

Deutsche Bank (Malaysia) Berhad
(Company No. 312552-W)
(Incorporated in Malaysia)
and its subsidiaries

Unaudited Condensed Interim Financial Statements
for the Financial Period ended 31 March 2018



**Consolidated Statements of Financial Position
As at 31 March 2018 - Unaudited**

| | Note | Group | | 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 | | 2,624,821 | 3,416,228 | 2,624,821 | 3,416,228 |
| Deposits and placements of banks and other financial institutions | | 389,990 | 333,033 | 389,990 | 333,033 |
| Reverse repurchase agreements | | 88,428 | 69,042 | 88,428 | 69,042 |
| Financial securities | 13 | 2,335,987 | 1,447,393 | 2,335,987 | 1,447,393 |
| Loans, advances and financing | 14 | 2,404,576 | 2,391,753 | 2,404,576 | 2,391,753 |
| Other assets | 15 | 1,697,501 | 1,752,189 | 1,697,501 | 1,752,189 |
| Tax recoverable | | 3,517 | 10,149 | 3,517 | 10,149 |
| Statutory deposit with Bank Negara Malaysia | | 55,000 | 100,000 | 55,000 | 100,000 |
| Investments in subsidiary companies | | - | - | 20 | 20 |
| Property, plant and equipment | | 3,898 | 4,090 | 3,898 | 4,090 |
| Deferred tax assets | | 26,460 | 27,299 | 26,460 | 27,299 |
| Total assets | | <u>9,630,178</u> | <u>9,551,176</u> | <u>9,630,198</u> | <u>9,551,196</u> |
| Liabilities and shareholders' funds | | | | | |
| Deposits from customers | 16 | 4,405,780 | 4,627,017 | 4,405,800 | 4,627,037 |
| Deposits and placements of banks and other financial institutions | 17 | 1,279,320 | 658,943 | 1,279,320 | 658,943 |
| Other liabilities | 18 | 2,049,620 | 2,446,461 | 2,049,620 | 2,446,461 |
| Total liabilities | | <u>7,734,720</u> | <u>7,732,421</u> | <u>7,734,740</u> | <u>7,732,441</u> |
| Share capital | | 531,362 | 531,362 | 531,362 | 531,362 |
| Reserves | | 1,364,096 | 1,287,393 | 1,364,096 | 1,287,393 |
| Shareholders' funds | | <u>1,895,458</u> | <u>1,818,755</u> | <u>1,895,458</u> | <u>1,818,755</u> |
| Total liabilities and shareholders' funds | | <u>9,630,178</u> | <u>9,551,176</u> | <u>9,630,198</u> | <u>9,551,196</u> |
| Commitments and contingencies | 25 | <u>105,055,635</u> | <u>108,969,319</u> | <u>105,055,635</u> | <u>108,969,319</u> |

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

**Consolidated Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Period Ended 31 March 2018 - Unaudited**

| | Note | Group and Bank | | | |
|--|------|---|----------------------------|--|----------------------------|
| | | 1 st Quarter ended 31 March 2018 RM'000 | 31 March 2017 RM'000 | Three months ended 31 March 2018 RM'000 | 31 March 2017 RM'000 |
| Interest income | 19 | 72,772 | 58,779 | 72,772 | 58,779 |
| Interest expense | 20 | (21,939) | (18,735) | (21,939) | (18,735) |
| Net interest income | | 50,833 | 40,044 | 50,833 | 40,044 |
| Net income from Islamic Banking Operations | 26 | 912 | 633 | 912 | 633 |
| Non-interest income | 21 | 83,863 | 79,787 | 83,863 | 79,787 |
| Operating income | | 135,608 | 120,464 | 135,608 | 120,464 |
| Other operating expenses | 22 | (43,830) | (33,242) | (43,830) | (33,242) |
| Operating profit | | 91,778 | 87,222 | 91,778 | 87,222 |
| Allowance for impairment | 23 | (1,631) | 2,644 | (1,631) | 2,644 |
| Profit before tax | | 90,147 | 89,866 | 90,147 | 89,866 |
| Tax expense | | (22,290) | (21,835) | (22,290) | (21,835) |
| Net profit for the period | | 67,857 | 68,031 | 67,857 | 68,031 |
| Other comprehensive income: | | | | | |
| Movement in fair value reserve (debt securities) | | | | | |
| Net change in fair value | | 104 | - | 104 | - |
| Net amount transferred to profit or loss | | 39 | - | 39 | - |
| Tax expense on other comprehensive income | | (34) | - | (34) | - |
| Other comprehensive income for the period | | 109 | - | 109 | - |
| Total comprehensive income for the period | | 67,966 | 68,031 | 67,966 | 68,031 |
| Earnings per share (sen) | | 39.1 sen | 39.2 sen | 39.1 sen | 39.2 sen |

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

**Consolidated Statements Of Changes In Equity
For The Financial Period Ended 31 March 2018**

| Group and Bank | ←-----Attributable to owner of the Bank-----→ | | | | | | Total RM'000 |
|--|---|----------------------------|-----------------------------|-------------------------------|-----------------------------|--------------------------------|-----------------|
| | ←-----Non-distributable-----→ | | | Distributable | | | |
| | Share capital RM'000 | Share premium RM'000 | Other reserves RM'000 | Retained profits RM'000 | Total reserves RM'000 | Proposed dividend RM'000 | |
| At 1 January 2018 | 531,362 | - | 13,558 | 1,273,835 | 1,287,393 | - | 1,818,755 |
| Adjustment on initial application of MFRS 9, net of tax | - | - | 46 | 8,691 | 8,737 | - | 8,737 |
| Adjusted balance at 1 January 2018 | 531,362 | - | 13,604 | 1,282,526 | 1,296,130 | - | 1,827,492 |
| Net profit for the period | - | - | - | 67,857 | 67,857 | - | 67,857 |
| Other comprehensive income for the period | - | - | 109 | - | 109 | - | 109 |
| Total comprehensive income for the period | - | - | 109 | 67,857 | 67,966 | - | 67,966 |
| Transfer pursuant to BNM revised policy* | - | - | 24,442 | (24,442) | - | - | - |
| At 31 March 2018 | 531,362 | - | 38,155 | 1,325,941 | 1,364,096 | - | 1,895,458 |
| At 1 January 2017 | 173,599 | 357,763 | 188,280 | 1,035,787 | 1,581,830 | - | 1,755,429 |
| Net profit/ Total comprehensive income for the period | - | - | - | 68,031 | 68,031 | - | 68,031 |
| At 31 March 2017 | 173,599 | 357,763 | 188,280 | 1,103,818 | 1,649,861 | - | 1,823,460 |

* Bank Negara Malaysia ("BNM") had on 2 February 2018 issued a revised policy document on Financial Reporting which requires all banking institutions to maintain in aggregate, Stage 1 and 2 provisions and regulatory reserve of no less than 1% of all credit exposures, net of Stage 3 provision. During the financial period ended 31 March 2018, the Group and the Bank has transferred RM24,442,000 from its retained profits to other reserves pursuant to the Revised Policy Document.

