

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

	Note	The Group		The Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
ASSETS					
Cash and short term funds	A6	11,004,204	14,282,896	11,004,158	14,282,850
Deposits and placements with banks and other financial institutions	A6	43,553	530,017	43,553	530,017
Financial assets at fair value through profit or loss	A7	2,638,435	-	2,638,435	-
Debt instruments at fair value through other comprehensive income	A8	2,505,604	-	2,505,604	-
Equity instruments at fair value through other comprehensive income	A9	575	-	575	-
Debt instruments at amortised cost	A10	5,868,848	-	5,868,848	-
Financial assets held for trading	A11	-	3,225,138	-	3,225,138
Financial investments available-for-sale	A12	-	1,923,597	-	1,923,597
Financial investments held-to-maturity	A13	-	4,732,389	-	4,732,389
Islamic derivative financial instruments	A31(i)	688,998	634,306	688,998	634,306
Financing, advances and other financing/loans	A14	66,554,704	57,551,408	66,554,704	57,551,408
Other assets	A15	412,029	604,089	412,029	604,089
Deferred taxation		17,617	17,795	17,617	17,795
Amount due from holding company		46,448	-	46,448	-
Amount due from related companies		403	414	403	414
Statutory deposits with Bank Negara Malaysia		1,888,039	1,554,286	1,888,039	1,554,286
Investment in subsidiaries		-	-	11	11
Property, plant and equipment		4,214	6,031	4,214	6,031
Intangible assets		73,779	79,092	73,779	79,092
Goodwill		136,000	136,000	136,000	136,000
TOTAL ASSETS		91,883,450	85,277,458	91,883,415	85,277,423
LIABILITIES AND EQUITY					
Deposits from customers	A16	68,670,297	64,728,979	68,907,361	64,910,083
Investment accounts of customers	A17	3,043,560	907,763	3,043,560	907,763
Deposits and placements of banks and other financial institutions	A18	1,465,110	2,160,415	1,465,110	2,160,415
Investment accounts due to designated financial institutions	A19	9,595,030	8,145,684	9,595,030	8,145,684
Financial liabilities designated at fair value through profit or loss	A20	1,262	2,233	1,262	2,233
Islamic derivative financial instruments	A31(i)	697,650	692,759	697,650	692,759
Amount due to holding company		-	20,588	-	20,588
Amount due to related companies		65	813	65	813
Other liabilities	A21	383,118	616,505	553,443	896,914
Provision for taxation		43,847	56,150	43,847	56,150
Recourse obligation on loans and financing sold to Cagamas		1,915,346	2,072,300	1,915,346	2,072,300
Sukuk		409,227	463,257	1,000	1,000
Subordinated Sukuk	A22	614,893	615,006	614,893	615,006
TOTAL LIABILITIES		86,839,405	80,482,452	86,838,567	80,481,708
EQUITY					
Capital and reserves attributable to equity holder of the Bank					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		3,824,045	3,575,006	3,824,848	3,575,715
		4,824,045	4,575,006	4,824,848	4,575,715
Perpetual preference shares		220,000	220,000	220,000	220,000
TOTAL EQUITY		5,044,045	4,795,006	5,044,848	4,795,715
TOTAL EQUITY AND LIABILITIES		91,883,450	85,277,458	91,883,415	85,277,423
COMMITMENTS AND CONTINGENCIES	A31(ii)	58,070,917	55,212,053	58,070,917	55,212,053
Net assets per ordinary share attributable to owners of the Parent (RM)		4.82	4.58	4.82	4.58

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

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

		The Group			
		2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A23	820,193	728,670	1,666,345	1,395,166
Income derived from investment of investment account	A24	141,453	59,129	250,506	111,159
Income derived from investment of shareholder's funds	A25	140,210	62,405	195,543	140,361
Expected credit losses/allowance for impairment losses made on financing, advances and other financing/loans	A26(a)	(1,366)	(34,039)	(47,945)	(40,068)
Expected credit losses written back for commitments and contingencies		3,251	-	3,295	-
Other expected credit losses/allowance written back/(made) for other impairment losses	A26(b)	369	18	(520)	(19)
Total distributable income		1,104,110	816,183	2,067,224	1,606,599
Income attributable to depositors and others	A27	(553,755)	(457,616)	(1,074,769)	(886,847)
Profit distributed to investment account holder	A28	(113,326)	(44,171)	(200,112)	(80,610)
Total net income		437,029	314,396	792,343	639,142
Personnel expenses	A29	(6,584)	(7,889)	(13,420)	(16,377)
Other overheads and expenditures	A30	(140,904)	(128,960)	(282,438)	(251,999)
Profit before taxation and zakat		289,541	177,547	496,485	370,766
Taxation and zakat		(70,292)	(43,259)	(121,130)	(90,323)
Profit for the financial period		219,249	134,288	375,355	280,443

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

	The Group			
	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	219,249	134,288	375,355	280,443
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve financial investments available-for-sale	-	3,315	-	7,827
- Net gain from change in fair value	-	4,899	-	11,390
- Realised gain transferred to statement of income on disposal and impairment	-	(537)	-	(1,091)
- Income tax effects	-	(1,047)	-	(2,472)
Debt instruments at fair value through other comprehensive income	(8,617)	-	(8,380)	-
- Net loss from change in fair value	(10,464)	-	(9,223)	-
- Realised gain transferred to statement of income on disposal	(428)	-	(2,403)	-
- Changes in expected credit losses	(340)	-	456	-
- Income tax effects	2,615	-	2,790	-
Other comprehensive (expense)/income for the period, net of tax	(8,617)	3,315	(8,380)	7,827
Total comprehensive income for the financial period	210,632	137,603	366,975	288,270
Earnings per share (sen)	21.92	13.43	37.54	28.04

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

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

		The Bank			
		2nd Quarter Ended		Six Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of depositors' funds and others	A23	820,193	728,670	1,666,345	1,395,166
Income derived from investment of investment account	A24	141,453	59,129	250,506	111,159
Income derived from investment of shareholder's funds	A25	140,837	63,145	196,810	141,796
Expected credit losses/allowance for impairment losses made on financing, advances and other financing/loans	A26(a)	(1,366)	(34,039)	(47,945)	(40,068)
Expected credit losses written back for commitments and contingencies		3,251	-	3,295	-
Other expected credit losses/allowance written back/(made) for other impairment losses	A26(b)	369	18	(520)	(19)
Total distributable income		1,104,737	816,923	2,068,491	1,608,034
Income attributable to depositors and others	A27	(554,247)	(459,436)	(1,076,049)	(887,993)
Profit distributed to investment account holder	A28	(113,326)	(44,171)	(200,112)	(80,610)
Total net income		437,164	313,316	792,330	639,431
Personnel costs	A29	(6,584)	(7,889)	(13,420)	(16,377)
Other overheads and expenditures	A30	(140,853)	(128,515)	(282,331)	(251,467)
Profit before taxation and zakat		289,727	176,912	496,579	371,587
Taxation and zakat		(70,292)	(43,259)	(121,130)	(90,323)
Profit for the financial period		219,435	133,653	375,449	281,264

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

	The Bank			
	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit for the financial period	219,435	133,653	375,449	281,264
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve of financial investments available-for-sale	-	3,315	-	7,827
- Net gain from change in fair value	-	4,899	-	11,390
- Realised gain transferred to statement of income on disposal and impairment	-	(537)	-	(1,091)
- Income tax effects	-	(1,047)	-	(2,472)
Debt instruments at fair value through other comprehensive income	(8,617)	-	(8,380)	-
- Net loss from change in fair value	(10,464)	-	(9,223)	-
- Realised gain transferred to statement of income on disposal	(428)	-	(2,403)	-
- Changes in expected credit losses	(340)	-	456	-
- Income tax effects	2,615	-	2,790	-
Other comprehensive (expense)/income for the period, net of tax	(8,617)	3,315	(8,380)	7,827
Total comprehensive income for the financial period	210,818	136,968	367,069	289,091
Earnings per share basis (sen)	B3	21.94	13.37	37.54
			28.13	

