

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	The Group		The Bank	
		31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
ASSETS					
Cash and short term funds	A6	15,170,438	14,282,896	15,170,392	14,282,850
Deposits and placements with banks and other financial institutions	A6	534,380	530,017	534,380	530,017
Financial assets at fair value through profit or loss	A7	2,975,224	-	2,975,224	-
Debt instruments at fair value through other comprehensive income	A8	2,232,949	-	2,232,949	-
Equity instruments at fair value through other comprehensive income	A9	575	-	575	-
Debt instruments at amortised cost	A10	4,899,444	-	4,899,444	-
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)	683,271	634,306	683,271	634,306
Financing, advances and other financing/loans	A14	63,284,315	57,551,408	63,284,315	57,551,408
Other assets	A15	498,881	604,089	498,881	604,089
Deferred taxation		16,047	17,795	16,047	17,795
Amount due from holding company		36,055	-	36,055	-
Amount due from related companies		367	414	367	414
Statutory deposits with Bank Negara Malaysia		1,882,409	1,554,286	1,882,409	1,554,286
Investment in subsidiaries		-	-	11	11
Property, plant and equipment		5,107	6,031	5,107	6,031
Intangible assets		75,913	79,092	75,913	79,092
Goodwill		136,000	136,000	136,000	136,000
TOTAL ASSETS		92,431,375	85,277,458	92,431,340	85,277,423
LIABILITIES AND EQUITY					
Deposits from customers	A16	70,276,594	64,728,979	70,487,336	64,910,083
Investment accounts of customers	A17	1,967,292	907,763	1,967,292	907,763
Deposits and placements of banks and other financial institutions	A18	2,026,748	2,160,415	2,026,748	2,160,415
Investment accounts due to designated financial institutions	A19	9,242,374	8,145,684	9,242,374	8,145,684
Financial liabilities designated at fair value through profit or loss	A20	-	2,233	-	2,233
Islamic derivative financial instruments	A31(i)	763,119	692,759	763,119	692,759
Amount due to holding company		-	20,588	-	20,588
Amount due to related companies		699	813	699	813
Other liabilities	A21	352,326	616,505	576,295	896,914
Provision for taxation		2,225	56,150	2,225	56,150
Recourse obligation on loans and financing sold to Cagamas		1,916,438	2,072,300	1,916,438	2,072,300
Sukuk		436,373	463,257	1,010	1,000
Subordinated Sukuk	A22	613,932	615,006	613,932	615,006
TOTAL LIABILITIES		87,598,120	80,482,452	87,597,468	80,481,708
EQUITY					
Capital and reserves attributable to equity holder of the Bank					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		3,613,255	3,575,006	3,613,872	3,575,715
		4,613,255	4,575,006	4,613,872	4,575,715
Perpetual preference shares		220,000	220,000	220,000	220,000
TOTAL EQUITY		4,833,255	4,795,006	4,833,872	4,795,715
TOTAL EQUITY AND LIABILITIES		92,431,375	85,277,458	92,431,340	85,277,423
COMMITMENTS AND CONTINGENCIES	A31(ii)	53,977,745	55,212,053	53,977,745	55,212,053
Net assets per ordinary share attributable to owners of the Parent (RM)		4.61	4.58	4.61	4.58

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED 31 MARCH 2018

		The Group			
		1st Quarter Ended		Three Months Ended	
		31 March	31 March	31 March	31 March
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A23	846,152	666,496	846,152	666,496
Income derived from investment of investment account	A24	109,053	52,030	109,053	52,030
Income derived from investment of shareholder's funds	A25	55,333	77,956	55,333	77,956
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans	A26(a)	(46,579)	(6,029)	(46,579)	(6,029)
Expected credit losses/written back for commitments and contingencies		44	-	44	-
Other expected credit losses/allowance for other impairment losses	A26(b)	(889)	(37)	(889)	(37)
Total distributable income		963,114	790,416	963,114	790,416
Income attributable to depositors	A27	(521,014)	(429,231)	(521,014)	(429,231)
Profit distributed to investment account holder	A28	(86,786)	(36,439)	(86,786)	(36,439)
Total net income		355,314	324,746	355,314	324,746
Personnel expenses	A29	(6,836)	(8,488)	(6,836)	(8,488)
Other overheads and expenditures	A30	(141,534)	(123,039)	(141,534)	(123,039)
Profit for the the period		206,944	193,219	206,944	193,219
Taxation and zakat		(50,838)	(47,064)	(50,838)	(47,064)
Net profit for the period		156,106	146,155	156,106	146,155

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2018

	The Group			
	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	156,106	146,155	156,106	146,155
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve financial investments available-for-sale	-	4,512	-	4,512
- Net gain from change in fair value	-	6,491	-	6,491
- Realised gain transferred to statement of income on disposal	-	(554)	-	(554)
- Income tax effects	-	(1,425)	-	(1,425)
Debt instruments at fair value through other comprehensive income	238	-	238	-
- Net gain from change in fair value	1,241	-	1,241	-
Changes in expected credit losses	797	-	797	-
- Realised gain transferred to statement of income on disposal and impairment	(1,975)	-	(1,975)	-
- Income tax effects	175	-	175	-
Other comprehensive income for the period, net of tax	238	4,512	238	4,512
Total comprehensive income for the financial period	156,344	150,667	156,344	150,667
Earnings per share (sen)	B3	15.61	14.62	15.61

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 QUARTER ENDED 31 MARCH 2018

		The Bank			
		1st Quarter Ended		Three Months Ended	
		31 March	31 March	31 March	31 March
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A23	846,152	666,496	846,152	666,496
Income derived from investment of investment account	A24	109,053	52,030	109,053	52,030
Income derived from investment of shareholder's funds	A25	55,973	78,651	55,973	78,651
Expected credit losses/allowance for impairment losses on financing, advances and other financing/loans	A26(a)	(46,579)	(6,029)	(46,579)	(6,029)
Expected credit losses/written back for commitments and contingencies		44	-	44	-
Other expected credit losses/allowance for other impairment losses	A26(b)	(889)	(37)	(889)	(37)
Total distributable income		963,754	791,111	963,754	791,111
Income attributable to depositors	A27	(521,802)	(428,557)	(521,802)	(428,557)
Profit distributed to investment account holder	A28	(86,786)	(36,439)	(86,786)	(36,439)
Total net income		355,166	326,115	355,166	326,115
Personnel costs	A29	(6,836)	(8,488)	(6,836)	(8,488)
Other overheads and expenditures	A30	(141,478)	(122,952)	(141,478)	(122,952)
Profit before taxation		206,852	194,675	206,852	194,675
Taxation and zakat		(50,838)	(47,064)	(50,838)	(47,064)
Profit for the financial period		156,014	147,611	156,014	147,611

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2018

	The Bank			
	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	156,014	147,611	156,014	147,611
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve of financial investments available-for-sale	-	4,512	-	4,512
- Net gain from change in fair value	-	6,491	-	6,491
- Realised gain transferred to statement of income on disposal	-	(554)	-	(554)
- Income tax effects	-	(1,425)	-	(1,425)
Debt instruments at fair value through other comprehensive income	238	-	238	-
- Net gain from change in fair value	1,241	-	1,241	-
Changes in expected credit losses	797	-	797	-
- Realised gain transferred to statement of income on disposal and impairment	(1,975)	-	(1,975)	-
- Income tax effects	175	-	175	-
Other comprehensive income for the period, net of tax	238	4,512	238	4,512
Total comprehensive income for the financial period	156,252	152,123	156,252	152,123
Earnings per share basis (sen)	B3	15.60	14.76	15.60
				14.76