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

**Condensed Consolidated Statements Of Cash Flows
For The Financial Period Ended 31 March 2018**

| | Group and Bank | |
|---|----------------------------|----------------------------|
| | 31 March 2018 RM'000 | 31 March 2017 RM'000 |
| Profit before taxation | 90,147 | 89,866 |
| Adjustments for non-operating and non-cash items | 198 | 253 |
| Operating profit before working capital changes | 90,345 | 90,119 |
| Changes in working capital: | | |
| Net changes in operating assets | (809,475) | 554,521 |
| Net changes in operating liabilities | 2,299 | (544,243) |
| Income tax paid | (17,613) | (14,066) |
| Net cash (used in)/ generated from operations | (734,444) | 86,331 |
| Cash flows from investing activities: | | |
| Purchase of plant and equipment | (6) | (577) |
| Net cash used in investing activities | (6) | (577) |
| Net (decrease)/increase in cash and cash equivalents | (734,450) | 85,754 |
| Cash and cash equivalents at beginning of the period | 3,749,261 | 4,609,578 |
| Cash and cash equivalents at end of the period | 3,014,811 | 4,695,332 |
| Analysis of cash and cash equivalents: | | |
| Cash and short-term funds | 2,624,821 | 4,694,222 |
| Deposits and placements of banks and other financial institutions | 389,990 | 1,110 |
| Cash and cash equivalents at end of the period | 3,014,811 | 4,695,332 |

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

Explanatory Notes To The Interim Financial Statements For The Financial Period Ended 31 March 2018

1. Basis of preparation

The unaudited interim financial statements for the financial period ended 31 March 2018 have been prepared under the historical cost convention except for reverse repurchase agreements, financial securities and derivative financial instruments which are stated at fair values.

The unaudited interim financial statements have been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 December 2017. The explanatory notes attached to the 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 year ended 31 December 2017.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business. Islamic banking business refers generally to the acceptance of deposits under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2017, except for the adoption of the following Malaysian Financial Reporting Standard (“MFRS”), Amendments to MFRSs and IC Interpretation that have been issued by the Malaysian Accounting Standard Board (“MASB”):

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS15, *Revenue from Contract Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

1. Basis of preparation (continued)

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by MASB but have not been adopted by the Group and the Bank:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019; and,
- from the annual period beginning on 1 January 2021 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2021.

1. Basis of preparation (continued)

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Bank except as mentioned in the subsequent paragraphs:

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 16.

2. Audit report

The audit report on the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2017 was not subject to any qualification.

3. Seasonality or Cyclicity of Operations

The business operations of the Group and the Bank are not subject to material seasonal or cyclical fluctuations.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank for the financial period ended 31 March 2018.

5. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 31 March 2018.

6. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities during the financial period ended 31 March 2018.

7. Dividend Paid

No dividend was paid during the financial period ended 31 March 2018. The final dividend recommended by the Directors in respect of the financial year ended 31 December 2017 is 121.2 sen per ordinary share totalling RM210,365,000.

8. Material Events

There were no material events subsequent to the reporting date that require disclosure or adjustments to the unaudited condensed interim financial statements.

9. Changes in the composition of the Group

There were no changes in the composition of the Group for the financial period ended 31 March 2018.

10. Review of Performance

The Bank recorded profit before taxation for the financial period ended 31 March 2018 of RM90.1 million compared to RM89.9 million profit for the previous corresponding period. Operating income increased by RM15.1 million (+12.5%) from RM120.5 million to RM135.6 million, mainly attributed to net interest income increased by RM10.8 million (+27.0%) from RM40.0 million to RM50.8 million, primarily driven by higher interest income earned from loan and advances and financial securities, offset by higher interest expense paid on deposits and placements of banks and other financial institutions. Operating expenses increased by RM10.6 million (+31.9%) from RM33.2 million to RM43.8 million mainly attributed to higher intercompany charges.

Total assets registered an increase of RM0.1 billion or 1.1% from RM9.5 billion as at 31 December 2017 to RM9.6 billion as at 31 March 2018. The Bank's total common equity tier 1 ratio and total capital ratio remained strong at 21.8% and 22.3%, respectively

11. Prospects

The global growth is expected to accelerate and close higher in 2018 supported by strong growth momentum and favorable market sentiment. Whilst Eurozone is expected to continue growing above potential but might encumbrance with tightening of financial conditions as it exists accommodative policy stance and the adverse impact of stronger euro on its net exports. Growth momentum remains strong for the US economy with expansion on both capital expenditure and consumer spending. The dollar weakness noted may add to the inflation and growth indicators. On the local front, the overnight policy rate was raised by 25 basis points to 3.25%. The Malaysia economy is anticipated to continue on steady growth driven by the expansion in domestic demand and key economic sectors; as well as strengthening in trade performance at the back of stronger global demand.

The Bank remains competitive with the solid frameworks around capital and liquidity management, risk controls and enhanced internal processes. We continue to be relentless in our commitment towards client centricity and in driving product innovation to deliver sustainable performance.

The Bank looks forward to contribute to the economic growth and wellbeing of the communities which we operate and to create positive impact for our clients, investors, employees and society at large.

12. Changes in significant accounting policies

MFRS 9 Financial Instruments

MFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening balance of reserves and retained earnings:

| RM'000 | Note | Impact of adopting MFRS 9 on opening balance |
|---|------|---|
| Fair value reserve (Other reserves) | | |
| Reclassification of financial securities (debt) from FVTPL to FVOCI | (i) | 58 |
| Recognition of expected credit losses ("ECL") under MFRS 9 for debt financial assets at FVOCI | (ii) | 2 |
| Related tax | | (14) |
| Impact at 1 January 2018 | | 46 |
| Retained profits | | |
| Reclassification of financial securities (debt) from FVTPL to FVOCI | (i) | (58) |
| Recognition of expected credit losses under MFRS 9 | (ii) | (5,693) |
| Reversal of MFRS 139 impairment | | 17,186 |
| Related tax | | (2,744) |
| Impact at 1 January 2018 | | 8,691 |

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification and measurement of financial liabilities. However, it eliminates the previous MFRS 139 categories for financial assets of held to maturity ("HTM"), loans and receivables ("L&R") and available for sale ("AFS").

The adoption of MFRS 9 has not had a significant effect on the Bank accounting policies related to financial liabilities and derivative financial instruments. The impact of MFRS 9 on the classification and measurement of financial assets is set out below.

Under MFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

12. Changes in significant accounting policies (continued)

MFRS 9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

12. Changes in significant accounting policies (continued)

MFRS9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|---|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

The effect of adopting MFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Bank financial assets as at 1 January 2018.

| RM'000 | Original classification under MFRS 139 | New classification under MFRS 9 | Original carrying amount under MFRS 139 | New carrying amount under MFRS 9 |
|---|--|---------------------------------|---|----------------------------------|
| Financial assets | | | | |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 3,749,261 | 3,749,254 |
| Reverse repurchase agreements | FVTPL-HFT | FVTPL | 69,042 | 69,042 |
| Financial securities | | | | |
| - Debt securities | FVTPL-HFT | FVTPL– debt securities | 1,265,566 | 1,265,566 |
| - Debt securities | FVTPL-HFT | FVOCI – debt securities | 180,236 | 180,236 |
| - Equity securities | Available-for-sale | FVOCI – equity securities | 1,591 | 1,591 |
| Loans, advances and financing | Loans and receivables | Amortised cost | 2,391,753 | 2,403,255 |
| Derivatives Assets | FVTPL-HFT | FVTPL | 1,302,496 | 1,302,496 |
| Statutory deposit with Bank Negara Malaysia | Loans and receivables | Amortised cost | 100,000 | 100,000 |
| Total financial assets | | | 9,059,945 | 9,071,440 |

12. Changes in significant accounting policies (continued)

MFRS9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

The following table reconciles the carrying amounts under MFRS 139 to the carrying amounts under MFRS 9 on transition to MFRS 9 on 1 January 2018.