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

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

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 profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
30 June 2018											
At 1 January 2018	1,000,000	-	(20,873)	(2,457)	458	291,600	766	3,305,512	4,575,006	220,000	4,795,006
Effect of adopting MFRS 9 (Note 37)		(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	-	-	-	-	-	-	-	375,355	375,355	-	375,355
Other comprehensive expense (net of tax)	-	(8,380)	-	-	-	-	-	-	(8,380)	-	(8,380)
- debt instruments at fair value through other comprehensive income	-	(8,380)	-	-	-	-	-	-	(8,380)	-	(8,380)
Total comprehensive (expense)/income for the financial period	-	(8,380)	-	-	-	-	-	375,355	366,975	-	366,975
Transfer to regulatory reserve	-	-	-	-	-	104,032	-	(104,032)	-	-	-
Share-based payment expense	-	-	-	-	-	-	370	-	370	-	370
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(587)	-	(587)	-	(587)
At 30 June 2018	1,000,000	(20,315)	-	(2,457)	458	349,997	549	3,495,813	4,824,045	220,000	5,044,045

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

← Attributable to owners of the Parent →

The Group	Ordinary share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2017	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,994	3,930,175	220,000	4,150,175
Profit for the financial period	-	-	-	-	-	-	-	280,443	280,443	-	280,443
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	7,827	-	-	-	-	-	7,827	-	7,827
Total comprehensive income for the period	-	-	7,827	-	-	-	-	280,443	288,270	-	288,270
Share-based payment expense	-	-	-	-	-	-	300	-	300	-	300
Transfer from statutory reserve	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	21,885	-	(21,885)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(479)	-	(479)	-	(479)
At 30 June 2017	1,000,000	-	(17,870)	(2,457)	458	223,229	401	3,014,505	4,218,266	220,000	4,438,266

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

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

	← Non-distributable			→ Distributable						
	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Revaluation reserve - financial investments available- for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Perpetual preference shares RM'000	Total Equity RM'000
The Bank										
30 June 2018										
At 1 January 2018	1,000,000	-	(20,873)	(2,457)	458	291,600	766	3,306,221	220,000	4,795,715
Effect of adopting MFRS 9 (Note 37)		(11,935)	20,873	-	-	(45,635)	-	(81,022)	-	(117,719)
1 January 2018, as restated	1,000,000	(11,935)	-	(2,457)	458	245,965	766	3,225,199	220,000	4,677,996
Profit for the financial period	-	-	-	-	-	-	-	375,449	-	375,449
Other comprehensive expense (net of tax)	-	(8,380)	-	-	-	-	-	-	-	(8,380)
- debt instruments at fair value through other comprehensive income	-	(8,380)	-	-	-	-	-	-	-	(8,380)
Total comprehensive (expense)/income for the financial period	-	(8,380)	-	-	-	-	-	375,449	-	367,069
Transfer to regulatory reserve	-	-	-	-	-	104,032	-	(104,032)	-	-
Share-based payment expense	-	-	-	-	-	-	370	-	-	370
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(587)	-	-	(587)
At 30 June 2018	1,000,000	(20,315)	-	(2,457)	458	349,997	549	3,496,616	220,000	5,044,848

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

← Non-distributable → Distributable

The Bank	Ordinary share capital	Statutory reserve	Revaluation reserve - financial investments available-for-sale	Merger reserve	Capital reserve	Regulatory reserve	Share-based payment reserve	Retained profits	Perpetual preference shares	Total Equity
30 June 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,959	220,000	4,150,140
Net profit for the financial period	-	-	-	-	-	-	-	281,264	-	281,264
Other comprehensive income (net of tax)	-	-	-	-	-	-	-	-	-	-
- Financial investments available-for-sale	-	-	7,827	-	-	-	-	-	-	7,827
Total comprehensive income for the period	-	-	7,827	-	-	-	-	281,264	-	289,091
Share-based payment expense	-	-	-	-	-	-	300	-	-	300
Transfer from statutory reserve	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-
Transfer to regulatory reserve	-	-	-	-	-	21,885	-	(21,885)	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(479)	-	-	(479)
At 30 June 2017	1,000,000	-	(17,870)	(2,457)	458	223,229	401	3,015,291	220,000	4,439,052

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

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

	The Group		The Bank	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Profit before taxation and zakat	496,485	370,766	496,579	371,587
Adjustments for non-cash items	<u>(213,965)</u>	<u>(183,426)</u>	<u>(213,965)</u>	<u>(183,389)</u>
Operating profit before changes in working capital	282,520	187,340	282,614	188,198
Net changes in operating assets	(8,123,486)	(4,135,356)	(8,123,486)	(4,135,393)
Net changes in operating liabilities	6,446,388	6,305,593	6,392,264	6,238,669
Tax paid	<u>(93,111)</u>	<u>(75,816)</u>	<u>(93,111)</u>	<u>(75,816)</u>
Net cash generated from operating activities	(1,487,689)	2,281,761	(1,541,719)	2,215,658
Net cash flows used in investing activities	(1,564,008)	(1,034,124)	(1,564,008)	(1,034,124)
Net cash flows used in financing activities	<u>(226,995)</u>	<u>(370,926)</u>	<u>(172,965)</u>	<u>(304,823)</u>
Net change in cash and cash equivalents	(3,278,692)	876,711	(3,278,692)	876,711
Cash and cash equivalents at beginning of the financial period	<u>14,282,896</u>	8,315,442	<u>14,282,850</u>	8,315,396
Cash and cash equivalents at end of the financial period	<u>11,004,204</u>	<u>9,192,153</u>	<u>11,004,158</u>	<u>9,192,107</u>

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

PART A - EXPLANATORY NOTES

A1. BASIS OF PREPARATION

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

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

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

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

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers" and "Clarifications to MFRS 15"
- Amendments to MFRS 2 "Classification and Measurement of Shared-based Payment Transactions"
- Annual improvement to MFRSs 2014 - 2016 Cycle:
 - Amendments to MFRS 1
 - Amendments to MFRS 128
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

With the effect from the financial year beginning on/after 1 January 2018, the Group and the Bank apply MFRS 9 "Financial Instruments", replacing MFRS 139 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedging relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. Comparatives for 2017 will not be restated. The impact of adoption of MFRS 9 to the Group and the Bank are disclosed in Note 37.

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

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

A2. CHANGES IN ESTIMATES

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

PART A - EXPLANATORY NOTES (CONTINUED)

A3. ISSUANCE AND REPAYMENT OF DEBT EQUITY SECURITIES

During the period, Ziya Capital Bhd ("Ziya") undertook a partial redemption of its Sukuk amounting to RM54 million.

A4. PROPOSED DIVIDEND

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

A5. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

As at 30 June 2018, the expected credit losses in deposit placements maturing within one month and deposits and placements with banks and other financial institutions are RM67,000 and RM1,000 respectively. The 12-month expected credit losses made in the income statement during the financial period is amounting to RM51,000.

