

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017**

		The Group		The Bank	
		30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
<b>Assets</b>					
Cash and short term funds	A6	9,192,153	8,315,442	9,192,107	8,315,396
Deposits and placements with banks and other financial institutions	A7	74,905	90,398	74,905	90,398
Financial assets held for trading	A8	3,404,109	2,730,665	3,404,109	2,730,665
Financial investments available-for-sale	A9	1,847,147	1,625,071	1,847,147	1,625,071
Financial investments held-to-maturity	A10	4,258,903	3,330,600	4,258,903	3,330,600
Islamic derivative financial instruments	A28 (i)	479,576	870,650	479,576	870,650
Financing, advances and other financing/loans	A11	50,948,264	47,172,873	50,948,264	47,172,873
Other assets	A12	670,678	883,378	670,678	883,378
Deferred taxation		13,352	15,427	13,352	15,427
Amount due from related companies		535	906	535	906
Statutory deposits with Bank Negara Malaysia		1,333,662	1,384,859	1,333,662	1,384,859
Investment in subsidiaries		-	-	11	11
Property, plant and equipment		9,025	9,581	9,025	9,581
Intangible assets		78,891	81,041	78,891	81,041
Goodwill		136,000	136,000	136,000	136,000
<b>Total assets</b>		<b>72,447,200</b>	<b>66,646,891</b>	<b>72,447,165</b>	<b>66,646,856</b>
<b>Liabilities</b>					
Deposits from customers	A13	57,304,941	52,762,288	57,427,016	52,833,806
Investment accounts of customers	A14	261,325	254,408	261,325	254,408
Deposits and placements of banks and other financial institutions	A15	1,907,261	1,232,801	1,907,261	1,232,801
Investment accounts due to designated financial institutions	A16	5,245,792	3,912,011	5,245,792	3,912,011
Financial liabilities designated at fair value	A17	2,211	2,181	2,211	2,181
Islamic derivative financial instruments	A28 (i)	584,866	979,011	584,866	979,011
Amount due to holding company		89,309	495,087	89,309	495,087
Amount due to related companies		2,611	1,089	2,611	1,089
Other liabilities	A18	346,042	253,015	743,531	767,985
Provision for tax		62,288	47,384	62,288	47,384
Recourse obligation on loans and financing sold to Cagamas		1,063,991	1,353,390	1,063,991	1,353,390
Sukuk		520,385	586,488	-	-
Subordinated Sukuk	A19	617,912	617,563	617,912	617,563
<b>Total liabilities</b>		<b>68,008,934</b>	<b>62,496,716</b>	<b>68,008,113</b>	<b>62,496,716</b>
<b>Equity</b>					
<b>Capital and reserves attributable to equity holder of the Bank</b>					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		3,218,266	2,930,175	3,219,052	2,930,140
		4,218,266	3,930,175	4,219,052	3,930,140
Perpetual preference shares		220,000	220,000	220,000	220,000
<b>Total equity</b>		<b>4,438,266</b>	<b>4,150,175</b>	<b>4,439,052</b>	<b>4,150,140</b>
<b>Total equity and liabilities</b>		<b>72,447,200</b>	<b>66,646,891</b>	<b>72,447,165</b>	<b>66,646,856</b>
<b>Commitments and contingencies</b>	A28 (ii)	<b>46,489,491</b>	<b>53,080,505</b>	<b>46,489,491</b>	<b>53,080,505</b>
Net assets per ordinary share attributable to owners of the Parent (RM)		4.22	3.93	4.22	3.93

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2017**

		The Group			
		Individual Quarter		Cumulative Quarter	
		2nd Quarter Ended		6 Months Ended	
		30 June	30 June	30 June	30 June
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A20	728,670	564,345	1,395,166	1,165,928
Income derived from investment of investment account	A21	59,129	49,779	111,159	92,357
Income derived from investment of shareholder's funds	A22	62,405	83,872	140,361	132,952
Allowances for impairment losses on financing advances and other financing/loans (made)/written-back	A23	(34,039)	(6,659)	(40,068)	6,218
Allowances for impairment losses on other receivables written-back/(made)		18	(148)	(19)	(115)
<b>Total distributable income</b>		<b>816,183</b>	691,189	<b>1,606,599</b>	1,397,340
Income attributable to depositors	A24	(457,616)	(365,473)	(886,847)	(722,545)
Profit distributed to investment account holder	A25	(44,171)	(36,099)	(80,610)	(65,578)
<b>Total net income</b>		<b>314,396</b>	289,617	<b>639,142</b>	609,217
Personnel expenses	A26	(7,889)	(9,424)	(16,377)	(18,598)
Other overheads and expenditures	A27	(128,960)	(103,562)	(251,999)	(222,848)
<b>Profit for the the period</b>		<b>177,547</b>	176,631	<b>370,766</b>	367,771
Taxation		(43,259)	(42,510)	(90,323)	(89,549)
<b>Net profit for the period</b>		<b>134,288</b>	134,121	<b>280,443</b>	278,222

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2017**

<b>Profit for the period</b>	134,288	134,121	280,443	278,222
<b>Other comprehensive income/(expense):</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Revaluation reserve financial investments available-for-sale				
- Net gain from change in fair value	4,899	5,961	11,390	18,346
- Realised gain transferred to statement of income on disposal and impairment	(537)	(348)	(1,091)	(1,537)
- Income tax effects	(1,047)	(1,347)	(2,472)	(4,034)
Other comprehensive income for the period, net of tax	3,315	4,266	7,827	12,775
<b>Total comprehensive income for the period</b>	<b>137,603</b>	138,387	<b>288,270</b>	290,997

Earnings per share (sen)	B3	13.43	13.41	28.04	27.82
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*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.*

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2017**

		The Bank			
		Individual Quarter		Cumulative Quarter	
		2nd Quarter Ended		6 Months Ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of depositors' funds and others	A20	728,670	564,345	1,395,166	1,165,928
Income derived from investment of investment account	A21	59,129	49,779	111,159	92,357
Income derived from investment of shareholder's funds	A22	63,145	83,872	141,796	132,952
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	A23	(34,039)	(6,659)	(40,068)	6,218
Allowances for impairment losses on other receivables written-back/(made)		18	(148)	(19)	(115)
<b>Total distributable income</b>		<b>816,923</b>	691,189	<b>1,608,034</b>	1,397,340
Income attributable to depositors	A24	(459,436)	(365,473)	(887,993)	(722,545)
Profit distributed to investment account holder	A25	(44,171)	(36,099)	(80,610)	(65,578)
<b>Total net income</b>		<b>313,316</b>	289,617	<b>639,431</b>	609,217
Personnel costs	A26	(7,889)	(9,424)	(16,377)	(18,598)
Other overheads and expenditures	A27	(128,515)	(103,562)	(251,467)	(222,848)
<b>Profit before taxation</b>		<b>176,912</b>	176,631	<b>371,587</b>	367,771
Taxation		(43,259)	(42,510)	(90,323)	(89,549)
<b>Profit for the financial period</b>		<b>133,653</b>	134,121	<b>281,264</b>	278,222

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2017**

<b>Profit for the period</b>	133,653	134,121	281,264	278,222
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**Other comprehensive income/(expenses):**
**Items that may be reclassified subsequently to profit or loss**

Revaluation reserve of financial investments available-for-sale

- Net gain from change in fair value

- Realised gain transferred to statement of income on disposal and impairment

- Income tax effects

Other comprehensive income for the period, net of tax

**Total comprehensive income for the period**

4,899	5,961	11,390	18,346
(537)	(348)	(1,091)	(1,537)
(1,047)	(1,347)	(2,472)	(4,034)
3,315	4,266	7,827	12,775
<b>136,968</b>	<b>138,387</b>	<b>289,091</b>	<b>290,997</b>