| RM'000 | MFRS 139 carrying amount 31 December 2017 | Reclassification | Remeasurement | MFRS 9 carrying amount 1 January 2018 |
|--|---|------------------|---------------|---|
| Financial assets: | | | | |
| Amortised Cost | | | | |
| Cash and cash equivalents | 3,749,261 | - | (7) | 3,749,254 |
| Loans and advances to customers | 2,391,753 | - | 11,502 | 2,403,255 |
| Statutory deposit with Bank Negara Malaysia | 100,000 | - | - | 100,000 |
| Total amortised cost | 6,241,014 | - | 11,495 | 6,252,509 |
| Available for sale | | | | |
| Financial securities – equity | 1,591 | (1,591) | - | - |
| Total available for sale | 1,591 | (1,591) | - | - |
| FVTPL | | | | |
| Reverse repurchase agreements | 69,042 | - | - | 69,042 |
| Derivatives Assets | 1,302,496 | - | - | 1,302,496 |
| Financial securities – debt | 1,445,802 | (180,236) | - | 1,265,566 |
| Total FVTPL | 2,817,340 | (180,236) | - | 2,637,104 |
| FVOCI - debt | | | | |
| Financial securities – debt | - | 180,236 | - | 180,236 |
| Total FVOCI - debt | - | 180,236 | - | 180,236 |
| FVOCI - equity | | | | |
| Financial securities – equity | - | 1,591 | - | 1,591 |
| Total FVOCI - equity | - | 1,591 | - | 1,591 |

The following table reconciles the closing impairment allowance for financial assets in accordance with MFRS 139 and the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018.

| RM'000 | MFRS 139 carrying amount 31 December 2017 | Reclassification | Remeasurement | MFRS 9 carrying amount 1 January 2018 |
|---------------------------------|---|------------------|-----------------|---|
| Cash and cash equivalents | - | - | 7 | 7 |
| Loans and advances to customers | 17,186 | - | (11,502) | 5,684 |
| Total | 17,186 | - | (11,495) | 5,691 |

12. Changes in significant accounting policies (continued)

MFRS9 Financial Instruments (continued)

ii. Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under MFRS 9, credit losses are recognised earlier than under MFRS 39.

Under MFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

12. Changes in significant accounting policies (continued)

MFRS9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

Impact of the new impairment model

The Bank has determined the impact of the application of MFRS 9's impairment requirements at 1 January 2018 and results as follows:

| RM'000 | |
|--|---------------|
| Loss allowance at 31 December 2017 under MFRS 139 | 17,186 |
| Reversal of loss allowance under MFRS 139 | (17,186) |
| Impairment recognised at 1 January 2018 on: | |
| Cash and cash equivalent | 7 |
| Loan, advances and financing | 5,684 |
| Debt financial securities at FVOCI | 2 |
| Loss allowance at 1 January 2018 under MFRS 9 | 5,693 |

The following table show reconciliations from the opening to the closing balance of the loss allowance by class of financial assets.

| RM'000 | 2018 | | | Total | 2017 Total |
|---|-----------------|--|--------------------------------------|-----------|---------------|
| | 12-month ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit – impaired | | |
| Cash and cash equivalent | | | | | |
| Balance at 1 January | 7 | - | - | 7 | - |
| Transfer to 12-month ECL | - | - | - | - | - |
| Transfer to lifetime ECL not credit-impaired | - | - | - | - | - |
| Transfer to lifetime ECL credit-impaired | - | - | - | - | - |
| Net remeasurement of loss allowance | 10 | - | - | 10 | - |
| New Financial assets originated or purchased | 17 | - | - | 17 | - |
| Financial assets that have been derecognised | (7) | - | - | (7) | - |
| Write-offs | - | - | - | - | - |
| Recoveries of amounts previously written off | - | - | - | - | - |
| Changes in models/risk parameters | - | - | - | - | - |
| Other movements | - | - | - | - | - |
| Balance at 31 March 2018/ 31 December 2017 | 27 | - | - | 27 | - |

12. Changes in significant accounting policies (continued)

MFRS9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

| RM'000 | 2018 | | | | | 2017 | | |
|---|--------------|------------------------------------|--------------------------------|-----------------------------|--------------|------------|---------------|---------------|
| | 12-month ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit - impaired | Purchased credit - impaired | Total | Individual | Collective | Total |
| Loans, advances and financing at amortised cost* | | | | | | | | |
| Balance at 1 January | 4,651 | 358 | 675 | - | 5,684 | 178 | 16,822 | 17,000 |
| Transfer to 12-month ECL | 115 | (87) | (57) | - | (29) | - | - | - |
| Transfer to lifetime ECL not credit-impaired | (42) | 787 | - | - | 745 | - | - | - |
| Transfer to lifetime ECL credit- impaired | (69) | - | - | - | (69) | - | - | - |
| Net remeasurement of loss allowance | 837 | (837) | 293 | - | 293 | 30 | 301 | 331 |
| New Financial assets originated or purchased | 543 | 1 | 256 | - | 800 | - | - | - |
| Financial assets that have been derecognised | (101) | (67) | - | - | (168) | - | - | - |
| Write-offs | - | - | - | - | - | (130) | - | (130) |
| Recoveries of amounts previously written off | - | - | - | - | - | (15) | - | (15) |
| Changes in models/risk parameters | - | - | - | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - | - |
| Balance at 31 March 2018/ 31 December 2017 | 5,934 | 155 | 1,167 | - | 7,256 | 63 | 17,123 | 17,186 |

* The loss allowance in this table includes ECL on loan commitment and financial guarantees.

12. Changes in significant accounting policies (continued)

MFRS9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

| RM'000 | 2018 | | | | 2017 |
|--|--------------|------------------------------------|--------------------------------|-----------|----------|
| | 12-month ECL | Lifetime ECL not credit – impaired | Lifetime ECL credit - impaired | Total | Total |
| Debt financial securities at FVOCI (2017: debt available-for-sale financial securities) | | | | | |
| Balance at 1 January | 2 | - | - | 2 | - |
| Transfer to 12-month ECL | - | - | - | - | - |
| Transfer to lifetime ECL not credit- impaired | - | - | - | - | - |
| Transfer to lifetime ECL credit- impaired | - | - | - | - | - |
| Net remeasurement of loss allowance | - | - | - | - | - |
| New Financial assets originated or purchased | 41 | - | - | 41 | - |
| Financial assets that have been derecognised | (2) | - | - | (2) | - |
| Write-offs | - | - | - | - | - |
| Recoveries of amounts previously written off | - | - | - | - | - |
| Changes in models/risk parameters | - | - | - | - | - |
| Other movements | - | - | - | - | - |
| Balance at 31 March 2018/ 31 December 2017 | 41 | - | - | 41 | - |

13. Financial securities

| | Group and Bank | |
|------------------------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Debt securities at FVTPL | | |
| Malaysian Government Securities | 767,180 | 825,718 |
| Malaysian Investment Issue | 390,598 | 620,084 |
| Treasury Bills | 13,484 | - |
| Cagamas bonds | 200,019 | - |
| Negotiable instruments of deposits | 404,986 | - |
| Private debt securities | 99,786 | - |
| | ----- | ----- |
| | 1,876,053 | 1,445,802 |
| | ----- | ----- |
| Debt securities at FVOCI | | |
| Malaysian Government Securities | 209,568 | - |
| Malaysian Investment Issue | 248,775 | - |
| | ----- | ----- |
| | 458,343 | - |
| | ----- | ----- |
| Equity investments at FVOCI | | |
| Unquoted shares in Malaysia | 1,591 | 1,591 |
| | ----- | ----- |
| | 2,335,987 | 1,447,393 |
| | ===== | ===== |