A7 Financial assets at fair value through profit or loss

Money market instruments

Unquoted

In Malaysia

Bank Negara Malaysia monetary notes

24,932

-

Islamic negotiable instruments of deposits

2,181,566

-

Government Investment Issues

318,046

-

Islamic Cagamas bonds

43,149

-

2,567,693

-

Unquoted securities

In Malaysia

Corporate Sukuk

70,742

-

2,638,435

-

PART A - EXPLANATORY NOTES (CONTINUED)

A8 Debt instruments at fair value through other comprehensive income

	The Group and the Bank	
	30 June	31 December
	2018	2017
	RM'000	RM'000
Money market instruments		
Unquoted		
<u>In Malaysia</u>		
Government Investment Issues	745,078	-
Islamic Cagamas bonds	25,634	-
Islamic commercial papers	9,650	-
	780,362	-
Unquoted securities		
<u>In Malaysia</u>		
Corporate Sukuk	86,407	-
<u>Outside Malaysia</u>		
Corporate Sukuk	1,638,835	-
	2,505,604	-

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

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

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses- not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	570	-	-	570
Adjusted 1 January 2018	570	-	-	570
Total charge to Income Statement:	456	-	-	456
New financial assets purchased	3,179	-	-	3,179
Financial assets that have been derecognised	(485)	-	-	(485)
Change in credit risk	(2,238)	-	-	(2,238)
At 30 June 2018	1,026	-	-	1,026

PART A - EXPLANATORY NOTES (CONTINUED)

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

A9 Equity instruments at fair value through other comprehensive income

Unquoted securities

In Malaysia

Placement with Islamic Banking and Finance

575 -

A10 Debt instruments at amortised cost

Money market instruments

Unquoted

In Malaysia

Government Investment Issues

1,854,940 -

Islamic Cagamas bonds

10,046 -

Khazanah bonds

12,662 -

1,877,648 -

Unquoted securities

In Malaysia

Corporate Sukuk

3,984,843 -

5,862,491 -

Accretion of discount net of amortisation of premium

6,800 -

Less: Expected credit loss

(443) -

5,868,848 -

Expected credit losses movement for debt instruments at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (not credit impaired - Stage 2)	Lifetime expected credit losses (Credit impaired - Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	383	-	-	383
Adjusted 1 January 2018	383	-	-	383
Total charge to Income Statement:	60	-	-	60
New financial assets purchased	612	-	-	612
Financial assets that have been derecognised	(18)	-	-	(18)
Change in credit risk	(534)	-	-	(534)
At 30 June 2018	443	-	-	443

PART A - EXPLANATORY NOTES (CONTINUED)

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

PART A - EXPLANATORY NOTES (CONTINUED)

A14 (i) By type and Shariah contract

30 June 2018

	Sale-based contracts				The Group and the Bank			Loan contract	Others	Total
	Murabahah	Bai' Bithaman	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Lease-based contracts				
		Ajil				Muntahiah Bi-al-	Al-Ijarah			
RM'000	RM'000	RM'000	RM'000	RM'000	Tamlik	Thumma Al-	Qard	Ujrah	RM'000	
At amortised cost										
Cash line^	-	12,109	2,137	-	815,216	-	-	3,206	-	832,668
Term financing										
House Financing	-	6,057,639	-	-	8,788,682	1,395,760	-	-	-	16,242,081
Syndicated Financing	-	-	172,749	-	1,776,409	27,623	-	-	-	1,976,781
Hire purchase receivables	-	-	-	-	-	-	6,857,300	-	-	6,857,300
Other term financing	-	1,608,554	9,149,637	-	22,278,401	53,682	-	-	-	33,090,274
Bills receivable	-	-	-	17,424	-	-	-	410	-	17,834
Islamic trust receipts	77,427	-	-	-	-	-	-	-	-	77,427
Claims on customers under acceptance credits	575,258	-	-	81,622	-	-	-	-	-	656,880
Staff financing	-	-	-	-	91,685	-	-	-	-	91,685
Revolving credits	-	-	-	-	6,456,552	-	-	-	-	6,456,552
Credit card receivables	-	-	-	-	-	-	-	-	128,988	128,988
Share purchase financing	786	-	-	-	-	-	-	-	-	786
Gross financing, advances and other financing/loans, at amortised cost	653,471	7,678,302	9,324,523	99,046	40,206,945	1,477,065	6,857,300	3,616	128,988	66,429,256
At fair value through profit or loss										
Term financing										
Syndicated Financing	-	-	42,951	-	441,669	6,868	-	-	-	491,488
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	42,951	-	441,669	6,868	-	-	-	491,488
Total Gross financing, advances and other financing/loans	653,471	7,678,302	9,367,474	99,046	40,648,614	1,483,933	6,857,300	3,616	128,988	66,920,744
Fair value changes arising from fair value hedge										47,812
										66,968,556
Less: Expected credit losses										
At amortised cost										
- Expected credit losses on financing, advances and other financing/loans										(413,852)
Net financing, advances and other financing/loans										<u>66,554,704</u>

^ Includes current account in excess

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans

(i) By type and Shariah contract (continued)

31 December 2017

The Group and the Bank

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

^ Includes current account in excess

PART A - EXPLANATORY NOTES (CONTINUED)

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

(i) By type and Shariah contract (continued)

(a) The Group and the Bank have undertaken fair value hedges on the profit rate risk of financing, advances and other financing/loans of RM3,688,040,000 (2017: RM3,695,054,000) using Islamic profit rate swaps.

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

As at 30 June 2018, the gross carrying amount to RPSIA financing is RM7,317,995,000 (31 December 2017: RM6,123,712,000) and the 12-month expected credit losses relating to this RPSIA amounting to RM9,469,000 (31 December 2017: portfolio impairment allowance of RM10,248,000) is recognised in the Financial Statements of CIMB Bank Berhad.

(c) Movement of Qard financing

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

(ii) By geographical distribution:

Malaysia	<u>66,920,744</u>	<u>57,775,560</u>
	<u>66,920,744</u>	<u>57,775,560</u>

(iii) By type of customer :

Domestic non-bank financial institutions	2,548,447	2,659,598
Domestic business enterprises		
- Small medium enterprises	10,355,032	7,900,555
- Others	8,174,205	6,921,114
Government and statutory bodies	7,316,022	7,060,073
Individuals	37,916,973	33,002,550
Other domestic entities	85,406	84,783
Foreign entities	524,659	146,887
Gross financing, advances and other financing/loans	<u>66,920,744</u>	<u>57,775,560</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

	The Group and the Bank	
	30 June	31 December
	2018	2017
	RM'000	RM'000
(iv) By profit rate sensitivity :		
Fixed rate		
- House financing	96,632	87,009
- Hire purchase receivables	5,257,573	4,219,343
- Others	9,411,699	9,590,743
Variable rate		
- House financing	16,145,450	14,451,319
- Others	36,009,390	29,427,146
Gross financing, advances and other financing/loans	<u>66,920,744</u>	<u>57,775,560</u>
(v) By economic purpose :		
Personal use	2,339,213	2,370,568
Credit card	128,988	128,947
Construction	3,097,859	1,822,160
Residential property	16,686,548	14,924,968
Non-residential property	5,011,640	4,185,822
Purchase of fixed assets other than land and building	153,799	139,852
Merger and acquisition	1,751	2,737
Purchase of securities	11,957,342	9,029,785
Purchase of transport vehicles	7,481,116	6,388,828
Working capital	14,961,390	13,855,749
Other purpose	5,101,098	4,926,144
Gross financing, advances and other financing/loans	<u>66,920,744</u>	<u>57,775,560</u>
(vi) By economic sector:		
Primary agriculture	2,143,929	1,958,357
Mining and quarrying	1,554,830	1,607,448
Manufacturing	2,019,935	1,723,594
Electricity, gas and water supply	95,159	103,420
Construction	2,445,265	1,379,863
Transport, storage and communications	3,700,881	2,245,968
Education, health and others	7,897,676	7,581,993
Wholesale and retail trade, and restaurants and hotels	1,513,938	1,247,832
Finance, insurance/takaful, real estate and business activities	7,346,848	6,623,863
Household	38,128,308	33,246,949
Others	73,975	56,273
Gross financing, advances and other financing/loans	<u>66,920,744</u>	<u>57,775,560</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