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 31 MARCH 2018

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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
31 March 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
Net profit for the financial period	-	-	-	-	-	-	-	146,155	146,155	-	146,155
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	4,512	-	-	-	-	-	4,512	-	4,512
Total comprehensive income for the period	-	-	4,512	-	-	-	-	146,155	150,667	-	150,667
Share-based payment expense	-	-	-	-	-	-	185	-	185	-	185
Transfer to regulatory reserve	-	-	-	-	-	18,830	-	(18,830)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(312)	-	(312)	-	(312)
At 31 March 2017	1,000,000	1,080,953	(21,185)	(2,457)	458	220,174	453	1,802,319	4,080,715	220,000	4,300,715

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 31 MARCH 2018

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

The Bank	← Non-distributable →						Distributable			Total Equity
	Ordinary share capital	Statutory reserve	Revaluation reserve - financial investments available-for-sale	Merger reserve	Capital reserve	Regulatory reserve	Share-based payment reserve	Retained profits	Perpetual preference shares	
31 March 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,959	220,000	4,150,140
Net profit for the financial period	-	-	-	-	-	-	-	147,611	-	147,611
Other comprehensive income (net of tax)										
- Financial investments available-for-sale	-	-	4,512	-	-	-	-	-	-	4,512
Total comprehensive income for the period	-	-	4,512	-	-	-	-	147,611	-	152,123
Share-based payment expense	-	-	-	-	-	-	185	-	-	185
Transfer to regulatory reserve	-	-	-	-	-	18,830	-	(18,830)	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(312)	-	-	(312)
At 31 March 2017	1,000,000	1,080,953	(21,185)	(2,457)	458	220,174	453	1,803,740	220,000	4,302,136

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 PERIOD ENDED 31 MARCH 2018

	The Group		The Bank	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Profit before taxation	206,944	193,219	206,852	194,675
Adjustments for non-cash items	<u>(120,632)</u>	<u>(76,974)</u>	<u>(120,632)</u>	<u>(76,974)</u>
Operating profit before changes in working capital	86,312	116,245	86,220	117,701
Net changes in operating assets	(5,898,663)	(2,989,452)	(5,898,663)	(2,989,452)
Net changes in operating liabilities	7,349,470	3,973,019	7,322,668	3,938,536
Tax paid	<u>(65,486)</u>	<u>(53,150)</u>	<u>(65,486)</u>	<u>(53,150)</u>
Net cash generated from operating activities	1,471,633	1,046,662	1,444,739	1,013,635
Net cash flows used in investing activities	(392,335)	(201,726)	(392,335)	(201,726)
Net cash flows used in financing activities	<u>(191,756)</u>	<u>(336,000)</u>	<u>(164,862)</u>	<u>(302,973)</u>
Net change in cash and cash equivalents	887,542	508,936	887,542	508,936
Cash and cash equivalents at beginning of the financial period	<u>14,282,896</u>	<u>8,315,442</u>	<u>14,282,850</u>	<u>8,315,396</u>
Cash and cash equivalents at end of the financial period	<u>15,170,438</u>	<u>8,824,378</u>	<u>15,170,392</u>	<u>8,824,332</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 31 March 2018 have been prepared under the historical cost convention, except for financial assets designated at fair value through profit or loss, debts instruments at fair value through other comprehensive income ("FVOCI"), 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"
- Annual improvement to MFRSs 2014 - 2016 Cycle:
 - Amendments to MFRS 1
 - Amendments to MFRS 128
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

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

A3. ISSUANCE AND REPAYMENT OF DEBT EQUITY SECURITIES

During the period, Ziya Capital Bhd ("Ziya") undertook a partial redemption of its Sukuk amounting to RM27 million.

A4. PROPOSED DIVIDEND

There were no dividends paid or proposed for the period ended 31 March 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 31 March 2018 and the date of this announcement.

PART A - EXPLANATORY NOTES (CONTINUED)

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

As at 31 March 2018, the expected credit losses in deposit placements maturing within one month and deposits and placements with banks and other financial institutions are RM12,000 and RM158,000 respectively. The 12-month expected credit losses made in the income statement during the financial period is amounting to RM156,000.

	The Group and the Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
A7 Financial assets at fair value through profit or loss		
Money market instruments		
Unquoted		
<u>In Malaysia</u>		
Bank Negara Malaysia monetary notes	110,679	-
Islamic negotiable instruments of deposits	2,272,317	-
Government Investment Issues	444,532	-
Islamic Cagamas bonds	45,542	-
	2,873,070	-
Unquoted securities		
<u>In Malaysia</u>		
Corporate Sukuk	102,154	-
	<u>2,975,224</u>	<u>-</u>
	<u>2,975,224</u>	<u>-</u>
A8 Debt instruments at fair value through other comprehensive income		
Money market instruments		
Unquoted		
<u>In Malaysia</u>		
Government Investment Issues	658,003	-
Islamic Cagamas bonds	5,574	-
Islamic commercial papers	59,827	-
	723,404	-
Unquoted securities		
Other government securities		
<u>In Malaysia</u>		
Corporate Sukuk	65,610	-
<u>Outside Malaysia</u>		
Corporate Sukuk	1,443,935	-
	<u>2,232,949</u>	<u>-</u>
	<u>2,232,949</u>	<u>-</u>

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

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

The Group and the Bank	12-month	Lifetime	Lifetime	Total
	expected credit losses (Stage 1)	losses-not credit impaired (Stage 2)	expected credit losses -Credit impaired (Stage 3)	
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	570	-	-	570
Adjusted 1 January 2018	570	-	-	570
Total charge to Income Statement:	796	-	-	796
New financial assets purchased	2,013	-	-	2,013
Financial assets that have been derecognised	(406)	-	-	(406)
Change in credit risk	(811)	-	-	(811)
At 31 March 2018	<u>1,366</u>	<u>-</u>	<u>-</u>	<u>1,366</u>

PART A - EXPLANATORY NOTES (CONTINUED)

		The Group and the Bank	
		31 March 2018 RM'000	31 December 2017 RM'000
A9	Equity instruments at fair value through other comprehensive income		
	Unquoted securities		
	<u>In Malaysia</u>		
	Placement with Islamic Banking and Finance	575	-
A10	Debt instruments at amortised cost		
	Money market instruments		
	Unquoted		
	<u>In Malaysia</u>		
	Government Investment Issues	1,565,876	-
	Khazanah bonds	12,662	-
		1,578,538	-
	Unquoted securities		
	<u>In Malaysia</u>		
	Corporate Sukuk	3,315,306	-
		4,893,844	-
	Accretion of discount net of amortisation of premium	5,966	-
	Less: Expected credit loss	(366)	-
		4,899,444	-

Expected credit losses movement for debt instruments at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (not credit impaired - Stage 2)	Lifetime expected credit losses (Credit impaired - Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	383	-	-	383
Adjusted 1 January 2018	383	-	-	383
Total charge to Income Statement:	(17)	-	-	(17)
New financial assets purchased	270	-	-	270
Financial assets that have been derecognised	(18)	-	-	(18)
Change in credit risk	(269)	-	-	(269)
At 31 March 2018	366	-	-	366

PART A - EXPLANATORY NOTES (CONTINUED)

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

PART A - EXPLANATORY NOTES (CONTINUED)

