)	7,163,570	104,743	(94,601)
- One year to three years	1,719,374	58,965	(55,174)	2,077,803	55,614	(50,854)
- More than three years	797,312	75,183	(67,693)	954,548	76,444	(68,660)
Currency swaps	12,616,495	20,502	(31,427)	8,351,649	32,360	(47,941)
- Less than one year	12,616,322	20,502	(31,398)	8,323,062	29,980	(45,501)
- One year to three years	173	-	(29)	28,414	2,380	(2,410)
- More than three years	-	-	-	173	-	(30)
Currency spots	11,513	24	(1)	30,222	24	(18)
- Less than one year	11,513	24	(1)	30,222	24	(18)
Currency options	398,236	1,962	(1,962)	18,104	99	(99)
- Less than one year	398,236	1,962	(1,962)	18,104	99	(99)
Cross currency profit rate swaps	2,755,673	142,320	(138,596)	2,786,260	144,059	(140,220)
- Less than one year	934,952	29,884	(29,685)	775,616	27,208	(27,022)
- One year to three years	1,093,791	60,219	(59,854)	1,283,714	66,375	(65,833)
- More than three years	726,930	52,217	(49,057)	726,930	50,476	(47,365)
	25,279,222	386,590	(366,739)	21,382,156	413,343	(402,393)
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	15,510,250	118,255	(112,190)	16,399,716	146,815	(140,328)
- Less than one year	3,032,317	4,664	(4,443)	3,712,833	7,944	(7,548)
- One year to three years	9,648,327	80,454	(77,713)	9,119,980	107,627	(104,993)
- More than three years	2,829,606	33,137	(30,034)	3,566,903	31,244	(27,787)
<u>Equity related derivatives</u>						
Equity options	230,960	1,409	(1,409)	258,402	2,109	(2,109)
- Less than one year	-	-	-	23,786	1,099	(1,099)
- One year to three years	24,397	1,008	(1,008)	25,030	961	(961)
- More than three years	206,563	401	(401)	209,586	49	(49)
<u>Credit related contracts</u>						
Total return swaps	41,500	575	(575)	41,500	527	(527)
- More than three years	41,500	575	(575)	41,500	527	(527)
<u>Commodity related derivatives</u>						
Commodity options	18,239	94	(94)	-	-	-
- More than three years	18,239	94	(94)	-	-	-
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,379,116	312	(69,620)	3,384,006	1,590	(53,618)
- Less than one year	1,375,000	-	(16,787)	1,375,000	-	(21,443)
- One year to three years	1,900,000	-	(52,833)	1,900,000	-	(32,175)
- More than three years	104,116	312	-	109,006	1,590	-
Total derivative assets/(liabilities)	44,459,287	507,235	(550,627)	41,465,780	564,384	(598,975)

PART A - EXPLANATORY NOTES (CONTINUED)

A28 Islamic derivative financial instruments, commitments and contingencies (continued)

(i) Islamic derivative financial instruments (continued)

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

Market Risk

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

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfil their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 31 March 2019, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM507,235,000 (31 December 2018: RM564,384,000). 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 31 March 2019, the Group has posted cash collateral of RM134,480,000 (31 December 2018: RM239,940,000) on their derivative contracts.

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

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

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are disclosed in the audited annual financial statements for the financial year ended 31 December 2018.

PART A - EXPLANATORY NOTES (CONTINUED)

A28 Islamic derivative financial instruments, commitments and contingencies (continued)

(ii) Commitments and contingencies

	31 March 2019 Principal amount	31 December 2018 Principal amount
The Group and the Bank	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	238,109	247,949
Transaction-related contingent items	805,681	755,977
Short-term self-liquidating trade-related contingencies	37,913	53,944
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	8,683,398	9,526,685
- maturity exceeding one year	7,186,182	7,127,240
Miscellaneous commitments and contingencies	39,262	40,750
Total credit-related commitments and contingencies	<u>16,990,545</u>	<u>17,752,545</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	20,941,642	16,310,574
- one year to five years	3,204,546	3,938,548
- more than five years	1,133,034	1,133,034
Profit rate related contracts :		
- less than one year	4,407,317	5,087,833
- one year to five years	13,344,349	13,343,833
- more than five years	1,137,700	1,352,056
Equity related contracts :		
- less than one year	-	23,786
- one year to five years	180,999	184,640
- more than five years	49,961	49,976
Credit related contracts:		
- more than five years	41,500	41,500
Commodity related contracts :		
- less than one year	18,239	-
Total treasury-related commitments and contingencies	<u>44,459,287</u>	<u>41,465,780</u>
	<u>61,449,832</u>	<u>59,218,325</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A29 Capital Adequacy

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia (“BNM”) Capital Adequacy Framework for Islamic Banks (“CAFIB”) (Capital Components), of which the latest revision was issued on 2 February 2018. The revised guideline took effect on 1 January 2018 and 1 January 2019 for all banking institutions and all financial holding companies respectively. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

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

The IRB Approach adopted by the Group and the 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.