	The Group and the Bank	
	30 June	31 December
	2018	2017
	RM'000	RM'000
(vii) By residual contractual maturity :		
Within one year	11,557,415	9,640,779
One year to less than three years	6,593,011	5,845,443
Three years to less than five years	3,445,848	2,948,667
Five years and more	45,324,470	39,340,671
Gross financing, advances and other financing/loans	<u>66,920,744</u>	<u>57,775,560</u>
(viii) Credit impaired / impaired financing by economic purpose :		
Personal use	14,729	17,573
Credit card	1,482	2,066
Construction	29,457	31,093
Residential property	136,755	122,710
Non-residential property	69,434	64,736
Purchase of fixed assets other than land & building	75	-
Purchase of securities	1,972	1,370
Purchase of transport vehicles	76,866	84,613
Working capital	55,425	26,410
Other purpose	49,671	31,299
Gross credit impaired / impaired financing, advances and other financing/loans	<u>435,866</u>	<u>381,870</u>
(ix) Credit impaired / impaired financing by geographical distribution:		
Malaysia	<u>435,866</u>	<u>381,870</u>
	<u>435,866</u>	<u>381,870</u>
(x) Credit impaired / impaired financing by economic sector:		
Primary agriculture	6,438	2,589
Mining and quarrying	2,714	2,528
Manufacturing	25,284	21,636
Construction	28,255	7,306
Transport, storage and communications	57,542	60,185
Education, health and others	11,980	11,967
Wholesale and retail trade, and restaurants and hotels	8,766	1,672
Finance, insurance/takaful, real estate and business activities	46,784	23,887
Household	248,086	248,060
Others	17	2,040
Gross credit impaired / impaired financing, advances and other financing/loans	<u>435,866</u>	<u>381,870</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

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

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

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
At 1 January 2018						
Effect of adopting MFRS 9	114,725	116,363	161,712	49,352	244,673	294,025
Adjusted 1 January 2018	114,725	116,363	161,712	(49,352)	(244,673)	98,775
Changes in expected credit losses due to transferred within stages:	134,274	(123,405)	(10,869)	-	-	-
Transferred to Stage 1	162,328	(139,162)	(23,166)	-	-	-
Transferred to Stage 2	(27,938)	56,516	(28,578)	-	-	-
Transferred to Stage 3	(116)	(40,759)	40,875	-	-	-
Total charge to Income Statement:	(104,461)	83,570	93,052	-	-	72,161
New financial assets originated	83,071	-	386	-	-	83,457
Financial assets that have been derecognised	(57,166)	(1,159)	-	-	-	(58,325)
Writeback in respect of full recoveries	-	-	(1,525)	-	-	(1,525)
Change in credit risk	(130,366)	84,729	94,191	-	-	48,554
Write-offs	-	-	(54,392)	-	-	(54,392)
Other movements	(106)	(143)	3,532	-	-	3,283
	144,432	76,385	193,035	-	-	413,852

PART A - EXPLANATORY NOTES (CONTINUED)

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

The Bank

30 June 2018

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

The Group and the Bank

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

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

1.20%

PART A - EXPLANATORY NOTES (CONTINUED)

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

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

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

	The Group and the Bank		
	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Impaired financing, advances and other financing/loans under MFRS 139 RM'000	Total RM'000
At 1 January 2018	-	381,870	381,870
Effect of adopting MFRS 9	381,870	(381,870)	-
Adjusted 1 January 2018	381,870	-	381,870
Transfer within stages	127,368	-	127,368
New financial assets originated	1,017	-	1,017
Write-offs	(54,392)	-	(54,392)
Amount fully recovered	(14,274)	-	(14,274)
Other changes in financing, advances and other financing/loans	(5,723)	-	(5,723)
At 30 June 2018	435,866	-	435,866

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

Ratio of credit impaired financing to total financing, advances and other financing/loans 0.65%

Impaired financing under MFRS 139:

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

Ratio of gross impaired financing to total financing, advances and other financing/loans 0.66%

PART A - EXPLANATORY NOTES (CONTINUED)

A15 Other assets

	The Group and the Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
Deposits and prepayments	8,277	4,725
Sundry debtors	61,356	252,860
Collateral pledged for derivative transactions	199,860	47,751
Clearing accounts	142,536	298,753
	412,029	604,089

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

A16 Deposits from customers

(i) By type of deposit

Savings deposits	3,358,347	3,066,677	3,358,347	3,066,677
Wadiah	3,312,395	3,055,616	3,312,395	3,055,616
Qard	1,474	610	1,474	610
Commodity Murabahah (via Tawarruq arrangement)*	44,478	10,451	44,478	10,451
Demand deposits	12,975,068	11,239,585	12,975,068	11,239,585
Wadiah	12,779,236	11,029,199	12,779,236	11,029,199
Qard	195,832	210,386	195,832	210,386
Term deposits	52,320,069	50,405,391	52,557,133	50,586,495
Commodity Murabahah (via Tawarruq arrangement)*	52,209,745	49,892,009	52,446,809	50,073,113
Islamic negotiable instruments	-	398,199	-	398,199
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	-	398,199	-	398,199
General investment account	913	2,169	913	2,169
Mudharabah	913	2,169	913	2,169
Specific investment account	109,411	113,014	109,411	113,014
Mudharabah	109,411	113,014	109,411	113,014
Others - Qard	16,813	17,326	16,813	17,326
	68,670,297	64,728,979	68,907,361	64,910,083

*included Qard contract of RM437,927,000 (31 December 2017:RM329,074,000)

(ii) Maturity structures of term deposits

Due within six months	42,293,265	45,140,439	42,530,329	45,321,543
Six months to less than one year	9,720,444	5,128,466	9,720,444	5,128,466
One year to less than three years	195,991	21,358	195,991	21,358
Three years to less than five years	958	2,114	958	2,114
Five years and more	109,411	113,014	109,411	113,014
	52,320,069	50,405,391	52,557,133	50,586,495

PART A - EXPLANATORY NOTES (CONTINUED)

A16 Deposits from customers (continued)

	The Group		The Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
(iii) By type of customer				
Government and statutory bodies	6,541,439	3,745,305	6,541,439	3,745,305
Business enterprises	30,439,176	26,155,945	30,439,176	26,155,945
Individuals	16,641,005	15,169,480	16,641,005	15,169,480
Others	15,048,677	19,658,249	15,285,741	19,839,353
	<u>68,670,297</u>	<u>64,728,979</u>	<u>68,907,361</u>	<u>64,910,083</u>

	The Group and the Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
A17 Investment accounts of customers		
Unrestricted investment accounts (Mudharabah)		
-without maturity		
Special Mudharabah Investment Account	368,627	289,203
-with maturity		
Term Investment Account-i	2,674,933	618,560
	<u>3,043,560</u>	<u>907,763</u>

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

A18 Deposits and placements of banks and other financial institutions

Licensed investment banks	7,271	340
Licensed banks	742,396	1,684,313
Other financial institutions	715,443	475,762
	<u>1,465,110</u>	<u>2,160,415</u>

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

Due within six months	1,432,728	2,158,364
Six months to less than one year	32,382	2,051
	<u>1,465,110</u>	<u>2,160,415</u>

A19 Investment accounts due to designated financial institutions

Restricted investment accounts		
Mudharabah	9,595,030	8,145,684
By type of counterparty		
Licensed banks	9,595,030	8,145,684

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

PART A - EXPLANATORY NOTES (CONTINUED)

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

A20 Financial liabilities designated at fair value through profit or loss

Deposits from customers - structured investments	1,262	2,233
--	--------------	-------

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

The carrying amount of the Group and the Bank as at 30 June 2018 of financial liabilities designated at fair value were RM 83,000 (31 December 2017:RM10,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

	The Group		The Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
A21 Other liabilities				
Accruals and other payables	149,560	368,402	149,560	368,402
Clearing accounts	110,266	187,700	110,266	187,700
Structured deposits	40,433	40,782	40,433	40,782
Expected credit losses for commitments and contingencies	63,603	-	63,603	-
Others	19,256	19,621	189,581	300,030
	383,118	616,505	553,443	896,914

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

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses -not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	62,475	3,035	1,423	66,933
Adjusted 1 January 2018	62,475	3,035	1,423	66,933
Changes in expected credit losses due to transferred within stages:	1,942	(1,959)	17	-
Transferred to Stage 1	2,602	(2,568)	(34)	-
Transferred to Stage 2	(660)	778	(118)	-
Transferred to Stage 3	-	(169)	169	-
Total charge to Income Statement:	(4,449)	1,356	(202)	(3,295)
New exposures	28,691	128	-	28,819
Exposures derecognised or matured	(22,761)	-	-	(22,761)
Change in credit risk	(10,379)	1,228	(202)	(9,353)
Other movements	192	(249)	22	(35)
At 30 June 2018	60,160	2,183	1,260	63,603

As at 30 June 2018, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM18,467,000 respectively.