14. Loans, advances and financing

| | Group and Bank | |
|--|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| At amortised cost | | |
| Overdrafts | 154,060 | 112,348 |
| Term loans - housing loans | 11,940 | 12,494 |
| - other term loans | 151,258 | 203,638 |
| Bills receivable | 551,875 | 606,806 |
| Trust Receipt | 44,085 | 22,124 |
| Claims on customers under acceptance credits | 1,516,553 | 1,473,889 |
| Staff loans | 1,871 | 2,768 |
| | ----- | ----- |
| | 2,431,642 | 2,434,067 |
| Unearned interest | (19,810) | (25,128) |
| | ----- | ----- |
| Gross loans, advances and financing | 2,411,832 | 2,408,939 |
| Allowance for impaired loans and financing | | |
| - Collective assessment | - | (17,123) |
| - Individual assessment | - | (63) |
| - Expected credit loss | (7,256) | - |
| | ----- | ----- |
| Net loans, advances and financing | 2,404,576 | 2,391,753 |
| | ===== | ===== |

14. Loans, advances and financing (continued)

The maturity structure of gross loans, advances and financing are as follows:

| | Group and Bank | |
|-------------------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Maturing within one year | 2,383,207 | 2,378,919 |
| More than one to three years | 15,646 | 15,588 |
| More than three to five years | 1,561 | 1,734 |
| More than five years | 11,418 | 12,698 |
| | <u>2,411,832</u> | <u>2,408,939</u> |
| | ===== | ===== |

Gross loans, advances and financing analysed by type of customer are as follows:

| | Group and Bank | |
|--|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Domestic banking institutions | 1,008 | 2,005 |
| Domestic non-bank financial institutions | 376,376 | 347,431 |
| Domestic business enterprises | 1,319,006 | 1,365,625 |
| Government and statutory bodies | 146,567 | 15,263 |
| Individuals | 13,811 | 74,066 |
| Foreign entities | 555,064 | 604,549 |
| | <u>2,411,832</u> | <u>2,408,939</u> |
| | ===== | ===== |

Gross loans, advances and financing analysed by interest / profit rate sensitivity are as follows:

| | Group and Bank | |
|-------------------------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Fixed rate | | |
| - Other fixed rate loan / financing | 1,871 | 2,768 |
| Variable rate | | |
| - Base lending rate plus | 43,631 | 49,705 |
| - Cost-plus | 2,364,722 | 2,354,811 |
| - Other variable rates | 1,608 | 1,655 |
| | <u>2,411,832</u> | <u>2,408,939</u> |
| | ===== | ===== |

14. Loans, advances and financing (continued)

Gross loans, advances and financing analysed by their geographical distribution are as follows:

| | Group and Bank | |
|-----------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Malaysia | 1,856,768 | 1,804,389 |
| China | - | 5,894 |
| Singapore | - | - |
| India | 286,806 | 351,800 |
| Turkey | 224,296 | 226,522 |
| Others | 43,962 | 20,334 |
| | <u>2,411,832</u> | <u>2,408,939</u> |
| | ===== | ===== |

Gross loans, advances and financing analysed by their economic sector are as follows:

| | Group and Bank | |
|---|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Manufacturing | 265,335 | 300,444 |
| Construction | 117,373 | 85,747 |
| Wholesale & retail trade and restaurants & hotels | 96,885 | 124,446 |
| Transport, storage and communication | 832,044 | 811,154 |
| Finance, insurance and business services | 939,817 | 997,819 |
| Education, health and others | 146,567 | 74,066 |
| Household | 13,811 | 15,263 |
| | <u>2,411,832</u> | <u>2,408,939</u> |
| | ===== | ===== |

Movements in impaired loans, advances and financing are as follows:

| | Group and Bank | |
|--|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Balance at 1 January | 2,032 | 2,634 |
| Classified as impaired during the period/ year | 527 | 504 |
| Reclassified as non-impaired during the period/ year | (84) | (650) |
| Amount recovered | (129) | (326) |
| Amount written off | - | (130) |
| | <u>2,346</u> | <u>2,032</u> |
| | ===== | ===== |
| At 31 March 2018/ 31 December 2017 | | |
| | <u>2,346</u> | <u>2,032</u> |
| | ===== | ===== |
| Gross impaired loans as a percentage of gross loans, advances and financing | 0.10% | 0.08% |
| | ===== | ===== |

14. Loans, advances and financing (continued)

Impaired loans, advances and financing analysed by economic sector and geographical distribution are as follows:

| | Group and Bank | |
|----------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Household (Malaysia) | 2,346 | 2,032 |
| | <u>2,346</u> | <u>2,032</u> |
| | ===== | ===== |

15. Other assets

| | Group and Bank | |
|---|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Interest / Income receivable | 23,168 | 17,651 |
| Margin placed with exchange | 4,120 | 4,581 |
| Derivatives | 1,089,975 | 1,302,496 |
| Other debtors, deposits and prepayments | 580,238 | 427,461 |
| | <u>1,697,501</u> | <u>1,752,189</u> |
| | ===== | ===== |

16. Deposits from customers

| | Group | | Bank | |
|------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Demand deposits | 3,685,682 | 4,030,598 | 3,685,702 | 4,030,618 |
| Savings deposits | 1,424 | 2,884 | 1,424 | 2,884 |
| Fixed deposits | 477,606 | 315,594 | 477,606 | 315,594 |
| Other deposits | 241,068 | 277,941 | 241,068 | 277,941 |
| | <u>4,405,780</u> | <u>4,627,017</u> | <u>4,405,800</u> | <u>4,627,037</u> |
| | ===== | ===== | ===== | ===== |

The maturity structure of fixed deposits and other deposits are as follows:-

| | Group and Bank | |
|----------------------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Due within six months | 586,769 | 406,600 |
| More than six months to one year | 15,481 | 78,827 |
| More than five years | 116,424 | 108,108 |
| | <u>718,674</u> | <u>593,535</u> |
| | ===== | ===== |

16. Deposits from customers (continued)

The deposits are sourced from the following types of customers:

| | Group | | Bank | |
|----------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Business enterprises | 3,563,283 | 3,663,481 | 3,563,303 | 3,663,501 |
| Individuals | 4,211 | 18,137 | 4,211 | 18,137 |
| Foreign customers | 128,279 | 200,568 | 128,279 | 200,568 |
| Others | 710,007 | 744,831 | 710,007 | 744,831 |
| | <u>4,405,780</u> | <u>4,627,017</u> | <u>4,405,800</u> | <u>4,627,037</u> |
| | ===== | ===== | ===== | ===== |

17. Deposits and placements of banks and other financial institutions

| | Group and Bank | |
|------------------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Other financial institutions | 1,279,320 | 658,943 |
| | <u>1,279,320</u> | <u>658,943</u> |
| | ===== | ===== |

18. Other liabilities

| | Group and Bank | |
|-------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Interest payable | 3,646 | 2,342 |
| Bills payable | 38,548 | 59,402 |
| Derivatives | 1,370,815 | 1,576,409 |
| Employee benefits | 12,030 | 19,903 |
| Other liabilities | 624,581 | 788,405 |
| | <u>2,049,620</u> | <u>2,446,461</u> |
| | ===== | ===== |

19. Interest income

| | Group and Bank | | | |
|---|-------------------------------|---------------|--------------------|---------------|
| | 1 st 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 |
| Loans, advances and financing | 24,969 | 17,920 | 24,969 | 17,920 |
| Money at call and deposit placements with financial institutions | 29,107 | 28,644 | 29,107 | 28,644 |
| Reverse repurchase agreements | 1,242 | 2,356 | 1,242 | 2,356 |
| Financial securities | 17,454 | 9,859 | 17,454 | 9,859 |
| | <u>72,772</u> | <u>58,779</u> | <u>72,772</u> | <u>58,779</u> |
| | ===== | ===== | ===== | ===== |

20. Interest expense

| | Group and Bank | | | |
|--|-------------------------------|---------------|--------------------|---------------|
| | 1 st 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 |
| Deposits and placements of banks and other financial institutions | 6,037 | 2,841 | 6,037 | 2,841 |
| Deposits from customers | 15,902 | 15,894 | 15,902 | 15,894 |
| | <u>21,939</u> | <u>18,735</u> | <u>21,939</u> | <u>18,735</u> |
| | ===== | ===== | ===== | ===== |