A14 (i) By type and Shariah contract

31 March 2018

	The Group and the Bank										
	Sale-based contracts				Lease-based contracts			Loan contract	Others		Total RM'000
	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi-al-Tamlik RM'000	Al-Ijarah Thumma Al-Bai' RM'000	Qard RM'000	Ujrah RM'000		
At amortised cost											
Cash line^	-	13,132	4,764	-	778,443	-	-	2,162	-	798,501	
Term financing	-	-	-	-	-	-	-	-	-	-	
House Financing	-	6,193,497	-	-	7,829,771	1,415,978	-	-	-	15,439,246	
Syndicated Financing	-	-	174,955	-	1,478,271	36,488	-	-	-	1,689,714	
Hire purchase receivables	-	-	-	-	-	-	6,207,404	-	-	6,207,404	
Other term financing	-	1,660,968	9,288,608	-	20,939,612	54,523	-	-	-	31,943,711	
Bills receivable	-	-	-	14,434	-	-	-	353	-	14,787	
Islamic trust receipts	55,653	-	-	-	-	-	-	-	-	55,653	
Claims on customers under acceptance credits	690,707	-	-	90,707	-	-	-	-	-	781,414	
Staff financing	-	-	-	-	75,962	-	-	-	-	75,962	
Revolving credits	-	-	-	-	6,028,981	-	-	-	-	6,028,981	
Credit card receivables	-	-	-	-	-	-	-	-	127,918	127,918	
Share purchase financing	1,387	-	-	-	-	-	-	-	-	1,387	
Gross financing, advances and other financing/loans, at amortised cost	747,747	7,867,597	9,468,327	105,141	37,131,040	1,506,989	6,207,404	2,515	127,918	63,164,678	
At fair value through profit or loss											
Term financing											
Syndicated Financing	-	-	50,897	-	430,050	10,615	-	-	-	491,562	
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	50,897	-	430,050	10,615	-	-	-	491,562	
Total Gross financing, advances and other financing/loans	747,747	7,867,597	9,519,224	105,141	37,561,090	1,517,604	6,207,404	2,515	127,918	63,656,240	
Fair value changes arising from fair value hedge										55,840	
										63,712,080	
Less: Expected credit losses											
At amortised cost											
- Expected credit losses on financing, advances and other financing/loans										(427,765)	
Net financing, advances and other financing/loans										63,284,315	

^ Includes current account in excess

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans

(i) By type and Shariah contract (continued)

31 December 2017

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

[^] Includes current account in excess

PART A - EXPLANATORY NOTES (CONTINUED)

A14 Financing, advances and other financing/loans (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 RM3,689,346,000 (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 31 March 2018, the gross carrying amount to RPSIA financing is RM6,856,534,000 (31 December 2017: RM6,123,712,000) and the 12-month expected credit losses relating to this RPSIA amounting to RM11,443,000 (31 December 2017: portfolio impairment allowance of RM10,248,000) is recognised in the Financial Statements of CIMB Bank Berhad.

(c) Movement of Qard financing

	The Group and the Bank	
	31 March	31 December
	2018	2017
	RM'000	RM'000
At 1 January 2018/2017	2,356	4,283
New disbursement	1,508	1,064
Repayment	(1,349)	(2,991)
As at 31 March/31 December	<u>2,515</u>	<u>2,356</u>
Sources of Qard fund:		
Depositors' fund	2,401	2,220
Shareholders' fund	114	136
	<u>2,515</u>	<u>2,356</u>
Uses of Qard fund:		
Personal use	217	162
Business purpose	2,298	2,194
	<u>2,515</u>	<u>2,356</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

	The Group and the Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
(ii) By geographical distribution:		
Malaysia	63,656,240	57,775,560
	<u>63,656,240</u>	<u>57,775,560</u>
(iii) By type of customer :		
Domestic non-bank financial institutions	2,558,496	2,659,598
Domestic business enterprises		
- Small medium enterprises	10,202,960	7,900,555
- Others	7,616,220	6,921,114
Government and statutory bodies	7,285,852	7,060,073
Individuals	35,749,544	33,002,550
Other domestic entities	81,871	84,783
Foreign entities	161,297	146,887
Gross financing, advances and other financing/loans	<u>63,656,240</u>	<u>57,775,560</u>
(iv) By profit rate sensitivity :		
Fixed rate		
- House financing	84,817	87,009
- Hire purchase receivables	4,564,755	4,219,343
- Others	9,570,469	9,590,743
Variable rate		
- House financing	15,354,429	14,451,319
- Others	34,081,770	29,427,146
Gross financing, advances and other financing/loans	<u>63,656,240</u>	<u>57,775,560</u>
(v) By economic purpose :		
Personal use	2,368,912	2,370,568
Credit card	127,918	128,947
Construction	2,946,124	1,822,160
Residential property	15,858,452	14,924,968
Non-residential property	4,866,318	4,185,822
Purchase of fixed assets other than land and building	157,906	139,852
Merger and acquisition	2,038	2,737
Purchase of securities	11,305,061	9,029,785
Purchase of transport vehicles	6,822,433	6,388,828
Working capital	14,165,935	13,855,749
Other purpose	5,035,143	4,926,144
Gross financing, advances and other financing/loans	<u>63,656,240</u>	<u>57,775,560</u>
(vi) By economic sector:		
Primary agriculture	1,917,175	1,958,357
Mining and quarrying	1,502,891	1,607,448
Manufacturing	1,886,858	1,723,594
Electricity, gas and water supply	102,916	103,420
Construction	2,334,781	1,379,863
Transport, storage and communications	3,476,386	2,245,968
Education, health and others	7,867,775	7,581,993
Wholesale and retail trade, and restaurants and hotels	1,328,332	1,247,832
Finance, insurance/takaful, real estate and business activities	7,221,337	6,623,863
Household	35,953,920	33,246,949
Others	63,869	56,273
Gross financing, advances and other financing/loans	<u>63,656,240</u>	<u>57,775,560</u>
(vii) By residual contractual maturity :		
Within one year	11,105,372	9,640,779
One year to less than three years	6,693,164	5,845,443
Three years to less than five years	3,493,418	2,948,667
Five years and more	42,364,286	39,340,671
Gross financing, advances and other financing/loans	<u>63,656,240</u>	<u>57,775,560</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

	The Group and the Bank	
	31 March	31 December
	2018	2017
	RM'000	RM'000
(viii) Credit impaired / impaired financing by economic purpose :		
Personal use	16,662	17,573
Credit card	1,985	2,066
Construction	30,658	31,093
Residential property	124,848	122,710
Non-residential property	72,772	64,736
Purchase of fixed assets other than land & building	76	-
Purchase of securities	2,497	1,370
Purchase of transport vehicles	78,720	84,613
Working capital	46,155	26,410
Other purpose	49,763	31,299
Gross credit impaired / impaired financing, advances and other financing/loans	<u>424,136</u>	<u>381,870</u>
(ix) Credit impaired / impaired financing by geographical distribution:		
Malaysia	<u>424,136</u>	<u>381,870</u>
	<u>424,136</u>	<u>381,870</u>
(x) Credit impaired / impaired financing by economic sector:		
Primary agriculture	9,984	6,132
Mining and quarrying	2,705	2,590
Manufacturing	18,480	18,720
Construction	30,198	7,162
Transport, storage and communications	59,112	60,677
Education, health and others	11,085	11,097
Wholesale and retail trade, and restaurants and hotels	7,776	1,795
Finance, insurance/takaful, real estate and business activities	44,028	24,922
Household	240,746	246,681
Others	22	2,094
Gross credit impaired / impaired financing, advances and other financing/loans	<u>424,136</u>	<u>381,870</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