Earnings per share -basis (sen)	B3	13.37	13.41	28.13	27.82
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The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

← 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
<b>30 June 2017</b>											
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	-	-	-	-	-	-	-	280,443	280,443	-	280,443
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	7,827	-	-	-	-	-	7,827	-	7,827
Total comprehensive income for the period	-	-	7,827	-	-	-	-	280,443	288,270	-	288,270
Share-based payment expense	-	-	-	-	-	-	300	-	300	-	300
Transfer from statutory reserve	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	21,885	-	(21,885)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(479)	-	(479)	-	(479)
<b>At 30 June 2017</b>	<b>1,000,000</b>	<b>-</b>	<b>(17,870)</b>	<b>(2,457)</b>	<b>458</b>	<b>223,229</b>	<b>401</b>	<b>3,014,505</b>	<b>4,218,266</b>	<b>220,000</b>	<b>4,438,266</b>
<b>30 June 2016</b>											
At 1 January 2016	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,980	3,386,118	220,000	3,606,118
Net profit for the financial period	-	-	-	-	-	-	-	278,222	278,222	-	278,222
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	12,775	-	-	-	-	-	12,775	-	12,775
Total comprehensive income for the period	-	-	12,775	-	-	-	-	278,222	290,997	-	290,997
Share-based payment expense	-	-	-	-	-	-	241	-	241	-	241
Transfer to statutory reserve	-	69,556	-	-	-	-	-	(69,556)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	73,015	-	(73,015)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(400)	-	(400)	-	(400)
<b>At 30 June 2016</b>	<b>1,000,000</b>	<b>1,014,709</b>	<b>(13,745)</b>	<b>(2,457)</b>	<b>458</b>	<b>133,972</b>	<b>388</b>	<b>1,543,631</b>	<b>3,676,956</b>	<b>220,000</b>	<b>3,896,956</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

← Non-distributable → Distributable

The Bank	Ordinary share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
<b>30 June 2017</b>											
<b>At 1 January 2017</b>	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,959	3,930,140	220,000	4,150,140
Net profit for the financial period	-	-	-	-	-	-	-	281,264	281,264	-	281,264
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	7,827	-	-	-	-	-	7,827	-	7,827
Total comprehensive income for the period	-	-	7,827	-	-	-	-	281,264	289,091	-	289,091
Share-based payment expense	-	-	-	-	-	-	300	-	300	-	300
Transfer from statutory reserve	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	21,885	-	(21,885)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(479)	-	(479)	-	(479)
<b>At 30 June 2017</b>	<b>1,000,000</b>	<b>-</b>	<b>(17,870)</b>	<b>(2,457)</b>	<b>458</b>	<b>223,229</b>	<b>401</b>	<b>3,015,291</b>	<b>4,219,052</b>	<b>220,000</b>	<b>4,439,052</b>
<b>30 June 2016</b>											
<b>At 1 January 2016</b>	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,945	3,386,083	220,000	3,606,083
Net profit for the financial period	-	-	-	-	-	-	-	278,222	278,222	-	278,222
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	12,775	-	-	-	-	-	12,775	-	12,775
Total comprehensive income for the period	-	-	12,775	-	-	-	-	278,222	290,997	-	290,997
Share-based payment expense	-	-	-	-	-	-	241	-	241	-	241
Transfer to statutory reserve	-	69,556	-	-	-	-	-	(69,556)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	73,015	-	(73,015)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(400)	-	(400)	-	(400)
<b>At 30 June 2016</b>	<b>1,000,000</b>	<b>1,014,709</b>	<b>(13,745)</b>	<b>(2,457)</b>	<b>458</b>	<b>133,972</b>	<b>388</b>	<b>1,543,596</b>	<b>3,676,921</b>	<b>220,000</b>	<b>3,896,921</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2017**

	The Group		The Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Profit before taxation	370,766	367,771	371,587	367,771
Adjustments for non-cash items	<u>(183,426)</u>	<u>(93,274)</u>	<u>(183,389)</u>	<u>(93,274)</u>
Operating profit before changes in working capital	187,340	274,497	188,198	274,497
Net changes in operating assets	(4,135,356)	(1,858,618)	(4,135,393)	(1,858,618)
Net changes in operating liabilities	6,305,593	5,157,236	6,238,669	5,157,235
Tax paid	<u>(75,816)</u>	<u>(61,725)</u>	<u>(75,816)</u>	<u>(61,725)</u>
<b>Net cash generated from operating activities</b>	<b>2,281,761</b>	3,511,390	<b>2,215,658</b>	3,511,389
Net cash flows used in investing activities	(1,034,124)	(293,173)	(1,034,124)	(293,173)
Net cash flows (used in)/generated from financing activities	<u>(370,926)</u>	<u>580,037</u>	<u>(304,823)</u>	<u>580,037</u>
<b>Net change in cash and cash equivalents</b>	<b>876,711</b>	3,798,254	<b>876,711</b>	3,798,253
Cash and cash equivalents at beginning of the financial period	<u>8,315,442</u>	<u>5,644,137</u>	<u>8,315,396</u>	<u>5,644,092</u>
Cash and cash equivalents at end of the financial period	<u><b>9,192,153</b></u>	<u>9,442,391</u>	<u><b>9,192,107</b></u>	<u>9,442,345</u>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.*

## **PART A - EXPLANATORY NOTES**

### **A1. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the financial period ended 30 June 2017 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale, 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 2016. 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 2016.

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 2016, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2017:

- Amendments to MFRS 107 “Statement of Cash Flows - Disclosure Initiative”
- Amendments to MFRS 112 “Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses”
- Annual improvement to MFRSs 2014 - 2016 Cycle:
  - Amendment to MFRS 12, “Disclosure of Interests in Other Entities”

The adoption of the new standards, amendments to published standards and interpretations are not expected to have impact on the financial results of the Group and the Bank.

The preparation of unaudited condensed interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group'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.

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

**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 RM66 million.

**A4. PROPOSED DIVIDEND**

There were no dividends paid or proposed for the period ended 30 June 2017.

**A5. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

There were no significant events other than those disclosed under issuance and repayment of debt equity securities that had occurred between 30 June 2017 and the date of this announcement.



PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
<b>A6 Cash and short-term funds</b>				
Cash and balances with banks and other financial institutions	871,959	662,603	871,913	662,557
Money at call and deposit placements maturing within one month	8,320,194	7,652,839	8,320,194	7,652,839
	<b>9,192,153</b>	<b>8,315,442</b>	<b>9,192,107</b>	<b>8,315,396</b>
			<b>The Group and the Bank</b>	
			<b>30 June</b>	<b>31 December</b>
			<b>2017</b>	<b>2016</b>
			<b>RM'000</b>	<b>RM'000</b>
<b>A7 Deposits and placements with banks and other financial institutions</b>				
Licensed banks			<b>74,905</b>	90,398
<b>A8 Financial assets held for trading</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Malaysian Government treasury bills			101,249	120,987
Islamic negotiable instruments of deposits			2,884,548	2,425,600
Islamic commercial papers			24,718	-
Government Investment Issues			210,405	55,459
			<b>3,220,920</b>	2,602,046
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk			99,427	40,778
<u>Outside Malaysia</u>				
Corporate Sukuk			83,762	87,841
			<b>3,404,109</b>	2,730,665
<b>A9 Financial investments available-for-sale</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Government Investment Issues			216,272	111,863
Islamic Cagamas bonds			86,333	40,772
Malaysian Government Sukuk			28,878	29,622
			<b>331,483</b>	182,257
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk			1,440,763	1,368,768
Placement with IBFIM			575	575
<u>Outside Malaysia</u>				
Corporate Sukuk			74,326	73,471
			<b>1,847,147</b>	1,625,071
<b>A10 Financial investments held-to-maturity</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Government Investment Issues			1,251,058	811,683
Islamic Cagamas bonds			30,945	30,945
Khazanah bonds			12,662	12,662
			<b>1,294,665</b>	855,290
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk			2,960,644	2,472,854
Amortisation of premium less accretion of discount			3,594	2,456
			<b>4,258,903</b>	3,330,600

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans

A (i) Financing by types and Shariah contracts

At amortised cost:

The Group and the Bank

	Sale-based contracts					Lease-based contracts		Loan contract	Others	Total
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik	Al-Ijarah Thumma Al-Bai'	Qard	Ujarah	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30 June 2017</b>										
Cash line <sup>^</sup>	-	20,997	4,562	-	685,200	-	-	2,198	-	712,957
Term financing										
House Financing	-	6,630,098	-	-	5,016,518	1,462,290	-	-	-	13,108,906
Syndicated Financing	-	-	241,263	-	1,816,281	84,965	-	-	-	2,142,509
Hire purchase receivables	-	-	-	-	-	-	4,874,083	-	-	4,874,083
Other term financing	-	1,841,226	9,655,045	-	14,671,558	56,675	-	-	-	26,224,504
Bills receivable	-	-	-	25,236	-	-	-	148	-	25,384
Islamic trust receipts	59,250	-	-	-	-	-	-	-	-	59,250
Claims on customers under acceptance credits	540,276	-	-	62,917	-	-	-	-	-	603,193
Staff financing	-	-	-	-	29,254	-	-	-	-	29,254
Credit card receivables	-	-	-	-	-	-	-	-	121,485	121,485
Revolving credits	-	-	-	-	3,239,688	-	-	-	-	3,239,688
Share purchase financing	1,755	-	-	-	-	-	-	-	-	1,755
Gross financing, advances and other financing/loans	601,281	8,492,321	9,900,870	88,153	25,458,499	1,603,930	4,874,083	2,346	121,485	51,142,968
Fair value changes arising from fair value hedge										95,059
										51,238,027
Less: Allowance for impairment losses										(30,019)
- Individual impairment allowance										(259,744)
- Portfolio impairment allowance										(289,763)
<b>Total net financing, advances and other financing/loans</b>										<b>50,948,264</b>

Less: Allowance for impairment losses

- Individual impairment allowance

- Portfolio impairment allowance

**Total net financing, advances and other financing/loans**

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

The Group and the Bank

	Sale-based contracts					Lease-based contracts		Loan contract	Others	Total
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik	Al-Ijarah Thumma Al-Bai'	Qard	Ujarah	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2016</b>										
Cash line <sup>^</sup>	-	30,336	11,772	-	639,697	-	-	4,283	-	686,088
Term financing										
House Financing	-	6,938,888	-	-	3,707,156	1,478,984	-	-	-	12,125,028
Syndicated Financing	-	-	260,465	-	1,978,421	110,216	-	-	-	2,349,102
Hire purchase receivables	-	-	-	-	-	-	4,004,807	-	-	4,004,807
Other term financing	-	1,971,036	10,090,242	-	11,785,762	57,511	-	-	-	23,904,551
Bills receivable	-	-	-	57,210	-	-	-	-	-	57,210
Islamic trust receipts	32,666	-	-	-	-	-	-	-	-	32,666
Claims on customers under acceptance credits	369,264	-	-	58,512	-	-	-	-	-	427,776
Staff financing	-	-	-	-	15,203	-	-	-	-	15,203
Credit card receivables	-	-	-	-	-	-	-	-	121,558	121,558
Revolving credits	-	-	-	-	3,626,798	-	-	-	-	3,626,798
Share purchase financing	2,028	-	-	-	-	-	-	-	-	2,028
Gross financing, advances and other financing/loans	403,958	8,940,260	10,362,479	115,722	21,753,037	1,646,711	4,004,807	4,283	121,558	47,352,815
Fair value changes arising from fair value hedges										110,982
										47,463,797
Less: Allowance for impairment losses										(48,062)
- Individual impairment allowance										(242,862)
- Portfolio impairment allowance										(290,924)
<b>Total net financing, advances and other financing/loans</b>										<b>47,172,873</b>

Less: Allowance for impairment losses

- Individual impairment allowance

- Portfolio impairment allowance

**Total net financing, advances and other financing/loans**

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

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

**A11 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 RM3,575,000,000 (2016: RM3,575,000,000) 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 portfolio and individual impairment for bad and doubtful financing arising thereon.

As at 30 June 2017, the gross exposures to RPSIA financing is RM4,320,206,000 (31 December 2016: RM3,236,229,000) and the portfolio impairment allowance relating to this RPSIA amounting to RM5,789,000 (31 December 2016: RM5,374,000) is recognised in the Financial Statements of CIMB Bank Berhad.

There was no individual impairment provided on this RPSIA financing.

(c) Movement of Qard financing

	<b>The Group and the Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 January 2017/2016	<b>4,283</b>	17,267
New disbursement	<b>1,248</b>	1,740
Repayment	<b>(3,185)</b>	(14,724)
As at 30 June/31 December	<b><u>2,346</u></b>	<u>4,283</u>
Sources of Qard fund:		
Depositors' fund	<b>2,201</b>	4,027
Shareholders' fund	<b>145</b>	256
	<b><u>2,346</u></b>	<u>4,283</u>
Uses of Qard fund:		
Personal use	<b>299</b>	664
Business purpose	<b>2,047</b>	3,619
	<b><u>2,346</u></b>	<u>4,283</u>

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

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

	<b>The Group and the Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) By geographical distribution:</b>		
Malaysia	<u>51,142,968</u>	47,352,815
	<u>51,142,968</u>	<u>47,352,815</u>
<b>(iii) By type of customer :</b>		
Domestic banking institutions	-	28,897
Domestic non-bank financial institutions	<b>390,855</b>	1,583,695
Domestic business enterprises		
- Small medium enterprises	<b>7,606,864</b>	6,666,599
- Others	<b>6,745,632</b>	5,553,813
Government and statutory bodies	<b>6,767,132</b>	7,279,784
Individuals	<b>29,402,383</b>	26,024,320
Other domestic entities	<b>89,195</b>	92,658
Foreign entities	<b>140,907</b>	123,049
	<u>51,142,968</u>	<u>47,352,815</u>
<b>(iv) By profit rate sensitivity :</b>		
Fixed rate		
- House financing	<b>91,475</b>	118,366
- Hire purchase receivables	<b>4,085,773</b>	3,959,825
- Others	<b>9,807,450</b>	9,975,909
Variable rate		
- House financing	<b>13,017,429</b>	12,006,662
- Other financing	<b>24,140,841</b>	21,292,053
	<u>51,142,968</u>	<u>47,352,815</u>
<b>(v) By economic purpose :</b>		
Personal use	<b>2,448,636</b>	2,502,702
Credit card	<b>121,485</b>	121,558
Construction	<b>1,358,956</b>	1,341,384
Residential property	<b>13,449,988</b>	12,434,227
Non-residential property	<b>3,963,221</b>	3,816,548
Purchase of fixed assets other than land and building	<b>137,191</b>	140,923
Merger and acquisition	<b>1,793</b>	2,262
Purchase of securities	<b>7,619,585</b>	6,071,444
Purchase of transport vehicles	<b>5,446,305</b>	4,511,483
Working capital	<b>12,162,947</b>	11,863,283
Other purpose	<b>4,432,861</b>	4,547,001
	<u>51,142,968</u>	<u>47,352,815</u>
<b>(vi) By residual contractual maturity :</b>		
Within one year	<b>6,200,322</b>	5,861,918
One year to less than three years	<b>7,987,369</b>	5,119,510
Three years to less than five years	<b>2,870,302</b>	6,154,384
Five years and more	<b>34,084,975</b>	30,217,003
	<u>51,142,968</u>	<u>47,352,815</u>