21. Non-interest income

| | Group and Bank | | | |
|---|-------------------------------|----------------|--------------------|----------------|
| | 1 st 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 |
| Fee income: | | | | |
| Commissions | 2,492 | 4,810 | 2,492 | 4,810 |
| Service charges and fees | 6,805 | 7,391 | 6,805 | 7,391 |
| Guarantee fees | 1,052 | 799 | 1,052 | 799 |
| | <u>10,349</u> | <u>13,000</u> | <u>10,349</u> | <u>13,000</u> |
| Fee expense: | | | | |
| Commissions | (1,090) | (1,037) | (1,090) | (1,037) |
| Service charges and fees | (2,591) | (2,530) | (2,591) | (2,530) |
| | <u>(3,681)</u> | <u>(3,567)</u> | <u>(3,681)</u> | <u>(3,567)</u> |
| Net fee income | <u>6,668</u> | <u>9,433</u> | <u>6,668</u> | <u>9,433</u> |
| Net gains from financial instruments: | | | | |
| Net gain arising from financial securities: | | | | |
| Realised gain | 12,699 | 9,005 | 12,699 | 9,005 |
| Unrealised gain | 2,071 | 564 | 2,071 | 564 |
| Net loss arising from derivatives: | | | | |
| Realised (loss)/ gain | (18,928) | 85,994 | (18,928) | 85,994 |
| Unrealised revaluation loss | (8,455) | (174,792) | (8,455) | (174,792) |
| Foreign exchange gain | 86,226 | 145,649 | 86,226 | 145,649 |
| Loss from disposal of plant and equipment | (6) | - | (6) | - |
| Other income: | | | | |
| Other operating income, net | 3,588 | 3,934 | 3,588 | 3,934 |
| | <u>77,195</u> | <u>70,354</u> | <u>77,195</u> | <u>70,354</u> |
| | <u>83,863</u> | <u>79,787</u> | <u>83,863</u> | <u>79,787</u> |

22. Other operating expenses

| | Group and Bank | | | |
|-------------------------------------|-------------------------------|---------------|--------------------|---------------|
| | 1 st 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 |
| Personnel costs | | | | |
| - Salaries, allowances and bonuses | 12,032 | 12,531 | 12,032 | 12,531 |
| - Others | 5,184 | 3,274 | 5,184 | 3,274 |
| Establishment costs | | | | |
| - Rental | 490 | 727 | 490 | 727 |
| - Depreciation | 198 | 253 | 198 | 253 |
| - Others | 1,250 | 908 | 1,250 | 908 |
| Marketing expenses | 671 | 583 | 671 | 583 |
| Administration and general expenses | | | | |
| - Intercompany expenses | 19,595 | 11,469 | 19,595 | 11,469 |
| - Communication | 633 | 457 | 633 | 457 |
| - Others | 3,777 | 3,040 | 3,777 | 3,040 |
| | <u>43,830</u> | <u>33,242</u> | <u>43,830</u> | <u>33,242</u> |
| | ===== | ===== | ===== | ===== |

The number of employees of the Group and the Bank at the end of the period was 232 (March 2017 – 220).

23. Allowance for impairment

| | Group and Bank | | | |
|--------------------------------------|-------------------------------|--------------|--------------------|--------------|
| | 1 st 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 |
| Expected Credit Loss | | | | |
| - Loans, advances and financing | (1,572) | - | (1,572) | - |
| - Cash and cash equivalent | (20) | - | (20) | - |
| - Debt financial securities at FVOCI | (39) | - | (39) | - |
| Loan, advances and financing: | | | | |
| Individual assessment allowance | | | | |
| - made during the period | - | (4) | - | (4) |
| - written back | - | 10 | - | 10 |
| Collective assessment allowance | | | | |
| - recovered during the period | - | 2,638 | - | 2,638 |
| | <u>(1,631)</u> | <u>2,644</u> | <u>(1,631)</u> | <u>2,644</u> |
| | ===== | ===== | ===== | ===== |

24. Capital adequacy

| | Group and Bank | |
|--|------------------|---------------------|
| | 31 March 2018 | 31 December 2017 |
| | RM'000 | RM'000 |
| Components of Tier 1 and Tier 2 capital are as follows:- | | |
| Tier 1 capital | | |
| Paid-up share capital | 531,362 | 531,362 |
| Other disclosed reserves | 204 | - |
| Retained profits | 1,258,128 | 1,273,835 |
| Less: Deferred tax assets | (27,299) | (27,299) |
| Total common equity tier 1(CET 1) / Total tier 1 capital | <u>1,762,395</u> | <u>1,777,898</u> |
| Tier 2 capital | | |
| Expected credit losses (ECL)* | 6,156 | - |
| Collective assessment allowance# | - | 12,486 |
| Regulatory reserve | 38,000 | 13,558 |
| Total Capital / Capital base | <u>1,806,551</u> | <u>1,803,942</u> |
| | ===== | ===== |
| Common equity tier 1(CET 1) / Tier 1 capital ratio | 21.752% | 21.331% |
| Total capital ratio | <u>22.297%</u> | <u>21.645%</u> |
| | ===== | ===== |

* Refers to ECL for Stage 1 and Stage 2.

Excludes collective assessment allowance which is restricted from Tier 2 capital of the Bank of RM4,637,000 in 31 December 2017.

24. Capital adequacy (continued)

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II – Risk-weighted Assets) reissued on 13 October 2015 and became effective from 1 January 2016. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer (CCyB) are 4.5% for CET1 Capital Ratio, 6.0% for Tier 1 Capital Ratio and 8.0% for Total Capital Ratio.

The capital conservation buffer required to be maintained in the form of CET1 Capital above the minimum regulatory capital adequacy ratios requirement will be phased-in as follow:

| Calendar Year | Capital Conservation Buffer |
|---------------|-----------------------------|
| 2016 | 0.625% |
| 2017 | 1.250% |
| 2018 | 1.875% |
| 2019 onwards | 2.500% |

The CCyB which is in a range of between 0% and 2.5% is not a requirement for exposure in Malaysia yet but may be applied by regulators in the future.

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

| Risk Type | | Risk Weighted Assets | |
|-----------|------------------|----------------------|------------------|
| | | 31 March 2018 | 31 December 2017 |
| | | RM'000 | RM'000 |
| 1 | Credit risk | 4,829,983 | 4,697,225 |
| 2 | Market risk | 2,546,630 | 2,949,956 |
| 3 | Operational risk | 725,470 | 687,157 |
| Total | | 8,102,083 | 8,334,338 |

24. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category as at 31 March 2018 are as follows:

| RISK TYPE | | Gross Exposures | Net Exposures | Risk-Weighted Assets |
|-----------|--|------------------|------------------|----------------------|
| 1 | Credit Risk | RM'000 | RM'000 | RM'000 |
| | <u>On-Balance Sheet Exposures</u> | | | |
| | Sovereigns/Central Banks | 2,821,981 | 2,733,553 | - |
| | Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”) | 1,885,454 | 1,885,454 | 738,149 |
| | Insurance Companies, Securities Firms and Fund Managers | - | - | - |
| | Corporates | 1,573,388 | 1,573,388 | 1,572,875 |
| | Regulatory Retail | - | - | - |
| | Residential Mortgages | 11,309 | 11,309 | 3,965 |
| | Higher Risk Assets | - | - | - |
| | Other Assets | 346,873 | 346,873 | 345,369 |
| | Equity Exposure | 1,631 | 1,631 | 1,861 |
| | Defaulted Exposures | 1,191 | 1,191 | 1,191 |
| | <i>Total On-Balance Sheet Exposures</i> | 6,641,827 | 6,553,399 | 2,663,410 |
| | <u>Off-Balance Sheet Exposures</u> | | | |
| | OTC Derivatives | 1,997,386 | 1,592,181 | 869,065 |
| | Credit Derivatives | - | - | - |
| | Transaction related contingent Items | 379,798 | 378,769 | 353,426 |
| | Short Term Self Liquidating trade related contingencies | 22,014 | 22,014 | 15,250 |
| | Other commitments, such as formal standby facilities and credit lines | 940,192 | 940,192 | 928,832 |
| | <i>Total for Off-Balance Sheet Exposures</i> | 3,339,390 | 2,933,156 | 2,166,573 |
| | Total On and Off- Balance Sheet Exposures | 9,981,217 | 9,486,555 | 4,829,983 |

24. Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 31 March 2018 are as follows (continued):

| RISK TYPE | | Gross Exposures | | Risk Weighted Assets |
|-----------|------------------------------------|-----------------|-------------|----------------------|
| | | RM'000 | | RM'000 |
| 2 | Market Risk | | | |
| | Interest Rate Risk | 107,417,841 | 105,756,229 | 1,778,011 |
| | Foreign Currency Risk | 262,120 | 66,028 | 262,120 |
| | Options | 6,630 | 7 | 506,499 |
| | | | | 2,546,630 |
| 3 | Operational Risk | | | 725,470 |
| 4 | Total RWA and Capital Requirements | | | 8,102,083 |

24. Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for at 31 December 2017 are as follows:

| RISK TYPE | | Gross Exposures | Net Exposures | Risk-Weighted Assets |
|-----------|--|-----------------|---------------|----------------------|
| 1 | Credit Risk | RM'000 | RM'000 | RM'000 |
| | <u>On-Balance Sheet Exposures</u> | | | |
| | Sovereigns/Central Banks | 3,262,212 | 3,193,170 | - |
| | Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”) | 1,837,094 | 1,837,094 | 799,184 |
| | Insurance Companies, Securities Firms and Fund Managers | - | - | - |
| | Corporates | 1,465,467 | 1,465,467 | 1,464,947 |
| | Regulatory Retail | - | - | - |
| | Residential Mortgages | 13,037 | 13,037 | 4,563 |
| | Higher Risk Assets | - | - | - |
| | Other Assets | 366,864 | 366,864 | 365,869 |
| | Equity Exposure | 1,631 | 1,631 | 1,861 |
| | Defaulted Exposures | 1,969 | 1,969 | 1,969 |
| | <i>Total On-Balance Sheet Exposures</i> | 6,948,274 | 6,879,232 | 2,638,393 |
| | <u>Off-Balance Sheet Exposures</u> | | | |
| | OTC Derivatives | 2,056,133 | 1,543,391 | 795,627 |
| | Credit Derivatives | 1,659 | 1,659 | 459 |
| | Transaction related contingent Items | 394,592 | 393,551 | 366,594 |
| | Short Term Self Liquidating trade related contingencies | 15,418 | 15,418 | 8,697 |
| | Other commitments, such as formal standby facilities and credit lines | 898,815 | 898,815 | 887,455 |
| | <i>Total for Off-Balance Sheet Exposures</i> | 3,366,617 | 2,852,834 | 2,058,832 |
| | <i>Total On and Off- Balance Sheet Exposures</i> | 10,314,891 | 9,732,066 | 4,697,225 |

24. Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for at 31 December 2017 are as follows (continued):

| RISK TYPE | | Gross Exposures | | Risk Weighted Assets |
|-----------|------------------------------------|-----------------|-------------|----------------------|
| | | RM'000 | | RM'000 |
| 2 | Market Risk | | | |
| | Interest Rate Risk | 111,865,038 | 110,799,993 | 1,468,990 |
| | Foreign Currency Risk | 314,642 | 998,340 | 1,000,027 |
| | Options | - | 261 | 480,939 |
| | | | | 2,949,956 |
| 3 | Operational Risk | | | 687,157 |
| 4 | Total RWA and Capital Requirements | | | 8,334,338 |

24. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights as at 31 March 2018 are as follows:

| Risk Weights | Exposures after Netting & Credit Risk Mitigation | | | | | | | | | | Total Exposures after Netting and Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------------|--|------------------------|----------------------|---|-------------|-------------------|-----------------------|--------------------|-----------------|------------------|--|----------------------------|
| | Sovereigns and Central Banks | Public Sector Entities | Banks, DFIs and MDBs | Insurance Companies, Securities Firms and Fund Managers | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Equity Exposures | | |
| 0% | RM'000 2,740,054 | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 1,504 | RM'000 - | RM'000 2,741,558 | RM'000 - |
| 20% | - | - | 1,313,568 | 3,030 | 14,200 | - | - | - | - | - | 1,330,798 | 266,160 |
| 35% | - | - | - | - | - | - | 11,265 | - | - | - | 11,265 | 3,943 |
| 50% | - | - | 1,650,756 | - | 35,768 | - | 44 | - | - | - | 1,686,568 | 843,284 |
| 75% | - | - | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | 350 | 10,272 | 3,357,553 | - | 1,191 | - | 345,369 | 1,611 | 3,716,346 | 3,716,346 |
| 1250% | - | - | - | - | - | - | - | - | - | 20 | 20 | 250 |
| Total Exposures | 2,740,054 | - | 2,964,674 | 13,302 | 3,407,521 | - | 12,500 | - | 346,873 | 1,631 | 9,486,555 | 4,829,983 |
| Risk-Weighted Assets by Exposures | - | - | 1,088,442 | 10,878 | 3,378,278 | - | 5,155 | - | 345,369 | 1,861 | 4,829,983 | |
| Average Risk Weight | 0.0% | 0.0% | 36.7% | 81.8% | 99.1% | 0.0% | 41.2% | 0.0% | 99.6% | 114.1% | 50.9% | |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - | - | - |

24. Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights for 31 December 2017 are as follows:

| Risk Weights | Exposures after Netting & Credit Risk Mitigation | | | | | | | | | | Total Exposures after Netting and Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------------|--|------------------------|----------------------|---|-------------|-------------------|-----------------------|--------------------|---------------|------------------|--|----------------------------|
| | Sovereigns and Central Banks | Public Sector Entities | Banks, DFIs and MDBs | Insurance Companies, Securities Firms and Fund Managers | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Equity Exposures | | |
| 0% | RM'000 3,200,691 | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 993 | RM'000 - | RM'000 3,201,684 | RM'000 - |
| 20% | - | - | 1,078,197 | 3,030 | 14,200 | - | - | - | - | - | 1,095,427 | 219,085 |
| 35% | - | - | - | - | - | - | 13,037 | - | - | - | 13,037 | 4,563 |
| 50% | - | - | 1,861,950 | - | 35,193 | - | - | - | - | - | 1,897,143 | 948,572 |
| 75% | - | - | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | 368 | 9,238 | 3,145,700 | - | 1,969 | - | 365,869 | 1,611 | 3,524,755 | 3,524,755 |
| 1250% | - | - | - | - | - | - | - | - | - | 20 | 20 | 250 |
| Total Exposures | 3,200,691 | - | 2,940,515 | 12,268 | 3,195,093 | - | 15,006 | - | 366,862 | 1,631 | 9,732,066 | 4,697,225 |
| Risk-Weighted Assets by Exposures | - | - | 1,146,983 | 9,844 | 3,166,136 | - | 6,532 | - | 365,869 | 1,861 | 4,697,225 | |
| Average Risk Weight | 0.0% | 0.0% | 39.0% | 80.2% | 99.1% | 0.0% | 43.5% | 0.0% | 99.7% | 114.1% | 48.3% | |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - | - | - |

25. Commitments and contingencies

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows:

| 31 March 2018 Group and Bank | Principal Amount | Credit Equivalent Amount | Risk Weighted Assets |
|--|--------------------|--------------------------|----------------------|
| | RM'000 | RM'000 | RM'000 |
| Direct Credit Substitutes | - | - | - |
| Transaction Related Contingent Items | 759,595 | 379,798 | 353,426 |
| Short Term Self Liquidating Trade Related Contingencies | 110,071 | 22,014 | 15,250 |
| Foreign exchange related contracts | | | |
| One year or less | 10,549,101 | 270,297 | 254,221 |
| Over one year to five years | 799,071 | 58,291 | 58,291 |
| Over five years | 310,475 | 34,152 | 17,076 |
| Interest/Profit rate related contracts | | | |
| One year or less | 384,254 | 680 | 340 |
| Over one year to five years | 1,044,335 | 204,297 | 198,769 |
| Over five years | 498,802 | 33,413 | 30,990 |
| Equity related contracts | | | |
| One year or less | - | - | - |
| Over one year to five years | - | - | - |
| Over five years | - | - | - |
| Credit Derivative Contracts | | | |
| One year or less | - | - | - |
| Over one year to five years | - | - | - |
| Over five years | - | - | - |
| OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | 86,842,026 | 1,396,256 | 309,378 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 628,703 | 314,352 | 314,352 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 3,129,202 | 625,840 | 614,480 |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | - | - | - |
| Total | 105,055,635 | 3,339,390 | 2,166,573 |

25. Commitments and contingencies (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and of the Bank are as follows (continued):

| 31 December 2017 Group and Bank | Principal Amount | Credit Equivalent Amount | Risk Weighted Assets |
|--|--------------------|--------------------------|----------------------|
| | RM'000 | RM'000 | RM'000 |
| Direct Credit Substitutes | - | - | - |
| Transaction Related Contingent Items | 789,185 | 394,592 | 366,594 |
| Short Term Self Liquidating Trade Related Contingencies | 77,089 | 15,418 | 8,697 |
| Foreign exchange related contracts | | | |
| One year or less | 10,324,163 | 211,993 | 195,970 |
| Over one year to five years | 521,424 | 32,969 | 32,969 |
| Over five years | 310,475 | 34,152 | 17,076 |
| Interest/Profit rate related contracts | | | |
| One year or less | 493,754 | 1,592 | 966 |
| Over one year to five years | 1,018,769 | 214,936 | 208,671 |
| Over five years | 538,386 | 37,823 | 35,399 |
| Equity related contracts | | | |
| One year or less | - | - | - |
| Over one year to five years | - | - | - |
| Over five years | - | - | - |
| Credit Derivative Contracts | | | |
| One year or less | - | - | - |
| Over one year to five years | - | - | - |
| Over five years | - | - | - |
| OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | 91,265,175 | 1,524,326 | 305,035 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 575,451 | 287,725 | 287,725 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 3,055,448 | 611,090 | 599,730 |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | - | - | - |
| Total | 108,969,319 | 3,366,616 | 2,058,832 |

26. The operations of Islamic Banking

**Statement of Financial Position
As at 31 March 2018 – Unaudited**

| | Note | Bank | |
|--|------|----------------------------|-------------------------------|
| | | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Assets | | | |
| Cash and short term funds | (a) | 92,594 | 115,686 |
| Other assets | | 16 | 28 |
| Total assets | | <u>92,610</u> ===== | <u>115,714</u> ===== |
| Liabilities and shareholders' funds | | | |
| Deposits from customer | (b) | 45,572 | 68,590 |
| Other liabilities | (c) | 13,015 | 11,429 |
| Taxation | | 218 | 2,579 |
| Total liabilities | | <u>58,805</u> ----- | <u>82,598</u> ----- |
| Capital funds | | 25,000 | 25,000 |
| Retained profits | | 8,805 | 8,116 |
| Islamic banking funds | | <u>33,805</u> ----- | <u>33,116</u> ----- |
| Total liabilities and Islamic banking funds | | <u>92,610</u> ===== | <u>115,714</u> ===== |
| Commitments and contingencies | | - | - |
| | | <u>-----</u> ===== | <u>-----</u> ===== |

26. The operations of Islamic Banking (continued)

**Statement Of Profit Or Loss And Other Comprehensive Income
For The Financial Period Ended 31 March 2018 - Unaudited**

| | Bank | | | |
|---|---|----------------------------|--|----------------------------|
| | 1 st Quarter ended 31 March 2018 RM'000 | 31 March 2017 RM'000 | Three months ended 31 March 2018 RM'000 | 31 March 2017 RM'000 |
| Income derived from investment of Islamic banking funds | 912 | 633 | 912 | 633 |
| Total net income | 912 | 633 | 912 | 633 |
| Other operating expenses | (5) | (5) | (5) | (5) |
| Profit before taxation | 907 | 628 | 907 | 628 |
| Taxation | (218) | (151) | (218) | (151) |
| Profit and total comprehensive income for the period | 689 | 477 | 689 | 477 |

**Statement Of Changes In Islamic Banking Funds
For The Financial Period Ended 31 March 2018**

| | Capital funds RM'000 | Retained profits RM'000 | Total RM'000 |
|---|----------------------------|-------------------------------|-----------------|
| Bank | | | |
| At 1 January 2018 | 25,000 | 8,116 | 33,116 |
| Profit and total comprehensive income for the period | - | 689 | 689 |
| At 31 March 2018 | 25,000 | 8,805 | 33,805 |
| At 1 January 2017 | 25,000 | 6,128 | 31,128 |
| Profit and total comprehensive income for the period | - | 477 | 477 |
| At 31 March 2017 | 25,000 | 6,605 | 31,605 |

26. The operations of Islamic Banking (continued)

Statement Of Cash Flows
For The Financial Period Ended 31 March 2018

| | Bank | |
|--|-------------------------------------|-------------------------------------|
| | 31 March 2018 RM'000 | 31 March 2017 RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 907 | 628 |
| Operating profit before working capital changes | 907 | 628 |
| Changes in working capital: | | |
| Net changes in operating assets | 12 | 4 |
| Net changes in operating liabilities | (21,432) | 30,146 |
| Income tax paid | (2,579) | - |
| Net cash (used in)/ generated from operations | (23,092) | 30,778 |
| Net (decrease)/ increase in cash and cash equivalents | (23,092) | 30,778 |
| Cash and cash equivalents at beginning of period | 115,686 | 67,160 |
| Cash and cash equivalents at end of period | 92,594 | 97,938 |
| Analysis of cash and cash equivalents: | | |
| Cash and short term funds | 92,594 | 97,938 |

26. The operations of Islamic Banking (continued)**Shariah Committee**

The Shariah Committee was established under BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise the Board of Directors on Shariah matters in its Islamic business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

The Shariah Committee comprises of Dr Sheikh Hussein Hamed Sayed Hassan, Dr Muhammad Qaseem and Encik Mohd Hilmi bin Ramli.

Whilst the Shariah Governance Framework requires 5 Shariah Committee members, the Bank has sought and received approval from BNM to operate on 3 Shariah Committee members.

Basis of measurement

The financial statements of the Islamic banking business have been prepared on the basis consistent with that of the Group and of the Bank as disclosed in Note 1 to the financial statements of the Group and of the Bank.