PART A - EXPLANATORY NOTES (CONTINUED)

A22 Subordinated sukuk

The Group and the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
A23 Income derived from investment of depositors' funds and others				
The Group and the Bank				
Income derived from investment of :				
a) General investment deposits	583,844	514,918	1,011,801	979,071
b) Specific investment deposits	582	792	1,673	1,620
c) Other deposits	235,767	212,960	652,871	414,475
	820,193	728,670	1,666,345	1,395,166
a) Income derived from investment of general investment deposits				
Financing, advances and other financing/loans				
- Profit income	469,708	374,966	786,125	727,277
- Unwinding income [^]	2,466	2,044	4,188	4,132
Financial assets at fair value through profit or loss	8,058	-	15,205	-
Debt instruments at fair value through other comprehensive income	17,488	-	28,410	-
Debt instrument at amortised cost	38,848	-	62,650	-
Financial assets held for trading	-	7,309	-	12,870
Financial investments available-for-sale	-	12,869	-	24,266
Financial investments held-to-maturity	-	25,373	-	48,089
Money at call and deposit with financial institutions	52,718	50,451	92,860	95,107
	589,286	473,012	989,438	911,741
Accretion of discount less amortisation of premium	13,233	16,942	22,926	32,275
Total finance income and hibah	602,519	489,954	1,012,364	944,016
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	2,068	-	2,315	-
- realised	2,255	-	2,548	-
- unrealised	(187)	-	(233)	-
- Net gain from sale of investment in debt instruments at fair value through comprehensive income	287	-	1,242	-
- Net gain/(loss) arising from financial assets held for trading	-	640	-	1,431
- realised	-	907	-	1,610
- unrealised	-	(267)	-	(179)
- Net gain from sale of financial investments available-for-sale	-	357	-	719
- Net (loss)/gain from foreign exchange transactions	(22,721)	23,217	(6,888)	31,282
	(20,366)	24,214	(3,331)	33,432
Fee and commission income	1,691	750	2,768	1,623
	583,844	514,918	1,011,801	979,071
b) Income derived from investment of specific investment deposits				
Money at call and deposit with financial institutions	582	792	1,673	1,620

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

PART A - EXPLANATORY NOTES (CONTINUED)

2nd Quarter Ended		Six Months Ended	
30 June	30 June	30 June	30 June
2018	2017	2018	2017
RM'000	RM'000	RM'000	RM'000

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

The Group and the Bank

c) Income derived from investment of other deposits

Financing advances and other financing/loans				
- Profit income	189,675	154,881	498,069	307,608
- Unwinding income [^]	996	845	2,674	1,750
Financial assets at fair value through profit or loss	3,255	-	10,220	-
Debt instruments at fair value through other comprehensive income	7,062	-	17,707	-
Debt instrument at amortised cost	15,688	-	38,886	-
Financial assets held for trading	-	3,019	-	5,430
Financial investments available-for-sale	-	5,316	-	10,256
Financial investments held-to-maturity	-	10,480	-	20,328
Money at call and deposit with financial institutions	21,289	21,109	60,413	40,772
	237,965	195,650	627,969	386,144
Accretion of discount less amortisation of premium	5,343	6,998	14,791	13,645
Total finance income and hibah	243,308	202,648	642,760	399,789
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	836	-	1,076	-
- realised	911	-	1,196	-
- unrealised	(75)	-	(120)	-
- Net gain from sale of investment in debt instruments at fair value through other comprehensive income	115	-	1,046	-
- Net gain/(loss) arising from financial assets held for trading	-	265	-	608
- realised	-	375	-	680
- unrealised	-	(110)	-	(72)
- Net gain from sale of financial investments available-for-sale	-	147	-	304
- Net (loss)/gain from foreign exchange transactions	(9,174)	9,590	6,257	13,986
	(8,223)	10,002	8,379	13,998
Fee and commission income	682	310	1,732	688
	235,767	212,960	652,871	414,475

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

A24 Income derived from investment of investment account

The Group and The Bank

Financing advances and other financing/loans				
- Profit income	122,677	53,299	213,726	100,431
- Unwinding income [^]	-	16	8	27
Money at call and deposit with financial institutions	18,776	5,814	36,772	10,701
	141,453	59,129	250,506	111,159

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

PART A - EXPLANATORY NOTES (CONTINUED)

2nd Quarter Ended		Six Months Ended	
30 June	30 June	30 June	30 June
2018	2017	2018	2017
RM'000	RM'000	RM'000	RM'000

A25 Income derived from investment of shareholder's funds

The Group

Financing, advances and other financing/loans				
- Profit income	42,340	34,967	72,003	68,985
- Unwinding income [^]	223	190	384	392
Financial assets at fair value through profit or loss	726	-	1,396	-
Debt instruments at fair value through other comprehensive income	1,576	-	2,600	-
Debt instrument at amortised cost	3,502	-	5,733	-
Financial assets held for trading	-	682	-	1,219
Financial investments available-for-sale	-	1,200	-	2,300
Financial investments held-to-maturity	-	2,366	-	4,559
Money at call and deposit with financial institutions	4,752	4,705	8,515	9,017
	53,119	44,110	90,631	86,472
Accretion of discount less amortisation of premium	1,193	1,580	2,102	3,060
Total finance income and hibah	54,312	45,690	92,733	89,532
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	187	-	210	-
- realised	204	-	231	-
- unrealised	(17)	-	(21)	-
- Net gain from sale of investment in debt instruments at fair value through other comprehensive income	25	-	115	-
- Net gain/(loss) arising from financial assets held for trading	-	59	-	136
- realised	-	84	-	152
- unrealised	-	(25)	-	(16)
- Net gain from sale of financial investments available-for-sale	-	33	-	68
- Net (loss)/gain from foreign exchange transactions	(2,048)	2,165	(564)	2,944
- Net loss arising from hedging activities	(1,079)	(480)	(3,391)	(696)
-Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss	83	(5)	83	(9)
- realised	-	10	10	20
- unrealised	83	(15)	73	(29)
-Net gain/(loss) arising from derivative financial instrument	54,085	(18,302)	33,381	(17,237)
- realised	14,369	(6,638)	3,493	(4,791)
- unrealised	39,716	(11,664)	29,888	(12,446)
	51,253	(16,530)	29,834	(14,794)
Fee and commission income	35,908	38,039	77,098	67,429
Less : fee and commission expense	(1,875)	(3,102)	(5,539)	(3,635)
Net fee and commission income	34,033	34,937	71,559	63,794
Other income				
- Sundry income	612	(1,692)	1,417	1,829
	140,210	62,405	195,543	140,361