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

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

	<b>The Group and the Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vii) Impaired financing by economic purpose :</b>		
Personal use	21,267	22,088
Credit card	2,264	3,768
Construction	33,028	34,221
Residential property	103,146	91,091
Non-residential property	61,444	67,424
Purchase of securities	2,324	654
Purchase of transport vehicles	91,859	106,758
Working capital	30,186	85,428
Other purpose	34,531	54,933
	<u>380,049</u>	<u>466,365</u>
<b>(viii) Impaired financing by geographical distribution:</b>		
Malaysia	<u>380,049</u>	466,365
	<u>380,049</u>	<u>466,365</u>
<b>(ix) Movement in impaired financing, advances and other financing/loans :</b>		
As at 1 January	466,365	424,384
Classified as impaired during the financial year	206,389	597,298
Reclassified as non-impaired during the period/year	(172,265)	(290,211)
Amount written-back in respect of recoveries	(54,961)	(139,866)
Amount written off	(65,479)	(125,240)
As at 30 June/31 December	<u>380,049</u>	<u>466,365</u>
Ratio of gross impaired financing to total financing advances, and other financing/loans	<u>0.74%</u>	<u>0.98%</u>
<b>(x) Movements in allowance for impaired financing :</b>		
<b>Individual impairment allowance</b>		
As at 1 January	48,062	46,168
Net allowance (written-back)/made during the period/year	(12,935)	1,894
Amount written off	(5,108)	-
As at 30 June/31 December	<u>30,019</u>	<u>48,062</u>
<b>Portfolio impairment allowance</b>		
As at 1 January	242,862	314,054
Net allowance made during the period/year	77,293	54,681
Transfer to intercompany	(14)	(596)
Amount written off	(60,371)	(125,315)
Exchange fluctuation	(26)	38
As at 30 June/31 December	<u>259,744</u>	<u>242,862</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	<u>1.20%</u>	<u>1.20%</u>

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

**The Group and the Bank**  
**30 June 2017**      **31 December 2016**  
**RM'000**              **RM'000**

**A12 Other assets**

Deposits and prepayments	6,676	4,105
Sundry debtors	241,314	82,493
Collateral pledged for derivative transactions	280,883	575,445
Clearing accounts	141,805	221,335
	<u>670,678</u>	<u>883,378</u>

<b>The Group</b>		<b>The Bank</b>	
<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

**A13 Deposits from customers**

**(i) By type of deposit**

Savings deposits	3,162,963	2,927,769	3,162,963	2,927,769
Wadiah	3,160,282	2,927,769	3,160,282	2,927,769
Qard	138	-	138	-
Commodity Murabahah (via Tawarruq arrangement)	2,543	-	2,543	-
Demand deposits	10,743,013	8,966,724	10,743,013	8,966,724
Wadiah	10,591,492	8,764,805	10,591,492	8,764,805
Qard	151,521	201,919	151,521	201,919
Term deposits	43,384,399	40,854,091	43,506,474	40,925,609
Commodity Murabahah (via Tawarruq arrangement)*	43,211,642	40,647,443	43,333,717	40,718,961
Islamic negotiable instruments	15,765	38,031	15,765	38,031
Mudharabah	15,765	38,031	15,765	38,031
General investment account	2,790	12,260	2,790	12,260
Mudharabah	2,790	12,260	2,790	12,260
Specific investment account	154,202	156,357	154,202	156,357
Mudharabah	154,202	156,357	154,202	156,357
Others - Qard	14,566	13,704	14,566	13,704
	<u>57,304,941</u>	<u>52,762,288</u>	<u>57,427,016</u>	<u>52,833,806</u>

\*included Qard contract of RM438,759,000 (31 December 2016:RM554,168,000)

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

	The Group		The Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
<b>A13 Deposits from customers (continued)</b>				
<b>(ii) Maturity structures of term deposits</b>				
Due within six months	33,618,734	37,827,618	33,740,809	37,899,136
Six months to less than one year	9,535,501	2,854,039	9,535,501	2,854,039
One year to less than three years	69,381	8,530	69,381	8,530
Three years to less than five years	18,959	21,776	18,959	21,776
Five years and more	141,824	142,128	141,824	142,128
	<u>43,384,399</u>	<u>40,854,091</u>	<u>43,506,474</u>	<u>40,925,609</u>
<b>(iii) By type of customer</b>				
Government and statutory bodies	4,661,565	4,019,392	4,661,565	4,019,392
Business enterprises	21,783,890	18,362,661	21,783,890	18,362,661
Individuals	13,881,362	13,608,703	13,881,362	13,608,703
Others	16,978,124	16,771,532	17,100,199	16,843,050
	<u>57,304,941</u>	<u>52,762,288</u>	<u>57,427,016</u>	<u>52,833,806</u>
<b>A14 Investment accounts of customers</b>				
Unrestricted investment accounts				
-without maturity				
Mudharabah			261,314	254,408
-with maturity				
Mudharabah*			11	-
			<u>261,325</u>	<u>254,408</u>
*of which				
Term Investment Account-i			11	-
<b>A15 Deposits and placements of banks and other financial institutions</b>				
<u>Non-Mudharabah</u>				
Licensed investment banks			35,003	920
Licensed banks			1,810,323	911,149
Other financial institutions			61,935	320,732
			<u>1,907,261</u>	<u>1,232,801</u>
The maturity structure of deposits and placements from financial institutions are as follows:				
Due within six months			1,902,907	1,229,419
Six months to less than one year			3,265	3,382
One year to less than three years			1,089	-
			<u>1,907,261</u>	<u>1,232,801</u>

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

	<b>The Group and the Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A16 Investment accounts due to designated financial institutions</b>		
Restricted investment accounts		
Mudharabah	<u>5,245,792</u>	<u>3,912,011</u>
By type of counterparty		
Licensed banks	<u>5,245,792</u>	<u>3,912,011</u>
<b>A17 Financial liabilities designated at fair value</b>		
Deposits from customers - structured investments	<u>2,211</u>	<u>2,181</u>

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 30 June 2017 of financial liabilities designated at fair value were RM32,000 (31 December 2016:RM62,000) 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 2017 and 2016.

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>A18 Other liabilities</b>				
Accruals and other payables	203,478	75,505	203,478	75,505
Clearing accounts	110,344	162,710	110,344	162,710
Others	32,220	14,800	429,709	529,770
	<u>346,042</u>	<u>253,015</u>	<u>743,531</u>	<u>767,985</u>



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

### **A19 Subordinated sukuk**

#### **The Group and the Bank**

a) The RM600 million unsecured subordinated Sukuk (“the Sukuk”) is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the Bank is allowed to raise Tier-2 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 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 has undertaken fair value hedge on the profit rate risk of the third tranche RM300 million subordinated Sukuk using Islamic profit rate swaps.

The RM600 million Sukuk qualify as Tier-2 capital for the purpose of the total capital ratio computation (subject to gradual phase-out treatment under Basel III).

b) The RM10 million subordinated Sukuk (“the Sukuk”) is part of the Basel III Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier-2 capital of up to RM5.0 billion in nominal value outstanding at any one time.

On 21 September 2016, the Bank had issued RM10 million Tier-2 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. Proceeds from the issuance will be used for the Bank’s working capital, general banking and other corporate purposes which are Shariah compliant.

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<b>A20 Income derived from investment of depositors' funds and others</b>				
<b>The Group and The Bank</b>				
Income derived from investment of :				
a) General investment deposits	514,918	377,152	979,071	785,504
b) Specific investment deposits	1,063	3,670	2,195	8,411
c) Other deposits	212,689	183,523	413,900	372,013
	<u>728,670</u>	<u>564,345</u>	<u>1,395,166</u>	<u>1,165,928</u>
<b>a) Income derived from investment of general investment deposits</b>				
Financing, advances and other financing/loans				
- Profit income	374,966	307,531	727,277	613,204
- Unwinding income <sup>^</sup>	2,044	2,330	4,132	4,332
Financial assets held for trading	7,309	2,917	12,870	6,835
Financial investments available-for-sale	12,869	9,836	24,266	20,761
Financial investments held-to-maturity	25,373	14,986	48,089	27,527
Money at call and deposit with financial institutions	50,451	37,456	95,107	65,579
	<u>473,012</u>	<u>375,056</u>	<u>911,741</u>	<u>738,238</u>
Accretion of discount less amortisation of premium	16,942	8,880	32,275	22,391
Total finance income and hibah	<u>489,954</u>	<u>383,936</u>	<u>944,016</u>	<u>760,629</u>
Other operating income				
- Net gain arising from financial assets held for trading				
- realised gain	907	145	1,610	1,658
- unrealised loss	(267)	(566)	(179)	(491)
- Net gain from sale of financial investments available-for-sale	357	218	719	974
- Net gain/(loss) from foreign exchange transactions	23,217	(7,100)	31,282	21,493
	<u>24,214</u>	<u>(7,303)</u>	<u>33,432</u>	<u>23,634</u>
Fee and commission income	750	519	1,623	1,241
	<u>514,918</u>	<u>377,152</u>	<u>979,071</u>	<u>785,504</u>
<b>b) Income derived from investment of specific investment deposits</b>				
Money at call and deposit with financial institutions	<u>1,063</u>	<u>3,670</u>	<u>2,195</u>	<u>8,411</u>

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

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

2nd Quarter Ended		6 Months Ended	
30 June	30 June	30 June	30 June
2017	2016	2017	2016
RM'000	RM'000	RM'000	RM'000

**A20 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	<b>154,881</b>	149,643	<b>307,608</b>	290,739
- Unwinding income <sup>^</sup>	<b>845</b>	1,134	<b>1,750</b>	2,058
Financial assets held for trading	<b>3,019</b>	1,420	<b>5,430</b>	3,228
Financial investments available-for-sale	<b>5,316</b>	4,786	<b>10,256</b>	9,829
Financial investments held-to-maturity	<b>10,480</b>	7,292	<b>20,328</b>	13,081
Money at call and deposit with financial institutions	<b>20,838</b>	18,226	<b>40,197</b>	31,207
	<b>195,379</b>	182,501	<b>385,569</b>	350,142
Accretion of discount less amortisation of premium	<b>6,998</b>	4,321	<b>13,645</b>	10,558
Total finance income and hibah	<b>202,377</b>	186,822	<b>399,214</b>	360,700
Other operating income				
- Net gain arising from financial assets held for trading				
- realised gain	<b>375</b>	71	<b>680</b>	769
- unrealised loss	<b>(110)</b>	(275)	<b>(72)</b>	(241)
- Net gain from sale of financial investments available-for-sale	<b>147</b>	106	<b>304</b>	455
- Net gain/(loss) from foreign exchange transactions	<b>9,590</b>	(3,454)	<b>13,086</b>	9,744
	<b>10,002</b>	(3,552)	<b>13,998</b>	10,727
Fee and commission income	<b>310</b>	253	<b>688</b>	586
	<b>212,689</b>	183,523	<b>413,900</b>	372,013

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

**A21 Income derived from investment of investment account**

**The Group and The Bank**

Financing, advances and other financing/loans				
- Profit income	<b>53,299</b>	45,533	<b>100,431</b>	86,243
- Unwinding income <sup>^</sup>	<b>16</b>	40	<b>27</b>	48
Money at call and deposit with financial institutions	<b>5,814</b>	4,206	<b>10,701</b>	6,066
	<b>59,129</b>	49,779	<b>111,159</b>	92,357

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

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<b>A22 Income derived from investment of shareholder's funds</b>				
<b>The Group</b>				
Financing, advances and other financing/loans				
- Profit income	<b>34,967</b>	33,277	<b>68,985</b>	67,390
- Unwinding income <sup>^</sup>	<b>190</b>	253	<b>392</b>	476
Financial assets held for trading	<b>682</b>	316	<b>1,219</b>	753
Financial investments available-for-sale	<b>1,200</b>	1,065	<b>2,300</b>	2,284
Financial investments held-to-maturity	<b>2,366</b>	1,621	<b>4,559</b>	3,021
Money at call and deposit with financial institutions	<b>4,705</b>	4,053	<b>9,017</b>	7,192
	<b>44,110</b>	40,585	<b>86,472</b>	81,116
Accretion of discount less amortisation of premium	<b>1,580</b>	961	<b>3,060</b>	2,469
Total finance income and hibah	<b>45,690</b>	41,546	<b>89,532</b>	83,585
Other operating income				
- Net gain arising from financial assets held for trading				
- realised gain	<b>84</b>	16	<b>152</b>	185
- unrealised loss	<b>(25)</b>	(61)	<b>(16)</b>	(53)
- Net gain from sale of financial investments available-for-sale	<b>33</b>	24	<b>68</b>	108
- Net gain/(loss) from foreign exchange transactions	<b>2,165</b>	(768)	<b>2,944</b>	2,423
- Net loss arising from hedging activities	<b>(480)</b>	(295)	<b>(696)</b>	(764)
-Net gain/(loss) arising from financial liabilities designated at fair value				
- realised gain/(loss)	<b>10</b>	(762)	<b>20</b>	(1,224)
- unrealised loss	<b>(15)</b>	(1,002)	<b>(29)</b>	(8,105)
-Net (loss)/gain arising from derivative financial instrument				
- realised (loss)/gain	<b>(6,638)</b>	(24,186)	<b>(4,791)</b>	6,444
- unrealised (loss)/gain	<b>(11,664)</b>	45,176	<b>(12,446)</b>	(962)
	<b>(16,530)</b>	18,142	<b>(14,794)</b>	(1,948)
Fee and commission income	<b>38,039</b>	22,676	<b>67,429</b>	48,128
Less : fee and commission expense	<b>(3,102)</b>	(776)	<b>(3,635)</b>	(1,618)
Net fee and commission income	<b>34,937</b>	21,900	<b>63,794</b>	46,510
Other income				
- Sundry income	<b>(1,692)</b>	2,284	<b>1,829</b>	4,805
	<b>62,405</b>	83,872	<b>140,361</b>	132,952