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

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

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Individual impairment provision under MFRS 139 RM'000	Portfolio impairment provision under MFRS 139 RM'000	Total RM'000
At 1 January 2018						
Effect of adopting MFRS 9	114,725	116,363	161,712	49,352	244,673	294,025
Adjusted 1 January 2018	114,725	116,363	161,712	-	-	392,800
Changes in expected credit losses due to transferred within stages:	59,594	(54,872)	(4,722)	-	-	-
Transferred to Stage 1	70,413	(57,330)	(13,083)	-	-	-
Transferred to Stage 2	(10,786)	25,866	(15,080)	-	-	-
Transferred to Stage 3	(33)	(23,408)	23,441	-	-	-
Total charge to Income Statement:	(37,090)	37,144	59,201	-	-	59,255
New financial assets originated	44,660	-	236	-	-	44,896
Financial assets that have been derecognised	(32,623)	(1,128)	-	-	-	(33,751)
Writeback in respect of full recoveries	-	-	(748)	-	-	(748)
Change in credit risk	(49,127)	38,272	59,713	-	-	48,858
Write-offs	-	-	(25,482)	-	-	(25,482)
Other movements	(58)	-	1,250	-	-	1,192
	137,171	98,635	191,959	-	-	427,765

The Group and
the Bank

31 March 2018

Loss allowance for non credit-impaired exposures and regulatory reserve

1.0%

The Group and The Bank
Individual
impairment
allowance
RM'000

Portfolio
impairment
allowance
RM'000

As at 1 January 2017
Net allowance made during the period/year
Transfer from intercompany
Amount written off
Exchange fluctuation
As at 31 December 2017

48,062
9,762
-
(8,472)
-
49,352

242,862
124,660
(73)
(122,681)
(95)
244,673

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)

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

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

	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	The Group and the Bank Impaired financing, advances and other financing/loans under MFRS 139 RM'000	Total RM'000
At 1 January 2018	-	381,870	381,870
Effect of adopting MFRS 9	381,870	(381,870)	-
Adjusted 1 January 2018	381,870	-	381,870
Transfer within stages	72,407	-	72,407
New financial assets originated	634	-	634
Write-offs	(25,482)	-	(25,482)
Amount fully recovered	(5,206)	-	(5,206)
Other changes in financing, advances and other financing/loans	(87)	-	(87)
At 31 March 2018	424,136	-	424,136

**The Group and
the Bank
31 March 2018**

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

0.67%

Impaired financing under MFRS 139:

	The Group and the Bank RM'000
At 1 January 2017	466,365
Classified as impaired during the financial period/year	450,146
Reclassified as not impaired during the financial period/year	(295,807)
Amount written back in respect of recoveries	(107,682)
Amount written off	(131,152)
At 31 December 2017	381,870
Ratio of gross impaired financing to total financing, advances and other financing/loans	0.66%

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group and the Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
	A15 Other assets	
Deposits and prepayments	4,823	4,725
Sundry debtors	197,367	252,860
Collateral pledged for derivative transactions	47,280	47,751
Clearing accounts	249,411	298,753
	<u>498,881</u>	<u>604,089</u>

	The Group		The Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
	A16 Deposits from customers			
(i) By type of deposit				
Savings deposits	3,380,629	3,066,677	3,380,629	3,066,677
Wadiah	3,351,278	3,055,616	3,351,278	3,055,616
Qard	1,244	610	1,244	610
Commodity Murabahah (via Tawarruq arrangement)	28,107	10,451	28,107	10,451
Demand deposits	14,218,427	11,239,585	14,218,427	11,239,585
Wadiah	14,021,993	11,029,199	14,021,993	11,029,199
Qard	196,434	210,386	196,434	210,386
Term deposits	52,659,747	50,405,391	52,870,489	50,586,495
Commodity Murabahah (via Tawarruq arrangement)*	52,547,913	49,892,009	52,758,655	50,073,113
Islamic negotiable instruments	-	398,199	-	398,199
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	-	398,199	-	398,199
General investment account	1,238	2,169	1,238	2,169
Mudharabah	1,238	2,169	1,238	2,169
Specific investment account	110,596	113,014	110,596	113,014
Mudharabah	110,596	113,014	110,596	113,014
Others - Qard	17,792	17,326	17,792	17,326
	<u>70,276,594</u>	<u>64,728,979</u>	<u>70,487,336</u>	<u>64,910,083</u>

*included Qard contract of RM377,564,000 (31 December 2017:RM297,971,000)

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	31 March	31 December	31 March	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
A16 Deposits from customers (continued)				
(ii) Maturity structures of term deposits				
Due within six months	47,763,058	45,140,439	47,973,800	45,321,543
Six months to less than one year	4,718,320	5,128,466	4,718,320	5,128,466
One year to less than three years	65,663	21,358	65,663	21,358
Three years to less than five years	2,110	2,114	2,110	2,114
Five years and more	110,596	113,014	110,596	113,014
	<u>52,659,747</u>	<u>50,405,391</u>	<u>52,870,489</u>	<u>50,586,495</u>
(iii) By type of customer				
Government and statutory bodies	6,466,754	3,745,305	6,466,754	3,745,305
Business enterprises	27,732,570	26,155,945	27,732,570	26,155,945
Individuals	14,494,539	15,169,480	14,494,539	15,169,480
Others	21,582,731	19,658,249	21,793,473	19,839,353
	<u>70,276,594</u>	<u>64,728,979</u>	<u>70,487,336</u>	<u>64,910,083</u>

	The Group and the Bank	
	31 March	31 December
	2018	2017
	RM'000	RM'000
A17 Investment accounts of customers		
Unrestricted investment accounts (Mudharabah)		
-without maturity		
Special Mudharabah Investment Account	317,277	289,203
-with maturity		
Term Investment Account-i	1,650,015	618,560
	<u>1,967,292</u>	<u>907,763</u>

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

A18 Deposits and placements of banks and other financial institutions

Licensed Islamic banks	130,058	-
Licensed investment banks	46,778	340
Licensed banks	1,120,848	1,684,313
Other financial institutions	729,064	475,762
	<u>2,026,748</u>	<u>2,160,415</u>

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

Due within six months	1,982,205	2,158,364
Six months to less than one year	44,543	2,051
	<u>2,026,748</u>	<u>2,160,415</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

A19 Investment accounts due to designated financial institutions

Restricted investment accounts		
Mudharabah	<u>9,242,374</u>	<u>8,145,684</u>
By type of counterparty		
Licensed banks	<u>9,242,374</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>-</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 MFRS139. The Group and the Bank have the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

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

The Group and the Bank did not issue any new structured investments in 2018 and 2017.

	The Group		The Bank	
	31 March	31 December	31 March	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000

A21 Other liabilities

Accruals and other payables		117,419	368,402	117,419	368,402
Clearing accounts		104,638	187,700	104,638	187,700
Structured deposits		40,429	40,782	40,429	40,782
Expected credit losses/allowances for commitments and contingencies	A21(a)	66,869	-	66,869	-
Others		22,971	19,621	246,940	300,030
		<u>352,326</u>	<u>616,505</u>	<u>576,295</u>	<u>896,914</u>

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

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses -not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	62,475	3,035	1,423	66,933
Adjusted 1 January 2018	<u>62,475</u>	<u>3,035</u>	<u>1,423</u>	<u>66,933</u>
Changes in expected credit losses due to transferred within stages:	491	(516)	25	-
Transferred to Stage 1	967	(933)	(34)	-
Transferred to Stage 2	(476)	538	(62)	-
Transferred to Stage 3	-	(121)	121	-
Total charge to Income Statement:	<u>346</u>	<u>(488)</u>	<u>98</u>	<u>(44)</u>
New exposures	23,241	126	(4)	23,363
Exposures derecognised or matured	(8,784)	(349)	(4)	(9,137)
Change in credit risk	(14,111)	(265)	106	(14,270)
Other movements	81	(120)	19	(20)
At 31 March 2018	<u>63,393</u>	<u>1,911</u>	<u>1,565</u>	<u>66,869</u>

As at 31 March 2018, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM18,802,000 respectively.