(a) Cash and short term funds

| | Bank | |
|---|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Cash and balances with banks and other financial institutions | 92,594 ===== | 115,686 ===== |

(b) Deposits from customer

| | Bank | |
|--------------------------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Non-Mudharabah Demand deposits | 45,572 ===== | 68,590 ===== |

(c) Other liabilities

| | Bank | |
|---------------|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Bills payable | 20 | 166 |
| Others | 12,995 | 11,263 |
| | <u>13,015</u> ===== | <u>11,429</u> ===== |

26. The operations of Islamic Banking (continued)

(d) Capital adequacy

The capital adequacy ratios of the Islamic banking business of the Bank are computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

Components of Tier I and Tier II Capital:

| | Bank | |
|---|----------------------------|-------------------------------|
| | 31 March 2018 RM'000 | 31 December 2017 RM'000 |
| Components of Tier I and Tier II capital are as follows:- | | |
| Tier 1 capital | | |
| Capital funds | 25,000 | 25,000 |
| Retained profits | 8,116 | 8,116 |
| Total common equity tier 1/ Total tier 1 capital | <u>33,116</u> | <u>33,116</u> |
| Total Tier 2 capital | - | - |
| Capital base | <u>33,116</u> | <u>33,116</u> |
| | ===== | ===== |
| Capital base | 544.358% | 585.865% |
| Capital base | 544.358% | 585.865% |
| | ===== | ===== |

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

| Risk Type | | Risk Weighted Assets | |
|-----------|------------------|----------------------|------------------|
| | | 31 March 2018 | 31 December 2017 |
| | | RM'000 | RM'000 |
| 1 | Credit risk | 907 | 843 |
| 2 | Market risk | 1,814 | 1,687 |
| 3 | Operational risk | 3,363 | 3,123 |
| Total | | 6,084 | 5,653 |

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 31 March 2018 are as follows:

| RISK TYPE | | Gross Exposures | Net Exposures | Risk-Weighted Assets |
|-----------|--|-----------------|---------------|----------------------|
| 1 | | RM'000 | RM'000 | RM'000 |
| | <i>On-Balance Sheet Exposures</i> | | | |
| | Sovereigns/Central Banks | 90,796 | 90,796 | - |
| | Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs") | 1,814 | 1,814 | 907 |
| | Insurance Companies, Securities Firms and Fund Managers | - | - | - |
| | Corporates | - | - | - |
| | Regulatory Retail | - | - | - |
| | Residential Mortgages | - | - | - |
| | Higher Risk Assets | - | - | - |
| | Other Assets | - | - | - |
| | Equity Exposure | - | - | - |
| | Defaulted Exposures | - | - | - |
| | <i>Total On-Balance Sheet Exposures</i> | 92,610 | 92,610 | 907 |
| | <i>Off-Balance Sheet Exposures</i> | | | |
| | OTC Derivatives | - | - | - |
| | Credit Derivatives | - | - | - |
| | <i>Total for Off-Balance Sheet Exposures</i> | - | - | - |
| | <i>Total On and Off- Balance Sheet Exposures</i> | 92,610 | 92,610 | 907 |

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category as at 31 March 2018 are as follows (continued):

| RISK TYPE | | Gross Exposures | | Risk Weighted Assets | |
|-----------|------------------------------------|-----------------------|----------------|----------------------|-------|
| | | RM'000 | | RM'000 | |
| 2 | Market Risk | Long Position | Short Position | | |
| | | Interest Rate Risk | - | - | - |
| | | Foreign Currency Risk | 1,814 | - | 1,814 |
| | | Options | - | - | - |
| | | | | | 1,814 |
| 3 | Operational Risk | | | 3,363 | |
| 4 | Total RWA and Capital Requirements | | | 6,084 | |

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 31 December 2017 are as follows:

| RISK TYPE | | Gross Exposures | Net Exposures | Risk-Weighted Assets |
|-----------|--|-----------------|----------------|----------------------|
| 1 | | RM'000 | RM'000 | RM'000 |
| | <u>On-Balance Sheet Exposures</u> | | | |
| | Sovereigns/Central Banks | 114,028 | 114,028 | - |
| | Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs") | 1,686 | 1,686 | 843 |
| | Insurance Companies, Securities Firms and Fund Managers | - | - | - |
| | Corporates | - | - | - |
| | Regulatory Retail | - | - | - |
| | Residential Mortgages | - | - | - |
| | Higher Risk Assets | - | - | - |
| | Other Assets | - | - | - |
| | Equity Exposure | - | - | - |
| | Defaulted Exposures | - | - | - |
| | <i>Total On-Balance Sheet Exposures</i> | 115,714 | 115,714 | 843 |
| | <u>Off-Balance Sheet Exposures</u> | | | |
| | OTC Derivatives | - | - | - |
| | Credit Derivatives | - | - | - |
| | <i>Total for Off-Balance Sheet Exposures</i> | - | - | - |
| | Total On and Off- Balance Sheet Exposures | 115,714 | 115,714 | 843 |

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category as at 31 December 2017 are as follows (continued):

| RISK TYPE | | Gross Exposures | | Risk Weighted Assets |
|-----------|------------------------------------|--------------------|----------------|----------------------|
| | | RM'000 | | RM'000 |
| 2 | Market Risk | Long Position | Short Position | |
| | | Interest Rate Risk | - | - |
| | Foreign Currency Risk | 1,687 | - | 1,687 |
| | Options | - | - | - |
| | | | | 1,687 |
| 3 | Operational Risk | | | 3,123 |
| 4 | Total RWA and Capital Requirements | | | 5,653 |

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights as at 31 March 2018 are as follows:

| Risk Weights | Exposures after Netting & Credit Risk Mitigation | | | | | | | | | | Total Exposures after Netting and Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------------|--|------------------------|----------------------|---|-------------|-------------------|-----------------------|--------------------|--------------|------------------|--|----------------------------|
| | Sovereigns and Central Banks | Public Sector Entities | Banks, DFIs and MDBs | Insurance Companies, Securities Firms and Fund Managers | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Equity Exposures | | |
| 0% | RM'000 90,796 | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 90,796 | RM'000 - |
| 20% | - | - | - | - | - | - | - | - | - | - | - | - |
| 35% | - | - | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | 1,814 | - | - | - | - | - | - | - | 1,814 | 907 |
| 75% | - | - | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | - | - | - | - | - | - | - | - | - | - |
| 150% | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Exposures | 90,796 | - | 1,814 | - | - | - | - | - | - | - | 92,610 | 907 |
| Risk-Weighted Assets by Exposures | - | - | 907 | - | - | - | - | - | - | - | 907 | |
| Average Risk Weight | 0.0% | 0.0% | 50.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.0% | |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - | - | - |

26. The operations of Islamic Banking (continued)

(d) Capital adequacy (continued)

The breakdown of credit risk exposures by risk weights as at 31 December 2017 are as follows:

| Risk Weights | Exposures after Netting & Credit Risk Mitigation | | | | | | | | | | Total Exposures after Netting and Credit Risk Mitigation | Total Risk Weighted Assets |
|-----------------------------------|--|------------------------|----------------------|---|-------------|-------------------|-----------------------|--------------------|--------------|------------------|--|----------------------------|
| | Sovereigns and Central Banks | Public Sector Entities | Banks, DFIs and MDBs | Insurance Companies, Securities Firms and Fund Managers | Corporates | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Equity Exposures | | |
| 0% | RM'000 114,028 | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 - | RM'000 114,028 | RM'000 - |
| 20% | - | - | - | - | - | - | - | - | - | - | - | - |
| 35% | - | - | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | 1,686 | - | - | - | - | - | - | - | 1,686 | 843 |
| 75% | - | - | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | - | - | - | - | - | - | - | - | - | - |
| 150% | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Exposures | 114,028 | - | 1,686 | - | - | - | - | - | - | - | 115,714 | 843 |
| Risk-Weighted Assets by Exposures | - | - | 843 | - | - | - | - | - | - | - | 843 | - |
| Average Risk Weight | 0.0% | 0.0% | 50.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.7% | - |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - | - | - |