

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

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

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

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

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

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

	The Group			
	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the financial period</b>	<b>239,373</b>	155,372	<b>614,728</b>	435,815
<b>Other comprehensive income/(expense):</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Revaluation reserve financial investments available-for-sale	-	50	-	7,877
- Net gain from change in fair value	-	1,129	-	12,519
- Realised gain transferred to statement of income on disposal and impairment	-	(1,064)	-	(2,155)
- Income tax effects	-	(15)	-	(2,487)
Debt instruments at fair value through other comprehensive income	<b>17,349</b>	-	<b>8,969</b>	-
- Net gain from change in fair value	<b>25,767</b>	-	<b>16,544</b>	-
- Realised gain transferred to statement of income on disposal	<b>(2,983)</b>	-	<b>(5,386)</b>	-
- Changes in expected credit losses	<b>33</b>	-	<b>489</b>	-
- Income tax effects	<b>(5,468)</b>	-	<b>(2,678)</b>	-
Other comprehensive income for the period, net of tax	<b>17,349</b>	50	<b>8,969</b>	7,877
<b>Total comprehensive income for the financial period</b>	<b>256,722</b>	155,422	<b>623,697</b>	443,692
Earnings per share (sen)	B3	<b>23.94</b>	15.54	<b>61.47</b>
				43.58

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

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

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

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

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

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

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

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

← Attributable to owners of the Parent →

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

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

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

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



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

← Non-distributable → Distributable

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

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

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

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

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

## **PART A - EXPLANATORY NOTES**

### **A1. Basis of preparation**

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

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

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

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

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

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

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

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

### **A2. Changes in estimates**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A3. Issuance and repayment of debt equity securities**

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

**A4. Proposed dividend**

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

**A5. Significant events after the reporting period**

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

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

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

**A7. Financial assets at fair value through profit or loss**

**Money market instruments**

**Unquoted**

In Malaysia

Islamic negotiable instruments of deposits

2,230,819 -

Islamic commercial papers

49,520 -

Government Investment Issues

65,973 -

Islamic Cagamas bonds

5,024 -

2,351,336 -

**Unquoted securities**

In Malaysia

Corporate Sukuk

41,339 -

Outside Malaysia

Corporate Sukuk

65 -

2,392,740 -

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A8 Debt instruments at fair value through other comprehensive income**

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

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

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**A9 Equity instruments at fair value through other comprehensive income**

**Unquoted securities**

In Malaysia

Placement with Islamic Banking and Finance

575                      -

**A10 Debt instruments at amortised cost**

**Money market instruments**

**Unquoted**

In Malaysia

Government Investment Issues

2,076,349                      -

Islamic Cagamas bonds

10,159                      -

Malaysian Government Sukuk

100,234                      -

2,186,742                      -

**Unquoted securities**

In Malaysia

Corporate Sukuk

4,035,383                      -

6,222,125                      -

Accretion of discount net of amortisation of premium

4,768                      -

Less: Expected credit loss

(309)                      -

6,226,584                      -

**Expected credit losses movement for debt instruments at amortised cost:**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

	<b>The Group and the Bank 31 December 2017 RM'000</b>
<b>A11 Financial assets held for trading</b>	
<b>Money market instruments</b>	
<b>Unquoted</b>	
<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>
<b>Unquoted securities</b>	
<u>In Malaysia</u>	
Corporate Sukuk	60,972
	<u>3,225,138</u>
<b>A12 Financial investments available-for-sale</b>	
<b>Money market instruments</b>	
<b>Unquoted</b>	
<u>In Malaysia</u>	
Government Investment Issues	355,065
Islamic Cagamas bonds	5,524
Malaysian Government Sukuk	22,107
	<u>382,696</u>
<b>Unquoted securities</b>	
<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>
<b>A13 Financial investments held-to-maturity</b>	
<b>Money market instruments</b>	
<b>Unquoted</b>	
<u>In Malaysia</u>	
Government Investment Issues	1,556,967
Khazanah bonds	12,662
	<u>1,569,629</u>
<b>Unquoted securities</b>	
<u>In Malaysia</u>	
Corporate Sukuk	3,157,519
Amortisation of premium less accretion of discount	5,241
	<u>4,732,389</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A14 (i) By type and Shariah contract

30 September 2018

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

<sup>^</sup> Includes current account in excess

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

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



PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans

(i) By type and Shariah contract (continued)

31 December 2017

The Group and the Bank

	Sale-based contracts					Lease-based contracts		Loan contract	Others	Total
	Murabahah	Bai' Bithaman		Bai' al-Dayn	Tawarruq	Ijarah	Al-Ijarah			
		RM'000	Ajil			Bai' al-'inah	Muntahiah Bi al-Tamlik *	Bai' #	Qard	
At amortised cost	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line <sup>^</sup>	-	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)
<b>Total net financing, advances and other financing/loans</b>										<b>57,551,408</b>

<sup>^</sup> Includes current account in excess

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**(i) By type and Shariah contract (continued)**

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

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

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

(c) Movement of Qard financing

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

**(ii) By geographical distribution:**

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

**(iii) By type of customer :**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

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

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**The Bank**

**30 September 2018**

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

**The Group and the Bank**

	<b>Individual impairment allowance RM'000</b>	<b>Portfolio impairment allowance RM'000</b>
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:**

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

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

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

0.62%

**Impaired financing under MFRS 139:**

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

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

0.66%

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A15 Other assets**

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>

**A16 Deposits from customers**

**(i) By type of deposit**

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

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



**PART A - EXPLANATORY NOTES (CONTINUED)**

**A16 Deposits from customers (continued)**

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

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**A18 Deposits and placements of banks and other financial institutions**

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

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

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

**A19 Investment accounts due to designated financial institutions**

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

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

**A20 Financial liabilities designated at fair value through profit or loss**

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

(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
<b>At 1 January 2018</b>	-	-	-	-
Effect of adopting MFRS 9	62,473	3,035	1,423	66,931
<b>Adjusted 1 January 2018</b>	62,473	3,035	1,423	66,931
Changes in expected credit losses due to transferred within stages:	4,063	(4,264)	201	-
Transferred to Stage 1	5,014	(4,926)	(88)	-
Transferred to Stage 2	(951)	1,107	(156)	-
Transferred to Stage 3	-	(445)	445	-
<b>Total charge to Income Statement:</b>	(5,256)	3,625	(241)	(1,872)
New exposures	57,347	-	-	57,347
Exposures derecognised or matured	(37,598)	(349)	(5)	(37,952)
Change in credit risk	(25,005)	3,974	(236)	(21,267)
Other movements	86	(37)	-	49
<b>At 30 September 2018</b>	<b>61,366</b>	<b>2,359</b>	<b>1,383</b>	<b>65,108</b>

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

## PART A - EXPLANATORY NOTES (CONTINUED)

### A22 Subordinated sukuk

#### The Group and the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

<sup>^</sup> Unwinding income is income earned on credit impaired/impaired financing, advances and other financing/loans

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

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

**The Group and the Bank**

**c) Income derived from investment of other deposits**

Financing, advances and other financing/loans

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

Other operating income

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

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

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

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

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

- Net (loss)/gain from foreign exchange transactions	-	289	-	593
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	(4,288)	2,709	1,969	15,795
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Fee and commission income	836	741	2,568	1,429
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	<b>238,347</b>	<b>211,955</b>	<b>891,218</b>	<b>626,430</b>
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<sup>^</sup> Unwinding income is income earned on credit impaired/ impaired financing, advances and other financing/loans

**A24 Income derived from investment of investment account**

**The Group and The Bank**

Financing, advances and other financing/loans

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

<sup>^</sup> Unwinding income is income earned on credit impaired/ impaired financing, advances and other financing/loans

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**A25 Income derived from investment of shareholder's funds**

**The Group**

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

<sup>^</sup> Unwinding income is income earned on credit impaired/impaired financing, advances and other financing/loans

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

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

**The Bank**

Financing, advances and other financing/loans

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

Other operating income

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

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

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

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

	-	(5)	-	131
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- realised

	-	(17)	-	135
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- unrealised

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

	-	65	-	133
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- Net (loss)/gain from foreign exchange transactions

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

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

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

	(4)	10	6	30
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- unrealised

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

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

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

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

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

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

	<b>29,550</b>	<b>27,161</b>	<b>102,376</b>	<b>92,390</b>
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Other income

- Sundry income

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



**PART A - EXPLANATORY NOTES (CONTINUED)**

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

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

**The Group and the Bank**

Expected credit losses made/(written back) on:

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**A29 Personnel expenses**

**The Group and the Bank**

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

**A30 Other overheads and expenditures**

**The Group**

**Establishment**

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

**Marketing**

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

**General expenses**

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

Shared service costs

	<b>128,545</b>	117,140	<b>384,213</b>	343,862
	<b>141,525</b>	129,700	<b>423,963</b>	381,699

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A31 Islamic derivative financial instruments, commitments and contingencies**

**(i) Islamic derivative financial instruments**

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

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

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

## **PART A - EXPLANATORY NOTES (CONTINUED)**

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

#### **(i) Islamic derivative financial instruments (continued)**

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

#### **Market Risk**

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

#### **Credit Risk**

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

#### **Liquidity Risk**

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

#### **Cash requirements of the derivatives**

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

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

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

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

**(ii) Commitments and contingencies**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A32 Capital Adequacy**

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

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

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

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

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

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

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

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

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



**PART A - EXPLANATORY NOTES (CONTINUED)**

**A33. Leverage ratio**

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

**30 September 2018**

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

## PART A - EXPLANATORY NOTES (CONTINUED)

### A34 Segmental reporting

#### Definition of segments

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

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

#### Business segment reporting

##### Definition of segments:

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

#### **Consumer Banking**

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

#### **Commercial Banking**

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

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

#### **Wholesale Banking**

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

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

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

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

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

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

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

#### **Investments**

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

#### **Support and others**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A34 Segmental reporting (continued)**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A34 Segmental reporting (continued)**