A22 Subordinated sukuk

The Group and the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

	1st Quarter Ended		Three Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
A23 Income derived from investment of depositors' funds and others				
The Group and The Bank				
Income derived from investment of :				
a) General investment deposits	427,957	464,153	427,957	464,153
b) Specific investment deposits	1,091	827	1,091	827
c) Other deposits	417,104	201,516	417,104	201,516
	846,152	666,496	846,152	666,496
a) Income derived from investment of general investment deposits				
Financing, advances and other financing/loans				
- Profit income	316,417	352,311	316,417	352,311
- Unwinding income [^]	1,722	2,088	1,722	2,088
Financial assets at fair value through profit or loss	7,147	-	7,147	-
Debt instruments at fair value through other comprehensive income	10,922	-	10,922	-
Debt instrument at amortised cost	23,802	-	23,802	-
Financial assets held for trading	-	5,561	-	5,561
Financial investments available-for-sale	-	11,397	-	11,397
Financial investments held-to-maturity	-	22,716	-	22,716
Money at call and deposit with financial institutions	40,142	44,656	40,142	44,656
	400,152	438,729	400,152	438,729
Accretion of discount less amortisation of premium	9,693	15,333	9,693	15,333
Total finance income and hibah	409,845	454,062	409,845	454,062
Other operating income				
- Net gain arising from financial assets at fair value through profit or loss:	247	-	247	-
- realised	293	-	293	-
- unrealised	(46)	-	(46)	-
- Net gain from sale of investment in debt instruments designated at fair value through comprehensive income	955	-	955	-
- Net gain from maturity of financial assets measured at amortised cost	-	-	-	-
- Net gain arising from financial assets held for trading	-	791	-	791
- realised	-	703	-	703
- unrealised	-	88	-	88
- Net gain from sale of financial investments available-for-sale	-	362	-	362
- Net gain from foreign exchange transactions	15,833	8,065	15,833	8,065
	17,035	9,218	17,035	9,218
Fee and commission income	1,077	873	1,077	873
	427,957	464,153	427,957	464,153
b) Income derived from investment of specific investment deposits				
Money at call and deposit with financial institutions	1,091	827	1,091	827

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

1st Quarter Ended		Three Months Ended	
31 March	31 March	31 March	31 March
2018	2017	2018	2017
RM'000	RM'000	RM'000	RM'000

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

Financing, advances and other financing/loans				
- Profit income	308,394	152,727	308,394	152,727
- Unwinding income [^]	1,678	905	1,678	905
Financial assets at fair value through profit or loss	6,965	-	6,965	-
Debt instruments at fair value through other comprehensive income	10,645	-	10,645	-
Debt instrument at amortised cost	23,198	-	23,198	-
Financial assets held for trading	-	2,411	-	2,411
Financial investments available-for-sale	-	4,940	-	4,940
Financial investments held-to-maturity	-	9,848	-	9,848
Money at call and deposit with financial institutions	39,124	19,664	39,124	19,664
	390,004	190,495	390,004	190,495
Accretion of discount less amortisation of premium	9,448	6,647	9,448	6,647
Total finance income and hibah	399,452	197,142	399,452	197,142
Other operating income				
- Net gain arising from financial assets at fair value through profit or loss:	240	-	240	-
- realised	285	-	285	-
- unrealised	(45)	-	(45)	-
- Net gain from sale of investment in debt instruments designated at fair value through other comprehensive income	931	-	931	-
- Net gain from maturity of financial assets measured at amortised cost	-	-	-	-
- Net gain arising from financial assets held for trading	-	343	-	343
- realised	-	305	-	305
- unrealised	-	38	-	38
- Net gain from sale of financial investments available-for-sale	-	157	-	157
- Net gain from foreign exchange transactions	15,431	3,496	15,431	3,496
	16,602	3,996	16,602	3,996
Fee and commission income	1,050	378	1,050	378
	417,104	201,516	417,104	201,516

[^] 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	91,049	47,132	91,049	47,132
- Unwinding income [^]	8	11	8	11
Money at call and deposit with financial institutions	17,996	4,887	17,996	4,887
	109,053	52,030	109,053	52,030

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

	1st Quarter Ended		Three Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
A25 Income derived from investment of shareholder's funds				
The Group				
Financing advances and other financing/loans				
- Profit income	29,663	34,018	29,663	34,018
- Unwinding income [^]	161	202	161	202
Financial assets at fair value through profit or loss	670	-	670	-
Debt instruments at fair value through other comprehensive income	1,024	-	1,024	-
Debt instrument at amortised cost	2,231	-	2,231	-
Financial assets held for trading	-	537	-	537
Financial investments available-for-sale	-	1,100	-	1,100
Financial investments held-to-maturity	-	2,193	-	2,193
Money at call and deposit with financial institutions	3,763	4,312	3,763	4,312
	37,512	42,362	37,512	42,362
Accretion of discount less amortisation of premium	909	1,480	909	1,480
Total finance income and hibah	38,421	43,842	38,421	43,842
Other operating income				
- Net gain arising from financial assets at fair value through profit or loss:	23	-	23	-
- realised	27	-	27	-
- unrealised	(4)	-	(4)	-
- Net gain from sale of investment in debt instruments designated at fair value through other comprehensive income	90	-	90	-
- Net gain arising from financial assets held for trading	-	77	-	77
- realised	-	68	-	68
- unrealised	-	9	-	9
- Net gain from sale of financial investments available-for-sale	-	35	-	35
- Net gain from foreign exchange transactions	1,484	779	1,484	779
- Net loss arising from hedging activities	(2,312)	(216)	(2,312)	(216)
- Net loss arising from financial liabilities designated at fair value through profit or loss	-	(4)	-	(4)
- realised	10	10	10	10
- unrealised	(10)	(14)	(10)	(14)
- Net (loss)/gain arising from derivative financial instrument	(20,704)	1,065	(20,704)	1,065
- realised	(10,876)	1,847	(10,876)	1,847
- unrealised	(9,828)	(782)	(9,828)	(782)
	(21,419)	1,736	(21,419)	1,736
Fee and commission income	41,190	29,390	41,190	29,390
Less : fee and commission expense	(3,664)	(533)	(3,664)	(533)
Net fee and commission income	37,526	28,857	37,526	28,857
Other income				
- Sundry income	805	3,521	805	3,521
	55,333	77,956	55,333	77,956

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

PART A - EXPLANATORY NOTES (CONTINUED)

	1st Quarter Ended		Three Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
A25 Income derived from investment of shareholder's funds (cont'd.)				
The Bank				
Financing, advances and other financing/loans				
- Profit income	29,663	34,018	29,663	34,018
- Unwinding income [^]	161	202	161	202
Financial assets at fair value through profit or loss	670	-	670	-
Debt instruments at fair value through other comprehensive income	1,024	-	1,024	-
Debt instrument at amortised cost	2,231	-	2,231	-
Financial assets held for trading	-	537	-	537
Financial investments available-for-sale	-	1,100	-	1,100
Financial investments held-to-maturity	-	2,193	-	2,193
Money at call and deposit with financial institutions	3,763	4,312	3,763	4,312
	37,512	42,362	37,512	42,362
Accretion of discount less amortisation of premium	909	1,480	909	1,480
Total finance income and hibah	38,421	43,842	38,421	43,842
Other operating income				
- Net gain arising from financial assets at fair value through profit or loss:	23	-	23	-
- realised gain	27	-	27	-
- unrealised gain	(4)	-	(4)	-
- Net gain from sale of investment in debt instruments designated at fair value through other comprehensive income	90	-	90	-
- Net gain from sale of financial investments held for trading	-	77	-	77
- realised	-	68	-	68
- unrealised	-	9	-	9
- Net gain from sale of financial investments available-for-sale	-	35	-	35
- Net gain from sale of financial investments held-to-maturity	-	-	-	-
- Net gain from foreign exchange transactions	1,484	779	1,484	779
- Net loss arising from hedging activities	(2,312)	(216)	(2,312)	(216)
Net loss arising from financial liabilities designated at fair value	-	(4)	-	(4)
- realised	10	10	10	10
- unrealised	(10)	(14)	(10)	(14)
- Net (loss)/gain arising from derivative financial instrument	(20,704)	1,065	(20,704)	1,065
- realised	(10,876)	1,847	(10,876)	1,847
- unrealised	(9,828)	(782)	(9,828)	(782)
	(21,419)	1,736	(21,419)	1,736
Fee and commission income	41,829	30,085	41,829	30,085
Less : fee and commission expense	(3,664)	(533)	(3,664)	(533)
Net fee and commission income	38,165	29,552	38,165	29,552
Other income				
- Sundry income	806	3,521	806	3,521
	55,973	78,651	55,973	78,651