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

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000

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

The Bank

Financing, advances and other financing/loans				
- Profit income	42,340	34,967	72,003	68,985
- Unwinding income [^]	222	190	384	392
Financial assets at fair value through profit or loss	726	-	1,396	-
Debt instruments at fair value through other comprehensive income	1,576	-	2,600	-
Debt instrument at amortised cost	3,502	-	5,733	-
Financial assets held for trading	-	682	-	1,219
Financial investments available-for-sale	-	1,200	-	2,300
Financial investments held-to-maturity	-	2,366	-	4,559
Money at call and deposit with financial institutions	4,752	4,705	8,515	9,017
	53,118	44,110	90,631	86,472
Accretion of discount less amortisation of premium	1,193	1,580	2,102	3,060
Total finance income and hibah	54,311	45,690	92,733	89,532
Other operating income				
- Net gain/(loss) arising from financial assets at fair value through profit or loss:	187	-	210	-
- realised	204	-	231	-
- unrealised	(17)	-	(21)	-
- Net gain from sale of investment in debt instruments at fair value through other comprehensive income	25	-	115	-
- Net gain/(loss) from sale of financial investments held for trading	-	59	-	136
- realised	-	84	-	152
- unrealised	-	(25)	-	(16)
- Net gain from sale of financial investments available-for-sale	-	33	-	68
- Net gain/(loss) from foreign exchange transactions	(2,048)	2,165	(564)	2,944
- Net loss arising from hedging activities	(1,079)	(480)	(3,391)	(696)
Net gain/(loss) arising from financial liabilities designated at fair value	83	(5)	83	(9)
- realised	-	10	10	20
- unrealised	83	(15)	73	(29)
- Net gain/(loss) arising from derivative financial instrument	54,085	(18,302)	33,381	(17,237)
- realised	14,369	(6,638)	3,493	(4,791)
- unrealised	39,716	(11,664)	29,888	(12,446)
	51,253	(16,530)	29,834	(14,794)
Fee and commission income	36,536	38,779	78,365	68,864
Less : fee and commission expense	(1,875)	(3,102)	(5,539)	(3,635)
Net fee and commission income	34,661	35,677	72,826	65,229
Other income				
- Sundry income	612	(1,692)	1,417	1,829
	140,837	63,145	196,810	141,796

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

PART A - EXPLANATORY NOTES (CONTINUED)

2nd Quarter Ended		Six Months Ended	
30 June	30 June	30 June	30 June
2018	2017	2018	2017
RM'000	RM'000	RM'000	RM'000

A26(a) Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans

The Group and the Bank

Expected credit losses/allowances for bad and doubtful debts on financing, advances and other financing/loans at amortised cost:

-Expected credit losses on financing, advance and other financing/loans	12,906	-	72,161	-
-Individual impairment allowance written back	-	(2,491)	-	(12,935)
-Portfolio impairment allowance	-	48,375	-	77,293

Impaired financing, advances and other financing/loans :

- recovered	(12,295)	(12,874)	(25,939)	(26,644)
- written off	755	1,029	1,723	2,354
	1,366	34,039	47,945	40,068

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

The Group and the Bank

Expected credit losses made/(written back) on:

- Debt instrument at fair value through other comprehensive income	(340)	-	456	-
- Debt instrument at amortised cost	77	-	60	-
- Money at call and deposits and placements with banks and other financial institutions	(105)	-	51	-
- Other receivables	(1)	-	(47)	-
	(369)	-	520	-
Allowance made				
- Other receivables	-	(18)	-	19
	-	(18)	-	19

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
A27 Income attributable to depositors and others				
The Group				
Deposits from customers				
- Mudharabah	1,050	957	3,941	2,061
- Non-Mudharabah	507,121	420,725	979,999	812,211
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	12,633	12,877	24,865	21,810
Others				
- Financial liabilities designated at fair value through profit or loss	-	20	12	39
- Recourse obligation on loans and financing sold to Cagamas	21,072	11,450	42,355	25,061
- Sukuk	3,746	3,595	7,401	9,747
- Subordinated Sukuk	7,992	7,732	15,919	15,343
- Structured deposits	141	260	277	575
	553,755	457,616	1,074,769	886,847
The Bank				
Deposits from customers				
- Mudharabah	1,050	957	3,941	2,061
- Non-Mudharabah	507,121	420,725	979,999	812,211
Deposits and placements of banks and other financial institutions				
- Mudharabah				
- Non-Mudharabah	12,633	12,877	24,865	21,810
Others				
- Financial liabilities designated at fair value through profit or loss	-	20	12	39
- Recourse obligation on loans and financing sold to Cagamas	21,072	11,450	42,355	25,061
- Subordinated Sukuk	7,992	7,732	15,919	15,343
- Structured deposits	141	260	277	575
- Others	4,238	5,415	8,681	10,893
	554,247	459,436	1,076,049	887,993
A28 Profit distributed to investment account holder				
The Group and the Bank				
-Restricted	88,300	44,035	164,258	80,338
-Unrestricted	25,026	136	35,854	272
	113,326	44,171	200,112	80,610

PART A - EXPLANATORY NOTES (CONTINUED)

2nd Quarter Ended		Six Months Ended	
30 June	30 June	30 June	30 June
2018	2017	2018	2017
RM'000	RM'000	RM'000	RM'000

A29 Personnel expenses

The Group and the Bank

Salaries, allowances and bonuses	6,089	6,399	11,840	13,461
Pension costs (defined contribution plan)	587	690	1,197	1,590
Staff incentives and other staff payments	121	408	205	489
Medical expenses	35	215	79	568
Others	(248)	177	99	269
	6,584	7,889	13,420	16,377

A30 Other overheads and expenditures

The Group

Establishment

Depreciation of property, plant equipment	933	1,351	1,884	2,660
Amortisation of intangible assets	2,424	2,125	5,048	3,838
Rental	369	781	1,073	1,460
Repairs and maintenance	398	65	588	341
Outsourcing expenses	169	162	272	36
Security expenses	-	3	10	19
Utility expenses	(7)	29	32	57
Others	(322)	19	126	(62)
	3,964	4,535	9,033	8,349

Marketing

Advertisement and publicity	459	1,558	825	954
Others	317	245	395	509
	776	1,803	1,220	1,463

General expenses

Communication	27	390	55	415
Consultancy and professional fees	(347)	265	687	596
Legal expenses	3	-	309	2
Stationery	126	176	211	301
Postages	431	548	1,194	1,532
Donation	445	858	896	748
Incidental expenses on banking operations	1,223	1,035	2,299	2,034
Takaful	1,893	2,418	4,649	4,860
Others	3,969	2,816	6,217	4,977
	7,770	8,506	16,517	15,465

Total other overheads and expenditures

	12,510	14,844	26,770	25,277
--	---------------	--------	---------------	--------

Shared service costs

	128,394	114,116	255,668	226,722
	140,904	128,960	282,438	251,999

PART A - EXPLANATORY NOTES (CONTINUED)

2nd Quarter Ended		Six Months Ended	
30 June	30 June	30 June	30 June
2018	2017	2018	2017
RM'000	RM'000	RM'000	RM'000

A30 Other overheads and expenditures (continued)

The Bank

Establishment

Depreciation of property, plant equipment	933	1,351	1,884	2,660
Amortisation of intangible assets	2,424	2,125	5,048	3,838
Rental	369	781	1,073	1,460
Repairs and maintenance	398	65	588	341
Outsourcing expenses	169	162	272	36
Security expenses	-	3	10	19
Utility expenses	(7)	29	32	57
Others	(322)	19	126	(62)
	3,964	4,535	9,033	8,349

Marketing

Advertisement and publicity	459	1,558	825	954
Others	317	245	395	509
	776	1,803	1,220	1,463

General expenses

Communication	27	390	55	415
Consultancy and professional fees	(347)	265	687	596
Legal expenses	3	-	309	2
Stationery	126	176	211	301
Postages	431	548	1,194	1,532
Donation	445	858	896	748
Incidental expenses on banking operations	1,223	1,035	2,299	2,034
Takaful	1,893	2,418	4,649	4,860
Others	3,918	2,371	6,110	4,445
	7,719	8,061	16,410	14,933
Total other overheads and expenditures	12,459	14,399	26,663	24,745

Shared service costs

	128,394	114,116	255,668	226,722
	140,853	128,515	282,331	251,467

PART A - EXPLANATORY NOTES (CONTINUED)