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

	The Group		The Bank	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Common equity tier 1 ratio	12.529%	13.502%	12.531%	13.505%
Tier 1 ratio	12.994%	14.024%	12.997%	14.026%
Total capital ratio	15.033%	16.191%	15.035%	16.194%

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

	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	RM’000	RM’000	RM’000	RM’000
Credit risk	33,191,678	30,912,773	33,191,792	30,912,888
Market risk	729,017	452,745	729,017	452,745
Operational risk	2,836,213	2,742,472	2,836,500	2,742,729
Total risk-weighted assets	36,756,908	34,107,990	36,757,309	34,108,362

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

	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	RM’000	RM’000	RM’000	RM’000
Common Equity Tier I capital				
Ordinary share capital	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	4,360,223	4,294,476	4,361,088	4,295,342
Common Equity Tier I capital before regulatory adjustments	5,360,223	5,294,476	5,361,088	5,295,342
<u>Less: Regulatory adjustments</u>				
Goodwill	(136,000)	(136,000)	(136,000)	(136,000)
Intangible assets	(69,554)	(71,330)	(69,554)	(71,330)
Deferred tax assets	(93,552)	(77,454)	(93,552)	(77,454)
Regulatory reserve	(444,171)	(404,378)	(444,171)	(404,378)
Others	(11,618)	-	(11,617)	-
Common Equity Tier I capital after regulatory adjustments	4,605,328	4,605,314	4,606,194	4,606,180
Additional Tier I capital				
Perpetual preference shares	171,000	178,000	171,000	178,000
Total Tier I capital	4,776,328	4,783,314	4,777,194	4,784,180
Tier II capital				
Subordinated notes	565,000	610,000	565,000	610,000
Surplus eligible provisions over expected loss	113,588	67,113	113,585	67,111
General provisions ^	70,858	62,110	70,860	62,111
Total Tier II capital	749,446	739,223	749,445	739,222
Total capital	5,525,774	5,522,537	5,526,639	5,523,402

^ Total capital of the Group and the Bank has excluded general provisions from Tier II capital of RM13.4 million (2018: RM13.6 million).

PART A - EXPLANATORY NOTES (CONTINUED)

A30 Restricted Agency Investment Account -RAIA

The details of the Restricted Agency Investment Account (“RAIA”) financing are as below. The exposures and corresponding risk weighted amount are reported in investors’ financial statements.

	The Group and the Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
<u>RAIA arrangement</u>		
Financing and advances	5,577,683	5,530,998
Commitments and contingencies	700,000	700,000
	<u>6,277,683</u>	<u>6,230,998</u>

	The Group and the Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
Total RWA for Credit Risk	325,544	316,179
	<u>325,544</u>	<u>316,179</u>

RAIA arrangement is with the Bank’s holding company, CIMB Bank, and the contract is based on the Wakalah principle where CIMB Bank provides the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). In the arrangement, the Bank has transferred substantially all the risk and rewards of ownership of the Investment (i.e. the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and allowance for impairment arising thereon, if any, are recognised and accounted for by CIMB Bank.

PART A - EXPLANATORY NOTES (CONTINUED)

A31 Segmental reporting

Definition of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive 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 four major operation divisions that form the basis on which the Group reports its segment information.

Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering Islamic financial products and services such as residential property financing, non-residential property financing, personal financing, hire purchase financing, credit cards, wealth management, bancatakaful, remittance and foreign exchange, deposits and internet banking services.

Commercial Banking

Commercial Banking offers products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include banking credit facilities, trade financing, cash management, online business banking platform, remittance and foreign exchange, as well as general deposit products.

Wholesale Banking

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

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

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

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

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

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

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

Group Ventures & Partnership and Funding

Group Ventures & Partnerships drives all strategic partnerships across business lines Group-wide and explores strategic equity joint ventures in the ecosystem space. Funding encompasses a wide range of activities from capital, balance sheet and fixed income investments and management, as well as the funding and incubation of corporate ventures and projects.