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

1st Quarter Ended		Three Months Ended	
31 March	31 March	31 March	31 March
2018	2017	2018	2017
RM'000	RM'000	RM'000	RM'000

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

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

-Expected credit losses on financing, advance and other financing/loans	59,255	-	59,255	-
-Individual impairment allowance written back	-	(10,444)	-	(10,444)
-Portfolio impairment allowance	-	28,918	-	28,918

Impaired financing, advances and other financing/loans :

- recovered	(13,644)	(13,770)	(13,644)	(13,770)
- written off	968	1,325	968	1,325
	<u>46,579</u>	<u>6,029</u>	<u>46,579</u>	<u>6,029</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	796	-	796	-
- Debt instrument at amortised cost	(17)	-	(17)	-
- Money at call and deposits and placements with banks and other financial institutions	156	-	156	-
- Other receivables	(46)	-	(46)	-
	<u>889</u>	<u>-</u>	<u>889</u>	<u>-</u>

Allowance made

- Other receivables	-	37	-	37
	<u>-</u>	<u>37</u>	<u>-</u>	<u>37</u>

PART A - EXPLANATORY NOTES (CONTINUED)

	1st Quarter Ended		Three Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
A27 Income attributable to depositors				
The Group				
Deposits from customers				
- Mudharabah	2,891	1,104	2,891	1,104
- Non-Mudharabah	472,878	391,486	472,878	391,486
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	12,232	8,933	12,232	8,933
Others				
- Financial liabilities designated at fair value through profit or loss	12	19	12	19
- Recourse obligation on loans and financing sold to Cagamas	21,283	13,611	21,283	13,611
- Sukuk	3,655	674	3,655	674
- Subordinated Sukuk	7,927	13,089	7,927	13,089
- Structured deposits	136	315	136	315
	521,014	429,231	521,014	429,231
The Bank				
Deposits from customers				
- Mudharabah	2,891	1,104	2,891	1,104
- Non-Mudharabah	472,878	391,486	472,878	391,486
Deposits and placements of banks and other financial institutions				
- Mudharabah				
- Non-Mudharabah	12,232	8,933	12,232	8,933
Others				
- Financial liabilities designated at fair value through profit or loss	12	19	12	19
- Recourse obligation on loans and financing sold to Cagamas	21,283	13,611	21,283	13,611
- Subordinated Sukuk	7,927	13,089	7,927	13,089
- Structured deposits	136	315	136	315
- Others	4,443	-	4,443	-
	521,802	428,557	521,802	428,557
A28 Profit distributed to investment account holder				
The Group and The Bank				
-Restricted	75,958	36,303	75,958	36,303
-Unrestricted	10,828	136	10,828	136
	86,786	36,439	86,786	36,439

	1st Quarter Ended		Three Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
A29 Personnel expenses				
The Group and The Bank				
Salaries, allowances and bonuses	5,751	7,062	5,751	7,062
Pension costs (defined contribution plan)	610	900	610	900
Staff incentives and other staff payments	84	81	84	81
Medical expenses	44	353	44	353
Others	347	92	347	92
	6,836	8,488	6,836	8,488
A30 Other overheads and expenditures				
The Group				
Establishment				
Depreciation of property, plant equipment	951	1,309	951	1,309
Amortisation of intangible assets	2,624	1,713	2,624	1,713
Rental	704	679	704	679
Repairs and maintenance	190	276	190	276
Outsourcing expenses	103	(126)	103	(126)
Security expenses	10	16	10	16
Utility expenses	39	28	39	28
Others	448	(81)	448	(81)
	5,069	3,814	5,069	3,814
Marketing				
Advertisement and publicity	366	(604)	366	(604)
Others	78	264	78	264
	444	(340)	444	(340)
General expenses				
Communication	28	25	28	25
Consultancy and professional fees	1,034	331	1,034	331
Legal expenses	306	2	306	2
Stationery	85	125	85	125
Postages	763	984	763	984
Donation	451	(110)	451	(110)
Incidental expenses on banking operations	1,076	999	1,076	999
Takaful	2,756	2,442	2,756	2,442
Others	2,248	2,161	2,248	2,161
	8,747	6,959	8,747	6,959
Total other overheads and expenditures	14,260	10,433	14,260	10,433
Shared service costs	127,274	112,606	127,274	112,606
	141,534	123,039	141,534	123,039

	1st Quarter Ended		Three Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
A30 Other overheads and expenditures (continued)				
The Bank				
Establishment				
Depreciation of property, plant equipment	951	1,309	951	1,309
Amortisation of intangible assets	2,624	1,713	2,624	1,713
Rental	704	679	704	679
Repairs and maintenance	190	276	190	276
Outsourcing expenses	103	(126)	103	(126)
Security expenses	10	16	10	16
Utility expenses	39	28	39	28
Others	448	(81)	448	(81)
	5,069	3,814	5,069	3,814
Marketing				
Advertisement and publicity	366	(604)	366	(604)
Others	78	264	78	264
	444	(340)	444	(340)
General expenses				
Communication	28	25	28	25
Consultancy and professional fees	1,034	331	1,034	331
Legal expenses	306	2	306	2
Stationery	85	125	85	125
Postages	763	984	763	984
Donation	451	(110)	451	(110)
Incidental expenses on banking operations	1,076	999	1,076	999
Takaful	2,756	2,442	2,756	2,442
Others	2,192	2,074	2,192	2,074
	8,691	6,872	8,691	6,872
Total other overheads and expenditures	14,204	10,346	14,204	10,346
Shared service costs	127,274	112,606	127,274	112,606
	141,478	122,952	141,478	122,952