A31 Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

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

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

The Group and the Bank	30 June 2018			31 December 2017		
	Principal Amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000	Principal amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency forwards	9,802,907	238,511	(209,907)	7,050,740	144,544	(219,927)
- Less than one year	6,143,459	115,554	(102,351)	4,311,033	40,557	(131,622)
- One year to three years	2,531,693	62,129	(54,717)	2,173,333	39,289	(30,752)
- More than three years	1,127,755	60,828	(52,839)	566,374	64,698	(57,553)
Currency swaps	9,909,852	114,413	(98,541)	10,027,094	186,300	(94,534)
- Less than one year	9,800,215	112,359	(96,438)	9,998,680	183,944	(92,148)
- One year to three years	109,464	2,054	(2,079)	28,414	2,356	(2,386)
- More than three years	173	-	(24)	-	-	-
Currency spots	13,906	14	(72)	10,755	18	(9)
- Less than one year	13,906	14	(72)	10,755	18	(9)
Currency options	12,195	49	(49)	-	-	-
- Less than one year	12,195	49	(49)	-	-	-
Cross currency profit rate swaps	3,232,831	144,705	(140,326)	3,211,014	182,867	(178,130)
- Less than one year	1,120,699	31,595	(31,352)	756,509	27,164	(26,937)
- One year to three years	1,010,336	23,733	(22,970)	793,190	23,837	(22,981)
- More than three years	1,101,796	89,377	(86,004)	1,661,315	131,866	(128,212)
	22,971,691	497,692	(448,895)	20,299,603	513,729	(492,600)
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	15,821,453	187,923	(176,757)	17,493,007	116,998	(107,951)
- Less than one year	3,021,326	12,364	(11,702)	2,964,167	2,164	(2,046)
- One year to three years	9,317,712	136,271	(132,684)	6,062,218	20,273	(17,396)
- More than three years	3,482,415	39,288	(32,371)	8,466,622	94,561	(88,509)
<u>Equity related derivatives</u>						
Equity options	267,606	2,897	(2,798)	338,076	2,953	(2,953)
- Less than one year	27,898	1,456	(1,456)	-	-	-
- One year to three years	29,168	1,116	(1,116)	30,291	1,546	(1,546)
- More than three years	210,540	325	(226)	307,785	1,407	(1,407)
<u>Credit related contracts</u>						
Total return swaps	50,000	486	(486)	50,000	626	(626)
- More than three years	50,000	486	(486)	50,000	626	(626)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,575,000	-	(68,714)	3,593,712	-	(88,629)
- Less than one year	300,000	-	(481)	300,000	-	(1,165)
- One year to three years	3,275,000	-	(68,233)	3,275,000	-	(87,375)
- More than three years	-	-	-	18,712	-	(89)
Total derivative assets/(liabilities)	42,685,750	688,998	(697,650)	41,774,398	634,306	(692,759)

PART A - EXPLANATORY NOTES (CONTINUED)

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

(i) Islamic derivative financial instruments (continued)

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

Market Risk

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

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfil their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 30 June 2018, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM688,998,000 respectively (31 December 2017: RM634,306,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity Risk

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

Cash requirements of the derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 June 2018, the Group has posted cash collateral of RM199,860,000 (31 December 2017: RM47,751,000) on their derivative contracts.

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

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

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

(ii) Commitments and contingencies

	30 June 2018 Principal amount	31 December 2017 Principal amount
The Group and the Bank	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	251,070	229,687
Certain transaction-related contingent items	741,232	712,390
Short-term self-liquidating trade-related contingencies	38,878	23,014
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	8,283,620	6,901,712
- maturity exceeding one year	6,039,432	5,507,311
Miscellaneous commitments and contingencies	30,935	63,541
Total credit-related commitments and contingencies	<u>15,385,167</u>	<u>13,437,655</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	17,090,475	15,076,977
- one year to five years	4,748,182	3,998,263
- more than five years	1,133,034	1,224,363
Profit rate related contracts :		
- less than one year	3,321,326	3,264,168
- one year to five years	14,776,762	16,848,542
- more than five years	1,298,365	974,009
Equity related contracts :		
- less than one year	27,898	-
- one year to five years	29,168	61,926
- more than five years	210,540	276,150
Credit related contracts:		
- more than five years	50,000	50,000
Total treasury-related commitments and contingencies	<u>42,685,750</u>	<u>41,774,398</u>
	<u>58,070,917</u>	<u>55,212,053</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A32 Capital Adequacy

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

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

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

	The Group		The Bank	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Common equity tier 1 ratio	14.086%	13.283%	14.088%	13.286%
Tier 1 ratio	14.676%	13.890%	14.678%	13.892%
Total capital ratio	17.327%	16.289%	17.329%	16.291%

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

	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Credit risk	26,921,242	27,492,145	26,921,357	27,492,260
Market risk	685,797	629,312	685,797	629,312
Operational risk	2,542,021	2,371,656	2,542,315	2,371,944
Total risk-weighted assets	30,149,060	30,493,113	30,149,469	30,493,516

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

	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier I capital				
Ordinary share capital	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	3,824,045	3,575,006	3,824,848	3,575,715
Common Equity Tier I capital before regulatory adjustments	4,824,045	4,575,006	4,824,848	4,575,715
<u>Less: Regulatory adjustments</u>				
Goodwill	(136,000)	(136,000)	(136,000)	(136,000)
Intangible assets	(73,564)	(78,777)	(73,564)	(78,777)
Deferred tax assets	(17,832)	(18,110)	(17,832)	(18,110)
Regulatory reserve	(349,997)	(291,600)	(349,997)	(291,600)
Common Equity Tier I capital after regulatory adjustments	4,246,652	4,050,519	4,247,455	4,051,228
Additional Tier I capital				
Perpetual preference shares	178,000	185,000	178,000	185,000
Additional Tier I capital before regulatory adjustments	178,000	185,000	178,000	185,000
<u>Less: Regulatory adjustments</u>				
Additional Tier I capital after regulatory adjustments	178,000	185,000	178,000	185,000
Total Tier I capital	4,424,652	4,235,519	4,425,455	4,236,228
Tier II capital				
Subordinated notes	610,000	610,000	610,000	610,000
Surplus eligible provisions over expected loss	135,922	40,692	135,922	40,691
General provisions/Portfolio impairment allowance and regulatory reserves ^	53,346	80,753	53,347	80,754
Total Tier II capital	799,268	731,445	799,269	731,445
Total capital	5,223,920	4,966,964	5,224,724	4,967,673

^ The capital base of the Group and the Bank as at 30 June 2018 have excluded general provision/portfolio impairment allowance on impaired financings restricted from Tier II capital of RM14.8 million (31 December 2017: RM14.4 million) respectively.

PART A - EXPLANATORY NOTES (CONTINUED)

A33. Leverage ratio

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

30 June 2018

	The Group	The Bank
Leverage ratio	<u>5.27%</u>	<u>5.27%</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting

Definition of segments

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

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

Business segment reporting

Definition of segments:

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

Consumer Banking

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

Commercial Banking

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

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

Wholesale Banking

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

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

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

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

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

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

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

Investments

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

Support and others

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

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting (continued)

The Group	Wholesale	Consumer	Commercial		Support and	
30 June 2018	Banking	Banking	Banking	Investments	others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net income:						
- external	(166,998)	703,637	116,568	71,947	-	725,154
- inter-segment	317,108	(298,202)	(19,004)	98	-	-
	150,110	405,435	97,564	72,045	-	725,154
Other income	27,112	74,977	12,143	(1,873)	-	112,359
Operating income	177,222	480,412	109,707	70,172	-	837,513
Overhead expenses	(53,705)	(199,902)	(24,040)	(808)	(17,403)	(295,858)
Consist of :						
Depreciation of property, plant and equipment	(56)	(1,828)	-	-	-	(1,884)
Amortisation of intangible assets	(1,163)	(3,885)	-	-	-	(5,048)
Profit/(loss) before allowances	123,517	280,510	85,667	69,364	(17,403)	541,655
Expected credit losses (made)/written back on financing, advances and other financing/loans advances and other financing/loans (made)/written-back	(17,020)	(40,108)	9,183	-	-	(47,945)
Expected credit losses (made)/written back for commitments and contingencies	5,589	(7,397)	5,103	-	-	3,295
Other expected credit losses (made)/written back	(100)	-	-	(467)	47	(520)
Segment results	111,986	233,005	99,953	68,897	(17,356)	496,485
Taxation and zakat						(121,130)
Profit for the financial period						375,355