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

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<b>A22 Income derived from investment of shareholder's funds (cont'd.)</b>				
<b>The Bank</b>				
Financing, advances and other financing/loans				
- Profit income	34,967	33,277	68,985	67,390
- Unwinding income <sup>^</sup>	190	253	392	476
Financial assets held for trading	682	316	1,219	753
Financial investments available-for-sale	1,200	1,065	2,300	2,284
Financial investments held-to-maturity	2,366	1,621	4,559	3,021
Money at call and deposit with financial institutions	4,705	4,053	9,017	7,192
	<b>44,110</b>	40,585	<b>86,472</b>	81,116
Accretion of discount less amortisation of premium	1,580	961	3,060	2,469
Total finance income and hibah	<b>45,690</b>	41,546	<b>89,532</b>	83,585
Other operating income				
- Net gain from sale of financial investments held for trading				
- realised gain	84	16	152	185
- unrealised loss	(25)	(61)	(16)	(53)
- Net gain from sale of financial investments available-for-sale	33	24	68	108
- Net gain/(loss) from foreign exchange transactions	2,165	(768)	2,944	2,423
- Net loss arising from hedging activities	(480)	(295)	(696)	(764)
Net gain/(loss) arising from financial liabilities designated at fair value				
- realised gain/(loss)	10	(762)	20	(1,224)
- unrealised loss	(15)	(1,002)	(29)	(8,105)
- Net (loss)/gain arising from derivative financial instrument				
- realised (loss)/gain	(6,638)	(24,186)	(4,791)	6,444
- unrealised (loss)/gain	(11,664)	45,176	(12,446)	(962)
	<b>(16,530)</b>	18,142	<b>(14,794)</b>	(1,948)
Fee and commission income	38,779	22,676	68,864	48,128
Less : fee and commission expense	(3,102)	(776)	(3,635)	(1,618)
Net fee and commission income	<b>35,677</b>	21,900	<b>65,229</b>	46,510
Other income				
- Sundry income	(1,692)	2,284	1,829	4,805
	<b>63,145</b>	83,872	<b>141,796</b>	132,952

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

**A23 Allowance for impairment losses on financing, advances and other financing/loans**

**The Group and The Bank**

Individual impairment allowance				
- (Written-back)/made during the period	(2,491)	5,276	(12,935)	5,947
Portfolio impairment allowance				
- Made during the period	48,375	9,957	77,293	11,322
Impaired financing :				
- recovered	(12,874)	(9,378)	(26,644)	(24,998)
- written off	1,029	804	2,354	1,511
	<b>34,039</b>	6,659	<b>40,068</b>	(6,218)

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<b>A24 Income attributable to depositors</b>				
<b>The Group</b>				
<b>Deposits from customers</b>				
- Mudharabah	1,217	4,558	2,636	6,563
- Non-Mudharabah	420,725	331,651	812,211	660,228
- Financial liabilities designated at fair value	20	1,562	39	3,404
<b>Deposits and placements of banks and other financial institutions</b>				
- Non-Mudharabah	12,877	5,079	21,810	9,744
<b>Others</b>				
- Subordinated Sukuk	7,732	8,297	15,343	18,603
- Recourse obligation on loans and financing sold to Cagamas	11,450	14,326	25,061	24,003
- Sukuk	3,595	-	9,747	-
	<u>457,616</u>	<u>365,473</u>	<u>886,847</u>	<u>722,545</u>
<b>The Bank</b>				
<b>Deposits from customers</b>				
- Mudharabah	1,217	4,558	2,636	6,563
- Non-Mudharabah	420,725	331,651	812,211	660,228
- Financial liabilities designated at fair value	20	1,562	39	3,404
<b>Deposits and placements of banks and other financial institutions</b>				
- Non-Mudharabah	12,877	5,079	21,810	9,744
<b>Others</b>				
- Subordinated Sukuk	7,732	8,297	15,343	18,603
- Recourse obligation on loans and financing sold to Cagamas	11,450	14,326	25,061	24,003
- Others	5,415	-	10,893	-
	<u>459,436</u>	<u>365,473</u>	<u>887,993</u>	<u>722,545</u>
<b>A25 Profit distributed to investment account holder</b>				
<b>The Group and The Bank</b>				
-Restricted	44,035	35,951	80,338	65,303
-Unrestricted	136	148	272	275
	<u>44,171</u>	<u>36,099</u>	<u>80,610</u>	<u>65,578</u>
<b>A26 Personnel expenses</b>				
<b>The Group and The Bank</b>				
Salaries, allowances and bonuses	6,399	6,392	13,461	13,499
Pension costs (defined contribution plan)	690	1,006	1,590	1,938
Staff incentives and other staff payments	408	1,351	489	2,084
Medical expenses	215	218	568	485
Others	177	457	269	592
	<u>7,889</u>	<u>9,424</u>	<u>16,377</u>	<u>18,598</u>

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

<b>2nd Quarter Ended</b>		<b>6 Months Ended</b>	
<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

**A27 Other overheads and expenditures**

**The Group**

**Establishment**

Depreciation of property, plant equipment	<b>1,351</b>	1,227	<b>2,660</b>	2,328
Amortisation of intangible assets	<b>2,125</b>	2,775	<b>3,838</b>	5,589
Rental	<b>781</b>	621	<b>1,460</b>	1,573
Repairs and maintenance	<b>65</b>	397	<b>341</b>	961
Outsourcing expenses	<b>162</b>	114	<b>36</b>	289
Security expenses	<b>3</b>	11	<b>19</b>	11
Utility expenses	<b>29</b>	29	<b>57</b>	46
Others	<b>19</b>	(722)	<b>(62)</b>	314
	<b>4,535</b>	4,452	<b>8,349</b>	11,111

**Marketing**

Advertisement and publicity	<b>1,558</b>	777	<b>954</b>	2,089
Others	<b>245</b>	309	<b>509</b>	712
	<b>1,803</b>	1,086	<b>1,463</b>	2,801

**General expenses**

Communication	<b>390</b>	14	<b>415</b>	26
Consultancy and professional fees	<b>265</b>	146	<b>596</b>	146
Legal expenses	<b>-</b>	(52)	<b>2</b>	127
Stationery	<b>176</b>	180	<b>301</b>	389
Postages	<b>548</b>	1,355	<b>1,532</b>	2,581
Donation	<b>858</b>	1,042	<b>748</b>	2,068
Incidental expenses on banking operations	<b>1,035</b>	1,661	<b>2,034</b>	2,770
Takaful	<b>2,418</b>	1,828	<b>4,860</b>	4,146
Others	<b>2,816</b>	2,167	<b>4,977</b>	3,904
	<b>8,506</b>	8,341	<b>15,465</b>	16,157

Total other overheads and expenditures	<b>14,844</b>	13,879	<b>25,277</b>	30,069
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Shared service costs	<b>114,116</b>	89,683	<b>226,722</b>	192,779
	<b>128,960</b>	103,562	<b>251,999</b>	222,848

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<b>A27 Other overheads and expenditures (continued)</b>				
<b>The Bank</b>				
<b>Establishment</b>				
Depreciation of property, plant equipment	1,351	1,227	2,660	2,328
Amortisation of intangible assets	2,125	2,775	3,838	5,589
Rental	781	621	1,460	1,573
Repairs and maintenance	65	397	341	961
Outsourcing expenses	162	114	36	289
Security expenses	3	11	19	11
Utility expenses	29	29	57	46
Others	19	(722)	(62)	314
	<b>4,535</b>	<b>4,452</b>	<b>8,349</b>	<b>11,111</b>
<b>Marketing</b>				
Advertisement and publicity	1,558	777	954	2,089
Others	245	309	509	712
	<b>1,803</b>	<b>1,086</b>	<b>1,463</b>	<b>2,801</b>
<b>General expenses</b>				
Communication	390	14	415	26
Consultancy and professional fees	265	146	596	146
Legal expenses	-	(52)	2	127
Stationery	176	180	301	389
Postages	548	1,355	1,532	2,581
Donation	858	1,042	748	2,068
Incidental expenses on banking operations	1,035	1,661	2,034	2,770
Takaful	2,418	1,828	4,860	4,146
Others	2,371	2,167	4,445	3,904
	<b>8,061</b>	<b>8,341</b>	<b>14,933</b>	<b>16,157</b>
Total other overheads and expenditures	<b>14,399</b>	<b>13,879</b>	<b>24,745</b>	<b>30,069</b>
Shared service costs	<b>114,116</b>	<b>89,683</b>	<b>226,722</b>	<b>192,779</b>
	<b>128,515</b>	<b>103,562</b>	<b>251,467</b>	<b>222,848</b>



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

**A28 Islamic derivative financial instruments, commitments and contingencies**

**(i) Islamic derivative financial instruments**

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

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

The Group and the Bank	30 June 2017			31 December 2016		
	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	5,212,012	142,635	(134,227)	6,269,523	372,409	(185,239)
- Less than one year	4,070,406	55,952	(58,482)	5,575,198	273,449	(95,454)
- One year to three years	560,131	7,222	(3,996)	76,800	3,123	(2,967)
- More than three years	581,475	79,461	(71,749)	617,525	95,837	(86,818)
Currency swaps	9,876,742	87,013	(101,081)	12,016,387	124,021	(306,096)
- Less than one year	9,848,328	83,657	(97,683)	12,013,950	124,021	(305,378)
- One year to three years	28,414	3,356	(3,398)	-	-	-
- More than three years	-	-	-	2,437	-	(718)
Currency spots	88,270	53	(67)	24,545	19	(34)
- Less than one year	88,270	53	(67)	24,545	19	(34)
Currency options	4,295	8	(8)	2,512	93	(93)
- Less than one year	4,295	8	(8)	2,512	93	(93)
Cross currency profit rate swaps	3,705,405	171,473	(165,495)	4,312,432	252,303	(245,706)
- Less than one year	315,400	590	(485)	891,000	21,919	(21,902)
- One year to three years	1,695,873	40,046	(38,175)	1,292,048	46,779	(45,137)
- More than three years	1,694,132	130,837	(126,835)	2,129,384	183,605	(178,667)
	<b>18,886,724</b>	<b>401,182</b>	<b>(400,878)</b>	<b>22,625,399</b>	<b>748,845</b>	<b>(737,168)</b>
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	13,559,829	74,697	(66,183)	15,467,449	117,223	(107,721)
- Less than one year	2,653,251	1,659	(1,491)	2,479,351	1,741	(1,665)
- One year to three years	3,182,766	7,311	(5,261)	4,759,747	8,653	(7,135)
- More than three years	7,723,812	65,727	(59,431)	8,228,351	106,829	(98,921)
<u>Equity related derivatives</u>						
Equity options	351,579	2,598	(2,598)	447,152	3,713	(3,632)
- Less than one year	-	-	-	93,021	737	(737)
- One year to three years	33,264	1,198	(1,198)	39,438	1,327	(1,327)
- More than three years	318,315	1,400	(1,400)	314,693	1,649	(1,568)
<u>Credit related contracts</u>						
Total return swaps	76,250	1,099	(1,099)	81,150	869	(869)
- More than three years	76,250	1,099	(1,099)	81,150	869	(869)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,894,819	-	(114,108)	3,895,703	-	(129,621)
- Less than one year	300,000	-	(392)	300,000	-	(911)
- One year to three years	3,575,000	-	(113,320)	1,675,000	-	(59,700)
- More than three years	19,819	-	(396)	1,920,703	-	(69,010)
<b>Total derivative assets/(liabilities)</b>	<b>36,769,201</b>	<b>479,576</b>	<b>(584,866)</b>	<b>42,516,853</b>	<b>870,650</b>	<b>(979,011)</b>

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

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

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

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

##### **Market Risk**

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

##### **Credit Risk**

Credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfill their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 30 June 2017, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM479,576,000 respectively (31 December 2016: RM870,650,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

##### **Liquidity Risk**

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

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

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 June 2017, the Group has posted cash collateral of RM280,883,000 (31 December 2016: RM575,445,000) 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 2016.

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

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

**(ii) Commitments and contingencies**

	<b>30 June 2017 Principal amount</b>	<b>31 December 2016 Principal amount</b>
<b>The Group and the Bank</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Credit-related</u>		
Direct credit substitutes	190,801	207,083
Certain transaction-related contingent items	525,699	520,884
Short-term self-liquidating trade-related contingencies	68,792	153,685
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	5,242,463	6,236,307
- maturity exceeding one year	3,631,330	3,388,319
Miscellaneous commitments and contingencies	61,205	57,374
Total credit-related commitments and contingencies	<u>9,720,290</u>	<u>10,563,652</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	14,326,698	18,507,205
- one year to five years	3,335,662	2,841,450
- more than five years	1,224,363	1,276,744
Profit rate related contracts :		
- less than one year	2,953,251	2,779,351
- one year to five years	13,813,196	15,846,824
- more than five years	688,202	736,977
Equity related contracts :		
- less than one year	-	93,021
- one year to five years	67,932	78,876
- more than five years	283,647	275,255
Credit related contracts:		
- more than five years	76,250	81,150
Total treasury-related commitments and contingencies	<u>36,769,201</u>	<u>42,516,853</u>
	<u>46,489,491</u>	<u>53,080,505</u>

PART A - EXPLANATORY NOTES (CONTINUED)

A29 Capital Adequacy

The capital adequacy framework applicable is based on the Bank Negara Malaysia (“BNM”) Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which was revised on 13 October 2015. The revised guideline took effect for all banking institutions on 1 January 2016 and will take effect for all financial holding companies on 1 January 2019. 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 Capital Adequacy Framework (Basel II - Risk-Weighted Assets), which was revised on 2 March 2017. The IRB Approach is applied for the major credit exposures with retail exposures on Advanced IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach.

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

	The Group		The Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Common equity tier 1 ratio	13.919%	14.711%	13.922%	14.711%
Tier 1 ratio	14.607%	15.526%	14.610%	15.526%
Total capital ratio	16.509%	18.025%	16.512%	18.025%

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

	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
	RM’000	RM’000	RM’000	RM’000
Credit risk	24,014,530	20,854,017	24,014,645	20,854,131
Market risk	621,429	537,923	621,429	537,923
Operational risk	2,249,134	2,166,460	2,249,324	2,166,412
Total risk-weighted assets	26,885,093	23,558,400	26,885,398	23,558,466

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

	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
	RM’000	RM’000	RM’000	RM’000
<b>Common Equity Tier I capital</b>				
Ordinary share capital	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	3,218,266	2,930,175	3,219,052	2,930,140
Common Equity Tier I capital before regulatory adjustments	4,218,266	3,930,175	4,219,052	3,930,140
<u>Less: Regulatory adjustments</u>				
Goodwill	(136,000)	(136,000)	(136,000)	(136,000)
Intangible assets	(78,891)	(80,961)	(78,891)	(80,961)
Deferred tax assets	(13,352)	(15,507)	(13,352)	(15,507)
Others	(247,921)	(231,914)	(247,921)	(231,915)
Common Equity Tier I capital after regulatory adjustments	3,742,102	3,465,793	3,742,888	3,465,757
<b>Additional Tier I capital</b>				
Perpetual preference shares	185,000	192,000	185,000	192,000
Additional Tier I capital before regulatory adjustments	185,000	192,000	185,000	192,000
<u>Less: Regulatory adjustments</u>				
Investment in capital instruments of unconsolidated financial and takaful entities	-	-	-	-
Additional Tier I capital after regulatory adjustments	185,000	192,000	185,000	192,000
<b>Total Tier I capital</b>	3,927,102	3,657,793	3,927,888	3,657,757
<b>Tier II capital</b>				
Subordinated notes	435,000	520,000	435,000	520,000
Portfolio impairment allowance and regulatory reserves ^	76,408	68,593	76,409	68,594
<b>Total Tier II capital</b>	511,408	588,593	511,409	588,594
<b>Total capital</b>	4,438,510	4,246,386	4,439,297	4,246,351

^ The capital base of the Group and the Bank as at 30 June 2017 have excluded portfolio impairment allowance on impaired financings restricted from Tier II capital of RM17 million (31 December 2016: RM20 million) respectively.

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

### **A30 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)**

**A30 Segmental reporting (continued)**

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

<b>The Group 30 June 2016</b>	<b>Wholesale Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Commercial Banking RM'000</b>	<b>Investments RM'000</b>	<b>Support and others RM'000</b>	<b>Total RM'000</b>
Net income:						
- external	(143,798)	510,534	101,175	49,649	-	517,560
- inter-segment	225,765	(199,429)	(38,066)	11,730	-	-
	81,967	311,105	63,109	61,379	-	517,560
Other income	15,098	56,160	6,914	7,382	-	85,554
Operating income	97,065	367,265	70,023	68,761	-	603,114
Overhead expenses	(35,279)	(171,818)	(24,093)	(872)	(9,384)	(241,446)
Consist of :						
Depreciation of property,	(239)	(2,038)	-	(51)	-	(2,328)
Amortisation of intangible	(1,482)	(4,107)	-	-	-	(5,589)
Profit/(loss) before allowances	61,786	195,447	45,930	67,889	(9,384)	361,668
Allowances for impairment losses on financing, advances and other financing/loans written-back/(made)	6,658	(4,830)	4,390	-	-	6,218
Allowances for impairment losses on other receivables made	-	-	-	-	(115)	(115)
Segment results	68,444	190,617	50,320	67,889	(9,499)	367,771
Taxation						(89,549)
<b>Net profit for the financial year</b>						<b>278,222</b>

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

**A30 Segmental reporting (continued)**

<b>The Group 30 June 2017</b>	<b>Wholesale Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Commercial Banking RM'000</b>	<b>Investments RM'000</b>	<b>Total RM'000</b>
Segment assets	29,342,121	33,017,842	6,379,001	2,935,755	71,674,719
Unallocated assets					772,481
<b>Total assets</b>					<b>72,447,200</b>
Segment liabilities	43,352,434	19,302,236	3,714,276	1,139,739	67,508,685
Unallocated liabilities					500,249
<b>Total liabilities</b>					<b>68,008,934</b>
<b>Other segment items</b>					
Capital expenditure	340	3,285	-	316	3,941

  

<b>The Group 31 December 2016</b>	<b>Wholesale Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Commercial Banking RM'000</b>	<b>Investments RM'000</b>	<b>Total RM'000</b>
Segment assets	30,636,308	26,974,030	5,248,223	2,797,997	65,656,558
Unallocated assets					990,333
<b>Total assets</b>					<b>66,646,891</b>
Segment liabilities	38,881,015	18,650,148	2,962,764	1,206,214	61,700,141
Unallocated liabilities					796,575
<b>Total liabilities</b>					<b>62,496,716</b>
<b>Other segment items</b>					
Capital expenditure	2,092	7,709	-	494	10,295

## PART A - EXPLANATORY NOTES (CONTINUED)

### A31 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)**

**A31 Fair Value Estimation (continued)**

- (i) The following table represents the assets and liabilities measured at fair value and classified by level with the following fair value hierarchy as at 30 June 2017 and 31 December 2016.

The Group and the Bank	Fair Value 30 June 2017				Fair Value 31 December 2016			
	Carrying amount	Observable inputs (Level 2)	Fair Value Significant unobservable inputs (Level 3)	Total	Carrying amount	Observable inputs (Level 2)	Fair Value Significant unobservable inputs (Level 3)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Financial assets</u></b>								
Financial assets held for trading								
-Money market instruments	3,220,920	3,220,920	-	3,220,920	2,602,046	2,602,046	-	2,602,046
-Unquoted securities	183,189	183,189	-	183,189	128,619	128,619	-	128,619
Financial investments available-for-sale								
-Money market instruments	331,483	331,483	-	331,483	182,257	182,257	-	182,257
-Unquoted securities	1,515,664	1,515,089	575 ^	1,515,664	1,442,814	1,442,239	575 ^	1,442,814
Derivative financial instruments								
-Trading derivatives	479,576	479,576	-	479,576	870,650	870,650	-	870,650
-Hedging derivatives	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,730,832</b>	<b>5,730,257</b>	<b>575</b>	<b>5,730,832</b>	<b>5,226,386</b>	<b>5,225,811</b>	<b>575</b>	<b>5,226,386</b>
<b><u>Financial liabilities</u></b>								
Derivative financial instruments								
-Trading derivatives	470,758	470,758	-	470,758	849,390	849,390	-	849,390
-Hedging derivatives	114,108	114,108	-	114,108	129,621	129,621	-	129,621
Financial liabilities designated at fair value	2,211	2,211	-	2,211	2,181	2,181	-	2,181
<b>Total</b>	<b>587,077</b>	<b>587,077</b>	<b>-</b>	<b>587,077</b>	<b>981,192</b>	<b>981,192</b>	<b>-</b>	<b>981,192</b>

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

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

**A32 Credit transactions and exposures with connected parties**

	<b>The Group and the Bank</b>	
	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
Outstanding credit exposures with connected parties	<b>1,899,361</b>	1,951,658
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>2.60%</b>	2.80%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<b>0.00%</b>	0.00%

## PART B

### B1 Group performance review

The Group recorded a higher pre-tax profit of 0.8% or RM3.0 million from RM367.8 million to RM370.8 million for the six months ended 30 June 2017. The increase was mainly due to higher income derived from investment of depositors' funds and others by RM229.2 million and higher income derived from investment of shareholders funds by RM18.8 million. This was offset by higher income attributable to depositors by RM164.3 million and higher allowances for losses on financing, advances and other financing/loans by RM46.3 million.

### B2 Prospects for the current financial year

The outlook for the second half of 2017 remains one of cautious optimism, with expectations of sustained income growth, continued monitoring of financing, advances and other financing/loans loss provisions and tightened cost controls. CIMB Islamic is expected to grow in line with the stable economy and improving capital market activity, with focus on asset quality. Prospects for the fixed income market are dependent on the direction of profit rates and currencies.

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

#### a) Basic EPS

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

	The Group			
	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	<b>134,288</b>	134,121	<b>280,443</b>	278,222
Weighted average number of ordinary shares in issue ( '000)	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Basic earnings per share (expressed in sen per share)	<b>13.43</b>	13.41	<b>28.04</b>	27.82

	The Bank			
	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	<b>133,653</b>	134,121	<b>281,264</b>	278,222
Weighted average number of ordinary shares in issue ( '000)	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Basic earnings per share (expressed in sen per share)	<b>13.37</b>	13.41	<b>28.13</b>	27.82

#### b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 30 June 2017 and 30 June 2016.