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	31 March 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	9,320,885	221,181	(298,137)	7,050,740	144,544	(219,927)
- Less than one year	5,699,683	103,836	(196,679)	4,311,033	40,557	(131,622)
- One year to three years	2,558,182	71,133	(62,978)	2,173,333	39,289	(30,752)
- More than three years	1,063,020	46,212	(38,480)	566,374	64,698	(57,553)
Currency swaps	7,254,902	135,959	(52,884)	10,027,094	186,300	(94,534)
- Less than one year	7,226,315	134,547	(51,435)	9,998,680	183,944	(92,148)
- One year to three years	28,414	1,412	(1,430)	28,414	2,356	(2,386)
- More than three years	173	-	(19)	-	-	-
Currency spots	81,786	59	(34)	10,755	18	(9)
- Less than one year	81,786	59	(34)	10,755	18	(9)
Currency options	34,215	126	(126)	-	-	-
- Less than one year	34,215	126	(126)	-	-	-
Cross currency profit rate swaps	2,831,133	164,671	(160,153)	3,211,014	182,867	(178,130)
- Less than one year	420,139	30,013	(29,870)	756,509	27,164	(26,937)
- One year to three years	1,200,689	42,661	(41,928)	793,190	23,837	(22,981)
- More than three years	1,210,305	91,997	(88,355)	1,661,315	131,866	(128,212)
	19,522,921	521,996	(511,334)	20,299,603	513,729	(492,600)
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	15,118,522	158,093	(148,409)	17,493,007	116,998	(107,951)
- Less than one year	1,755,278	4,137	(3,820)	2,964,167	2,164	(2,046)
- One year to three years	11,106,590	124,750	(120,373)	6,062,218	20,273	(17,396)
- More than three years	2,256,654	29,206	(24,216)	8,466,622	94,561	(88,509)
<u>Equity related derivatives</u>						
Equity options	278,110	2,792	(2,792)	338,076	2,953	(2,953)
- Less than one year	27,822	1,394	(1,394)	-	-	-
- One year to three years	29,087	1,056	(1,056)	30,291	1,546	(1,546)
- More than three years	221,201	342	(342)	307,785	1,407	(1,407)
<u>Credit related contracts</u>						
Total return swaps	50,000	390	(390)	50,000	626	(626)
- More than three years	50,000	390	(390)	50,000	626	(626)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,575,000	-	(100,194)	3,593,712	-	(88,629)
- Less than one year	300,000	-	(3,452)	300,000	-	(1,165)
- One year to three years	3,275,000	-	(96,742)	3,275,000	-	(87,375)
- More than three years	-	-	-	18,712	-	(89)
Total derivative assets/(liabilities)	38,544,553	683,271	(763,119)	41,774,398	634,306	(692,759)

PART A - EXPLANATORY NOTES (CONTINUED)

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

(i) Islamic derivative financial instruments (continued)

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

Market Risk

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

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfil their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 31 March 2018, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM683,271,000 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 31 March 2018, the Group has posted cash collateral of RM47,280,000 (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

	31 March 2018 Principal amount	31 December 2017 Principal amount
The Group and the Bank	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	222,845	229,687
Certain transaction-related contingent items	721,491	712,390
Short-term self-liquidating trade-related contingencies	54,281	23,014
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	8,914,328	6,901,712
- maturity exceeding one year	5,468,670	5,507,311
Miscellaneous commitments and contingencies	51,577	63,541
Total credit-related commitments and contingencies	<u>15,433,192</u>	<u>13,437,655</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	13,462,139	15,076,977
- one year to five years	4,927,748	3,998,263
- more than five years	1,133,034	1,224,363
Profit rate related contracts :		
- less than one year	2,055,278	3,264,168
- one year to five years	15,697,922	16,848,542
- more than five years	940,322	974,009
Equity related contracts :		
- less than one year	27,822	-
- one year to five years	29,087	61,926
- more than five years	221,201	276,150
Credit related contracts:		
- more than five years	50,000	50,000
Total treasury-related commitments and contingencies	<u>38,544,553</u>	<u>41,774,398</u>
	<u>53,977,745</u>	<u>55,212,053</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A32 Capital Adequacy

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

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

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

	The Group		The Bank	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Common equity tier 1 ratio	13.289%	13.283%	13.291%	13.286%
Tier 1 ratio	13.882%	13.890%	13.885%	13.892%
Total capital ratio	16.550%	16.289%	16.552%	16.291%

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

	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Credit risk	26,923,028	27,492,145	26,923,142	27,492,260
Market risk	603,385	629,312	603,385	629,312
Operational risk	2,448,492	2,371,656	2,448,688	2,371,944
Total risk-weighted assets	29,974,905	30,493,113	29,975,215	30,493,516

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

	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier I capital				
Ordinary share capital	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	3,512,220	3,575,006	3,512,929	3,575,715
Common Equity Tier I capital before regulatory adjustments	4,512,220	4,575,006	4,512,929	4,575,715
<u>Less: Regulatory adjustments</u>				
Goodwill	(136,000)	(136,000)	(136,000)	(136,000)
Intangible assets	(75,651)	(78,777)	(75,651)	(78,777)
Deferred tax assets	(16,309)	(18,110)	(16,309)	(18,110)
Regulatory reserve	(301,036)	(291,600)	(301,036)	(291,600)
Common Equity Tier I capital after regulatory adjustments	3,983,224	4,050,519	3,983,933	4,051,228
Additional Tier I capital				
Perpetual preference shares	178,000	185,000	178,000	185,000
Additional Tier I capital before regulatory adjustments	178,000	185,000	178,000	185,000
<u>Less: Regulatory adjustments</u>				
Additional Tier I capital after regulatory adjustments	178,000	185,000	178,000	185,000
Total Tier I capital	4,161,224	4,235,519	4,161,933	4,236,228
Tier II capital				
Subordinated notes	610,000	610,000	610,000	610,000
Surplus eligible provisions over expected loss	135,545	40,692	135,545	40,691
Portfolio impairment allowance and regulatory reserves ^	54,153	80,753	54,155	80,754
Total Tier II capital	799,698	731,445	799,700	731,445
Total capital	4,960,922	4,966,964	4,961,633	4,967,673

^ The capital base of the Group and the Bank as at 31 March 2018 have excluded general provision / portfolio impairment allowance on impaired financings restricted from Tier II capital of RM18.7 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.

31 March 2018

	The Group	The Bank
Leverage ratio	<u>4.84%</u>	<u>4.85%</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting

Definition of segments

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

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

Business segment reporting

Definition of segments:

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

Consumer Banking

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

Commercial Banking

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

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

Wholesale Banking

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

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

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

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

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

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

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

Investments

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

Support and others

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

PART A - EXPLANATORY NOTES (CONTINUED)

A34 Segmental reporting (continued)

The Group 31 March 2018	Wholesale Banking RM'000	Consumer Banking RM'000	Commercial Banking RM'000	Investments RM'000	Support and others RM'000	Total RM'000
Net income:						
- external	(77,325)	336,603	55,327	35,459	-	350,064
- inter-segment	149,791	(142,308)	(7,089)	(394)	-	-
	72,466	194,295	48,238	35,065	-	350,064
Other income	16,613	36,067	4,678	(4,683)	-	52,675
Operating income	89,079	230,362	52,916	30,382	-	402,739
Overhead expenses	(27,052)	(100,446)	(12,006)	(629)	(8,238)	(148,371)
Consist of :						
Depreciation of property, plant and equipment	(32)	(918)	-	-	-	(950)
Amortisation of intangible	(678)	(1,946)	-	-	-	(2,624)
Profit/(loss) before allowances	62,027	129,916	40,910	29,753	(8,238)	254,368
Expected credit losses (made)/written back on financing, advances and other financing/loans	(32,013)	(14,719)	153	-	-	(46,579)
Expected credit losses (made)/written back for commitments and	(1,606)	(3,326)	4,976	-	-	44
Other expected credit losses (made)/written back	(287)	-	-	(648)	46	(889)
Segment results	28,121	111,871	46,039	29,105	(8,192)	206,944
Taxation and zakat						(50,838)
Net profit for the financial year						156,106

The Group 31 March 2017	Wholesale Banking RM'000	Consumer Banking RM'000	Commercial Banking RM'000	Investments RM'000	Support and others RM'000	Total RM'000
Net income:						
- external	(59,129)	260,305	53,789	27,267	-	282,232
- inter-segment	110,187	(92,125)	(18,127)	65	-	-
	51,058	168,180	35,662	27,332	-	282,232
Other income	11,991	31,786	2,842	1,961	-	48,580
Operating income	63,049	199,966	38,504	29,293	-	330,812
Overhead expenses	(20,734)	(92,167)	(13,740)	(453)	(4,433)	(131,527)
Consist of :						
Depreciation of property,	(224)	(956)	-	(129)	-	(1,309)
Amortisation of intangible	200	(1,913)	-	-	-	(1,713)
Profit/(loss) before allowances	42,315	107,799	24,764	28,840	(4,433)	199,285
Allowances for impairment losses on financing, advances and other financing/loans	3,414	(9,805)	362	-	-	(6,029)
Allowances for other impairment losses	-	-	-	-	(37)	(37)
Segment results	45,729	97,994	25,126	28,840	(4,470)	193,219
Taxation						(47,064)
Net profit for the financial year						146,155