PART A - EXPLANATORY NOTES (CONTINUED)

A31 Segmental reporting (continued)

The Group

31 March 2019

Net income:

- external

- inter-segment

Other income

Operating income

Overhead expenses

Consist of :

Depreciation of property, plant and equipment

Amortisation of intangible assets

Profit/(loss) before allowances

Expected credit losses (made)/written back on financing, advances and other financing/loans

Expected credit losses written back/(made) for commitments and contingencies

Other expected credit losses (made)/written back

Segment results

Taxation and zakat

Profit for the financial period

	Wholesale Banking	Consumer Banking	Commercial Banking	Group Ventures & Partnership and Funding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
	(121,781)	332,526	95,197	98,283	404,225
	225,007	(149,041)	(182)	(75,784)	-
	103,226	183,485	95,015	22,499	404,225
	10,015	28,526	15,209	10,808	64,558
	113,241	212,011	110,224	33,307	468,783
	(30,278)	(105,723)	(17,712)	(47,005)	(200,718)
	(11)	(907)	-	-	(918)
	(498)	(1,837)	(3)	-	(2,338)
	82,963	106,288	92,512	(13,698)	268,065
	(4,611)	(17,910)	(21,349)	-	(43,870)
	28,909	1,453	(6,208)	-	24,154
	(62)	-	-	(339)	(401)
	107,199	89,831	64,955	(14,037)	247,948
					(58,089)
					189,859

PART A - EXPLANATORY NOTES (CONTINUED)

A31 Segmental reporting (continued)

The Group
31 March 2018

	Wholesale Banking	Consumer Banking	Commercial Banking	Group Ventures & Partnership and Funding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Net income:					
- external	(100,967)	332,693	59,235	59,102	350,063
- inter-segment	205,582	(171,653)	21,758	(55,687)	-
	104,615	161,040	80,993	3,415	350,063
Other income	18,246	27,416	13,330	(6,317)	52,675
Operating income	122,861	188,456	94,323	(2,902)	402,738
Overhead expenses	(25,203)	(77,911)	(14,303)	(30,953)	(148,370)
Consist of :					
Depreciation of property, plant and equipment	(32)	(919)	-	-	(951)
Amortisation of intangible assets	(678)	(1,946)	-	-	(2,624)
Profit/(loss) before allowances	97,658	110,545	80,020	(33,855)	254,368
Expected credit losses (made)/written back on financing, advances and other financing/loans	(32,013)	(14,983)	417	-	(46,579)
Expected credit losses(made)/ written back for commitments and contingencies	(1,606)	(3,238)	4,888	-	44
Other expected credit losses (made)/written back	(287)	-	-	(602)	(889)
Segment results	63,752	92,324	85,325	(34,457)	206,944
Taxation					(50,838)
Profit for the financial period					156,106

PART A - EXPLANATORY NOTES (CONTINUED)

A31 Segmental reporting (continued)

The Group	Wholesale Banking	Consumer Banking	Commercial Banking	Group Ventures & Partnership and Funding	Total
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	37,691,556	44,215,770	10,300,359	9,797,224	102,004,909
Unallocated assets					1,213,583
Total assets					103,218,492
Segment liabilities	44,739,273	30,793,765	10,183,272	8,838,199	94,554,509
Unallocated liabilities					2,933,694
Total liabilities					97,488,203
Other segment items					
Capital expenditure	119	492	1	-	612
The Group	Wholesale Banking	Consumer Banking	Commercial Banking	Group Ventures & Partnership and Funding	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	36,567,084	41,859,317	9,430,050	8,691,098	96,547,549
Unallocated assets					966,454
Total assets					97,514,003
Segment liabilities	48,945,290	23,212,398	10,276,384	9,076,837	91,510,909
Unallocated liabilities	-	-	-	-	488,618
Total liabilities					91,999,527
Other segment items					
Capital expenditure	494	2,213	3	-	2,710

PART A - EXPLANATORY NOTES (CONTINUED)

A32 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;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative Analysts before submitting to the Group Market Risk Committee ("GMRC") for approval;
- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- 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 and liabilities are recorded at fair value.

PART A - EXPLANATORY NOTES (CONTINUED)

A32 Fair Value Estimation (continued)

(i) The following table represents the assets and liabilities measured at fair value and classified by level with the following fair value hierarchy as at 31 March 2019 and 31 December 2018.

The Group and the Bank	31 March 2019			31 December 2018			Total	Total
	Carrying amount	Fair Value		Carrying amount	Fair Value			
	(RM'000)	(Level 2) RM'000	(Level 3) RM'000	(RM'000)	(Level 2) RM'000	(Level 3) RM'000	(RM'000)	(RM'000)
Recurring fair value measurements								
Financial assets								
Financial assets at fair value through profit or loss								
-Money market instruments	3,988,437	3,988,437	-	3,988,437	2,881,964	2,881,964	-	2,881,964
-Unquoted securities	287,633	287,633	-	287,633	43,380	43,380	-	43,380
Debt instruments at fair value through other comprehensive income								
-Money market instruments	716,137	716,137	-	716,137	858,259	858,259	-	858,259
-Unquoted securities	2,633,131	2,633,131	-	2,633,131	1,898,288	1,898,288	-	1,898,288
Equity instruments at fair value through other comprehensive income								
-Unquoted securities	575	-	575	575	575	-	575	575
Derivative financial instruments								
-Trading derivatives	506,923	506,923	-	506,923	562,794	562,794	-	562,794
-Hedging derivatives	312	312	-	312	1,590	1,590	-	1,590
Financing, advances and other financing/loans at fair value through profit or loss	218,168	218,168	-	218,168	491,566	491,566	-	491,566
Total	8,351,316	8,350,741	575	8,351,316	6,738,416	6,737,841	575	6,738,416
Recurring fair value measurements								
Financial liabilities								
Derivative financial instruments								
-Trading derivatives	481,007	481,007	-	481,007	545,357	545,357	-	545,357
-Hedging derivatives	69,620	69,620	-	69,620	53,618	53,618	-	53,618
Financial liabilities designated at fair value through profit or loss	25,440	25,440	-	25,440	21,918	21,918	-	21,918
Total	576,067	576,067	-	576,067	620,893	620,893	-	620,893

PART B

B1 Group performance review

The Group recorded a pre-tax profit and zakat of RM248 million for the financial period ended 31 March 2019, an increase of RM41 million or 19.8% compared to the previous corresponding period.

Total income grew by RM222 million or 22.0% to RM1,233 million from previous corresponding period, comprising of increase of income derived from investments of depositors funds, income derived from investment of investment accounts and income derived from investment of shareholder's funds by RM178.1 million, RM1.9 million and RM42.4 million respectively.

For the three months ended 31 March 2019, the Group recorded net expected credit losses made on financing, advances and other financing/loans of RM43.9 million compared to RM46.6 million in the corresponding period last year. The decrease in net allowance charged was mainly due to lower expected credit losses made on financing amounting to RM1.9 million and it was partly offset with higher impaired financings recovered by RM0.4 million.

The income attributable to depositors increased by RM158.4 million while profit distributed to investment account holder decreased by RM2 million.

The Group's gross financing, advances and other financing/loans increased by 4.1% to RM74.0 billion for the three months period ended 31 March 2019. As at 31 March 2019, deposits from customers and investment accounts of customers stood at RM81.0 billion and RM0.8 billion, an increase of RM5.1 billion and decrease of RM1 billion respectively as compared to 31 December 2018.

The Group's Common Equity Tier 1, Tier 1 Capital Ratio and Total Capital Ratio stood at 12.529%, 12.994% and 15.033% respectively as at 31 March 2019.

B2 Prospects for the current financial year

CIMB Islamic remains cautious on the prospects for the rest of 2019 given continued global and regional economic challenges. The 'Islamic-first' and digital strategy is expected to drive Consumer and Commercial Banking financing growth, while Corporate financing and Investment Banking activities will likely maintain a positive momentum with a steady deal pipeline and sukuk issuances.

B3 Computation of earnings per share (EPS)

a) Basic EPS

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

	The Group			
	1st Quarter Ended 31 March 2019 RM'000	31 March 2018 RM'000	Three Months Ended 31 March 2019 RM'000	31 March 2018 RM'000
Net profit for the financial period (RM '000)	189,859	156,106	189,859	156,106
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (expressed in sen per share)	18.99	15.61	18.99	15.61

	The Bank			
	1st Quarter Ended 31 March 2019 RM'000	31 March 2018 RM'000	Three Months Ended 31 March 2019 RM'000	31 March 2018 RM'000
Net profit for the financial period (RM '000)	189,939	156,014	189,939	156,014
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (expressed in sen per share)	18.99	15.60	18.99	15.60

b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 31 March 2019 and 31 March 2018.