The Group	Wholesale	Consumer	Commercial		Support and	
30 June 2017	Banking	Banking	Banking	Investments	others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net income:						
- external	(134,622)	550,455	107,679	55,146	-	578,658
- inter-segment	247,828	(212,610)	(35,296)	78	-	-
	113,206	337,845	72,383	55,224	-	578,658
Other income	27,507	60,816	7,150	5,098	-	100,571
Operating income	140,713	398,661	79,533	60,322	-	679,229
Overhead expenses	(46,475)	(184,387)	(27,334)	(940)	(9,240)	(268,376)
Consist of :						
Depreciation of property,	(317)	(1,969)	-	(374)	-	(2,660)
Amortisation of intangible	(164)	(3,674)	-	-	-	(3,838)
Profit/(loss) before allowances	94,238	214,274	52,199	59,382	(9,240)	410,853
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	2,045	(55,261)	13,148	-	-	(40,068)
Allowances for other impairment losses	-	-	-	-	(19)	(19)
Segment results	96,283	159,013	65,347	59,382	(9,259)	370,766
Taxation						(90,323)
Profit for the financial period						280,443

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting (continued)

The Group 30 June 2018	Wholesale Banking RM'000	Consumer Banking RM'000	Commercial Banking RM'000	Investments RM'000	Total RM'000
Segment assets	41,873,725	39,461,010	6,306,882	3,687,343	91,328,960
Unallocated assets					554,490
Total assets					91,883,450
Segment liabilities	55,865,467	25,291,647	4,271,695	1,023,995	86,452,804
Unallocated liabilities					386,601
Total liabilities					86,839,405
Other segment items					
Capital expenditure	(59)	(138)	-	-	(197)
The Group 31 December 2017	Wholesale Banking RM'000	Consumer Banking RM'000	Commercial Banking RM'000	Investments RM'000	Total RM'000
Segment assets	41,499,479	34,200,884	5,920,111	2,949,563	84,570,037
Unallocated assets					707,421
Total assets					85,277,458
Segment liabilities	52,565,647	21,317,102	4,866,399	1,080,030	79,829,178
Unallocated liabilities					653,274
Total liabilities					80,482,452
Other segment items					
Capital expenditure	651	7,598	-	387	8,636

PART A - EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation

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

Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

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

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

Valuation Model Review and Approval

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

PART A - EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation (continued)

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

The Group and the Bank	30 June 2018				31 December 2017			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		(Level 2)	(Level 3)	Total		(Level 2)	(Level 3)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets								
Financial assets at fair value through profit or loss					-	-	-	-
-Money market instruments	2,567,693	2,567,693	-	2,567,693	-	-	-	-
-Unquoted securities	70,742	70,742	-	70,742	-	-	-	-
Debt instruments at fair value through other comprehensive income					-	-	-	-
-Money market instruments	780,362	780,362	-	780,362	-	-	-	-
-Unquoted securities	1,725,242	1,725,242	-	1,725,242	-	-	-	-
Equity instruments at fair value through other comprehensive income								
-Unquoted securities	575	-	575	575	-	-	-	-
Financial assets held for trading								
-Money market instruments	-	-	-	-	3,164,166	3,164,166	-	3,164,166
-Unquoted securities	-	-	-	-	60,972	60,972	-	60,972
Financial investments available-for-sale								
-Money market instruments	-	-	-	-	382,696	382,696	-	382,696
-Unquoted securities	-	-	-	-	1,540,901	1,540,326	575	1,540,901
Derivative financial instruments								
-Trading derivatives	688,998	685,316	3,682	688,998	634,306	627,541	6,765	634,306
Total	5,833,612	5,829,355	4,257	5,833,612	5,783,041	5,775,701	7,340	5,783,041
Financial liabilities								
Derivative financial instruments								
-Trading derivatives	628,936	625,254	3,682	628,936	604,130	597,325	6,805	604,130
-Hedging derivatives	68,714	68,714	-	68,714	88,629	88,629	-	88,629
Financial liabilities designated at fair value through profit or loss	1,262	1,262	-	1,262	2,233	2,233	-	2,233
Total	698,912	695,230	3,682	698,912	694,992	688,187	6,805	694,992

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

PART A-EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation (continued)

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

	Financial Assets			Financial Liabilities		
	Equity instruments at fair value through other comprehensive income	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	
	Unquoted securities	Unquoted securities	Trading derivatives	Total	Trading derivatives	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group and the Bank						
2018						
At 1 Jan	-	575	2,707	3,282	(2,707)	(2,707)
Effect of adopting MFRS 9 on 1 Jan 2018	575	(575)	-	-	-	-
Adjusted 1 Jan	575	-	2,707	3,282	(2,707)	(2,707)
Total gains/(losses) recognised in statement of income	-	-	1,131	1,131	(1,131)	(1,131)
Settlements	-	-	(156)	(156)	156	156
At 30 June	575	-	3,682	4,257	(3,682)	(3,682)
Total gains/(losses) recognised in statement of income for financial period ended 30 June 2018 under:						
- net other income	-	-	1,131	1,131	(1,131)	(1,131)
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 30 June 2018 under "other income"	-	-	21	21	(21)	(21)

PART A-EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation (continued)

	Financial Assets			Financial Liabilities		
	Equity instruments at fair value through other comprehensive income	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	
	Unquoted securities	Unquoted securities	Trading derivatives	Total	Trading derivatives	Total
	RM'000		RM'000	RM'000	RM'000	RM'000
The Group and the Bank						
2017						
At 1 Jan	-	575	3,397	3,972	(3,397)	(3,397)
Total gains/(losses) recognised in statement of income	-	-	4,745	4,745	(4,745)	(4,745)
Total gains recognised in other comprehensive income	-	-	-	-	-	-
Settlements	-	-	(1,377)	(1,377)	1,337	1,337
Exchange fluctuation	-	-	-	-	-	-
At 30 June	-	575	6,765	7,340	(6,805)	(6,805)
Total gains/(losses) recognised in statement of income for financial period ended 30 June 2018 under:						
- net other income	-	-	4,745	4,745	(4,745)	(4,745)
Change in unrealised gains/(losses) recognised in statement of income relating to assets held on 30 June 2018 under "other income"	-	-	687	687	(647)	(647)

PART A - EXPLANATORY NOTES (CONTINUED)

A36 Credit transactions and exposures with connected parties

	The Group and the Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
Outstanding credit exposures with connected parties	2,537,203	21,210,171
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.6%	2.5%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.0%	0.0%

A37. Change in accounting policies

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

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

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

A37. Change in accounting policies (Continued)

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

A37. Change in accounting policies (Continued)

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

A37. Change in accounting policies (Continued)

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

A37. Change in accounting policies (Continued)

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

A37. Change in accounting policies (Continued)

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

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

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

PART B

B1 Group performance review

The Group recorded a higher pre-tax profit of 33.9% or RM125.7 million from RM370.8 million to RM496.5 million for the six months ended 30 June 2018. The increase was mainly due to higher income derived from investment of depositors' funds and others by RM271.2 million and higher income derived from investment of investment account by RM139.3 million. This was offset by higher income attributable to depositors and profit distributed to investment account holder by RM187.9 million and RM119.5 million.

B2 Prospects for the current financial year

CIMB Islamic is cautious on the prospects for the rest of 2018 in view of rising global trade tensions and market uncertainties. CIMB Islamic is expected to track the domestic economy and investment climate. Capital market activities are expected to track market conditions and investors sentiment. We expect an improved performance at CIMB Islamic in 2018 driven by the T18 Islamic 2.0 initiatives

B3 Computation of earnings per share (EPS)

a) Basic EPS

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

	The Group			
	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	219,249	134,288	375,355	280,443
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)	21.92	13.43	37.54	28.04

	The Bank			
	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	219,435	133,653	375,449	281,264
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)	21.94	13.37	37.54	28.13

b) Diluted EPS

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