PART A - EXPLANATORY NOTES (CONTINUED)

A30 Segmental reporting (continued)

The Group	Wholesale	Consumer	Commercial		
31 March 2018	Banking	Banking	Banking	Investments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	45,505,990	37,100,235	5,925,104	3,267,676	91,799,005
Unallocated assets					632,370
Total assets					92,431,375
Segment liabilities	59,087,877	21,810,665	5,334,647	1,050,110	87,283,299
Unallocated liabilities					314,821
Total liabilities					87,598,120
Other segment items					
Capital expenditure	(143)	(386)	-	-	(529)
The Group	Wholesale	Consumer	Commercial		
31 December 2017	Banking	Banking	Banking	Investments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	41,499,479	34,200,884	5,920,111	2,949,563	84,570,037
Unallocated assets					707,421
Total assets					85,277,458
Segment liabilities	52,565,647	21,317,102	4,866,399	1,080,030	79,829,178
Unallocated liabilities					653,274
Total liabilities					80,482,452
Other segment items					
Capital expenditure	651	7,598	-	387	8,636

PART A - EXPLANATORY NOTES (CONTINUED)

A35 Fair Value Estimation

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

Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

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

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

Valuation Model Review and Approval

- 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-Market prices will be verified by Group Risk Management Quantitative Analysts before submitting to the Group Market Risk Committee for approval;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification;
- 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 or / and the Group Market Risk Committee;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodologies. 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;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions; 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 31 March 2018 and 31 December 2017.

The Group and the Bank	31 March 2018				31 December 2017			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		(Level 2)	(Level 3)	Total		(Level 2)	(Level 3)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>								
Financial assets at fair value through profit or loss								
-Money market instruments	2,873,070	2,873,070	-	2,873,070	-	-	-	-
-Unquoted securities	102,154	102,154	-	102,154	-	-	-	-
Debt instruments at fair value through other comprehensive income								
-Money market instruments	723,404	723,404	-	723,404	-	-	-	-
-Unquoted securities	1,443,935	1,443,935	-	1,443,935	-	-	-	-
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	683,271	683,271	-	683,271	634,306	634,306	-	634,306
Total	5,826,409	5,825,834	575	5,826,409	5,783,041	5,782,466	575	5,783,041
<u>Financial liabilities</u>								
Derivative financial instruments								
-Trading derivatives	662,925	662,925	-	662,925	604,130	604,130	-	604,130
-Hedging derivatives	100,194	100,194	-	100,194	88,629	88,629	-	88,629
Financial liabilities designated at fair value through profit or loss								
	-	-	-	-	2,233	2,233	-	2,233
Total	763,119	763,119	-	763,119	694,992	694,992	-	694,992

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

PART A - EXPLANATORY NOTES (CONTINUED)

A36. Change in accounting policies

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

(i)

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

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

A36. Change in accounting policies (Continued)

(i)

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

A36. Change in accounting policies (Continued)

(i)

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

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

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	Effects of adopting MFRS 9			Adjusted	Audited as at	Effects of adopting MFRS 9			Adjusted
	31 December 2017 RM'000	Remeasurement RM'000	Reclassification RM'000	Total RM'000	1 January 2018 RM'000	31 December 2017 RM'000	Remeasurement RM'000	Reclassification RM'000	Total RM'000	1 January 2018 RM'000
Assets										
Cash and short-term funds	14,282,896	-	-	-	14,282,896	14,282,850	-	-	-	14,282,850
Deposits and placements with banks and other financial institutions	530,017	(15)	-	(15)	530,002	530,017	(15)	-	(15)	530,002
Financial assets at fair value through profit or loss	-	-	3,225,138	3,225,138	3,225,138	-	-	3,225,138	3,225,138	3,225,138
Debt instruments at fair value through other comprehensive income	-	2,828	1,930,417	1,933,245	1,933,245	-	2,828	1,930,417	1,933,245	1,933,245
Equity instruments at fair value through other comprehensive income	-	-	575	575	575	-	-	575	575	575
Debt instruments at amortised cost	-	7,800	4,724,994	4,732,794	4,732,794	-	7,800	4,724,994	4,732,794	4,732,794
Financial assets held for trading	3,225,138	-	(3,225,138)	(3,225,138)	(0)	3,225,138	-	(3,225,138)	(3,225,138)	(0)
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)	0	1,923,597	-	(1,923,597)	(1,923,597)	0
Financial investments held-to-maturity	4,732,389	-	(4,732,389)	(4,732,389)	(0)	4,732,389	-	(4,732,389)	(4,732,389)	(0)
Financing, advances and other financing/loans	57,551,408	(98,775)	-	(98,775)	57,452,633	57,551,408	(98,775)	-	(98,775)	57,452,633
Other assets	604,089	-	-	-	604,089	604,089	-	-	-	604,089
Tax recoverable	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	17,795	(679)	(1,964)	(2,643)	15,152	17,795	(679)	(1,964)	(2,643)	15,152
Amount due from related companies	414	-	-	-	414	-	-	-	-	414
Statutory deposits with central banks	1,554,286	-	-	-	1,554,286	1,554,286	-	-	-	1,554,286
Investment in subsidiaries	-	-	-	-	-	11	-	-	-	11
Property, plant and equipment	6,031	-	-	-	6,031	6,031	-	-	-	6,031
Goodwill	136,000	-	-	-	136,000	136,000	-	-	-	136,000
Intangible assets	79,092	-	-	-	79,092	79,092	-	-	-	79,092
	85,277,458	(88,841)	(1,964)	(90,805)	85,186,653	85,277,423	(88,841)	(1,964)	(90,805)	85,186,618
TOTAL ASSETS	85,277,458	(88,841)	(1,964)	(90,805)	85,186,653	85,277,423	(88,841)	(1,964)	(90,805)	85,186,618

PART A - EXPLANATORY NOTES (CONTINUED)

A36. Change in accounting policies (Continued)

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

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

PART A - EXPLANATORY NOTES (CONTINUED)

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:

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

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

PART B

B1 Group performance review

The Group recorded a higher pre-tax profit of 7.1% or RM13.7 million from RM193.2 million to RM206.9 million for the three months ended 31 March 2018. The increase was mainly due to higher income derived from investment of depositors' funds and others by RM179.7 million and higher income derived from investment of investment account by RM57.0 million. This was offset by higher income attributable to depositors by RM91.8 million and higher expected credit losses/allowances for losses on financing, advances and other financing/loans by RM40.6 million.

B2 Prospects for the current financial year

CIMB Islamic remains cautiously optimistic for the rest of 2018 in light of the ongoing regional and global economic growth. The Bank expects to grow higher than the banking industry as our T18: Islamic 2.0 strategy produces positive results, while continuing to monitor asset quality and observe strict cost controls. Corporate financing is expected to remain resilient, underpinned by the continuous funding required in the infrastructure sector.

B3 Computation of earnings per share (EPS)

a) Basic EPS

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

	The Group			
	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	156,106	146,155	156,106	146,155
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)	15.61	14.62	15.61	14.62

	The Bank			
	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	156,014	147,611	156,014	147,611
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)	15.60	14.76	15.60	14.76

b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 31 March 2018 and 31 March 2017.