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A34 Segmental reporting (continued)**

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

## PART A - EXPLANATORY NOTES (CONTINUED)

### A35 Fair Value Estimation

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

#### Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

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

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

#### Valuation Model Review and Approval

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A35 Fair Value Estimation (continued)**

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

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

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

**PART A-EXPLANATORY NOTES (CONTINUED)**

**A35 Fair Value Estimation (continued)**

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

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



PART A-EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation (continued)

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A36. Change in accounting policies**

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

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

	<b>Impact of adoption of MFRS 9 as at 1 January 2018</b>	
	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Deposits and placements with banks and other financial institutions</b>		
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>
<b>Financial assets at fair value through profit or loss</b>		
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>
<b>Debt instruments at fair value through other comprehensive income</b>		
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>
<b>Equity instruments at fair value through other comprehensive income</b>		
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>
<b>Debt instruments at amortised cost</b>		
Closing balance under MFRS 139 as at 31 December 2017	-	-
- reclassification from financial investments held-to-maturity	4,425,054	4,425,054
- reclassification from financial investments available-for-sale	299,940	299,940
- Remeasurement of debt instruments at amortised cost	8,183	8,183
- recognition of expected credit losses under MFRS 9	(383)	(383)
Opening balance under MFRS 9 as at 1 January 2018	<u>4,732,794</u>	<u>4,732,794</u>

**A36. Change in accounting policies (Continued)**

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

	<b>Impact of adoption of MFRS 9 as at 1 January 2018</b>	
	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Financial assets held for trading</b>		
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	-	-
<b>Financial investments available-for-sale</b>		
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	-	-
<b>Financial investments held-to-maturity</b>		
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	-	-
<b>Financing, advances and other financing/loans</b>		
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
<b>Deferred tax assets</b>		
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
<b>Other liabilities</b>		
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
<b>Provision for taxation</b>		
Closing balance under MFRS 139 as at 31 December 2017	56,150	56,150
- Tax effect arising from MFRS 9	(40,019)	(40,019)
Opening balance under MFRS 9 as at 1 January 2018	16,131	16,131

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A36. Change in accounting policies (Continued)**

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

	<b>Impact of adoption of MFRS 9 as at 1 January 2018</b>	
	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
<b>Retained profits</b>		
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
<b>Revaluation reserve - financial investment available-for-sale</b>		
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)
	-	-
<b>Fair value reserve - Debt instruments at fair value through other comprehensive income</b>		
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)
<b>Regulatory reserve</b>		
Closing balance under MFRS 139 as at 31 December 2017	291,600	291,600
- Transfer to retained profits	(45,635)	(45,635)
	245,965	245,965

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A36. Change in accounting policies (Continued)**

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

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

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A36. Change in accounting policies (Continued)**

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

	<b>The Group</b>				<b>The Bank</b>				
	<b>Audited as at 31 December 2017 RM'000</b>	<b>Effects of adopting MFRS 9</b>		<b>Adjusted 1 January 2018 RM'000</b>	<b>Audited as at 31 December 2017 RM'000</b>	<b>Effects of adopting MFRS 9</b>		<b>Adjusted 1 January 2018 RM'000</b>	
		<b>Remeasurement RM'000</b>	<b>Reclassification RM'000</b>	<b>Total RM'000</b>		<b>Remeasurement RM'000</b>	<b>Reclassification RM'000</b>	<b>Total RM'000</b>	
<b>Liabilities</b>									
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	-	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)	-	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	-	80,508,622
<b>Total liabilities</b>	<b>80,482,452</b>	<b>26,914</b>	<b>-</b>	<b>26,914</b>	<b>80,509,366</b>	<b>80,481,708</b>	<b>26,914</b>	<b>-</b>	<b>80,508,622</b>
<b>Equity</b>									
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)	3,457,996
	4,575,006	(115,755)	(1,964)	(117,719)	4,457,287	4,575,715	(115,755)	(1,964)	4,457,996
Perpetual preference shares	220,000	-	-	-	220,000	220,000	-	-	220,000
<b>TOTAL EQUITY</b>	<b>4,795,006</b>	<b>(115,755)</b>	<b>(1,964)</b>	<b>(117,719)</b>	<b>4,677,287</b>	<b>4,795,715</b>	<b>(115,755)</b>	<b>(1,964)</b>	<b>4,677,996</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>85,277,458</b>	<b>(88,841)</b>	<b>(1,964)</b>	<b>(90,805)</b>	<b>85,186,653</b>	<b>85,277,423</b>	<b>(88,841)</b>	<b>(1,964)</b>	<b>85,186,618</b>

**PART A - EXPLANATORY NOTES (CONTINUED)**

**A36. Change in accounting policies (Continued)**

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

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

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

## PART B

### B1 Group performance review

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

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

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

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

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

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

### B2 Prospects for the current financial year

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

### B3 Computation of earnings per share (EPS)

#### a) Basic EPS

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

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

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

#### b) Diluted EPS

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