

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

		The Group		The Bank	
		30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
Assets					
Cash and short term funds	A6	10,035,413	8,315,442	10,035,367	8,315,396
Deposits and placements with banks and other financial institutions	A7	537,013	90,398	537,013	90,398
Financial assets held for trading	A8	3,256,097	2,730,665	3,256,097	2,730,665
Financial investments available-for-sale	A9	1,811,681	1,625,071	1,811,681	1,625,071
Financial investments held-to-maturity	A10	4,886,254	3,330,600	4,886,254	3,330,600
Islamic derivative financial instruments	A28 (i)	487,322	870,650	487,322	870,650
Financing, advances and other financing/loans	A11	53,586,176	47,172,873	53,586,176	47,172,873
Other assets	A12	752,928	883,378	752,928	883,378
Deferred taxation		15,924	15,427	15,924	15,427
Amount due from holding company		177,355	-	177,355	-
Amount due from related companies		422	906	422	906
Statutory deposits with Bank Negara Malaysia		1,442,147	1,384,859	1,442,147	1,384,859
Investment in subsidiaries		-	-	11	11
Property, plant and equipment		7,829	9,581	7,829	9,581
Intangible assets		79,623	81,041	79,623	81,041
Goodwill		136,000	136,000	136,000	136,000
Total assets		77,212,184	66,646,891	77,212,149	66,646,856
Liabilities					
Deposits from customers	A13	60,739,968	52,682,878	60,889,474	52,754,396
Investment accounts of customers	A14	352,951	254,408	352,951	254,408
Deposits and placements of banks and other financial institutions	A15	1,967,485	1,232,801	1,967,485	1,232,801
Investment accounts due to designated financial institutions	A16	5,579,483	3,912,011	5,579,483	3,912,011
Financial liabilities designated at fair value	A17	2,222	2,181	2,222	2,181
Islamic derivative financial instruments	A28 (i)	603,770	979,011	603,770	979,011
Amount due to holding company		-	495,087	-	495,087
Amount due to related companies		865	1,089	865	1,089
Other liabilities	A18	389,469	332,425	728,615	847,395
Provision for tax		115,495	47,384	115,495	47,384
Recourse obligation on loans and financing sold to Cagamas		2,066,993	1,353,390	2,066,993	1,353,390
Sukuk		489,272	586,488	-	-
Subordinated Sukuk	A19	310,301	617,563	310,301	617,563
Total liabilities		72,618,274	62,496,716	72,617,654	62,496,716
Equity					
Capital and reserves attributable to equity holder of the Bank					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		3,373,910	2,930,175	3,374,495	2,930,140
		4,373,910	3,930,175	4,374,495	3,930,140
Perpetual preference shares		220,000	220,000	220,000	220,000
Total equity		4,593,910	4,150,175	4,594,495	4,150,140
Total equity and liabilities		77,212,184	66,646,891	77,212,149	66,646,856
Commitments and contingencies	A28 (ii)	50,372,412	53,080,505	50,372,412	53,080,505
Net assets per ordinary share attributable to owners of the Parent (RM)		4.37	3.93	4.37	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 SEPTEMBER 2017

		The Group			
		Individual Quarter 3rd Quarter Ended		Cumulative Quarter 9 Months Ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of depositors' funds and others	A20	736,082	586,297	2,131,248	1,752,225
Income derived from investment of investment account	A21	66,534	49,106	177,693	141,463
Income derived from investment of shareholder's funds	A22	82,003	91,983	222,364	224,935
Allowances for impairment losses on financing advances and other financing/loans (made)/written-back	A23	(16,285)	(3,047)	(56,353)	3,171
Allowances for impairment losses on other receivables written-back/(made)		20	(23)	1	(138)
Total distributable income		868,354	724,316	2,474,953	2,121,656
Income attributable to depositors and others	A24	(475,088)	(389,257)	(1,361,935)	(1,111,802)
Profit distributed to investment account holder	A25	(50,487)	(34,599)	(131,097)	(100,177)
Total net income		342,779	300,460	981,921	909,677
Personnel expenses	A26	(7,088)	(9,528)	(23,465)	(28,126)
Other overheads and expenditures	A27	(129,700)	(116,961)	(381,699)	(339,809)
Profit for the the period		205,991	173,971	576,757	541,742
Taxation		(50,619)	(47,573)	(140,942)	(137,122)
Net profit for the period		155,372	126,398	435,815	404,620

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

Profit for the period	155,372	126,398	435,815	404,620
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss				
Revaluation reserve financial investments available-for-sale				
- Net gain from change in fair value	1,129	11,517	12,519	29,863
- Realised gain transferred to statement of income on disposal and impairment	(1,064)	(2,174)	(2,155)	(3,711)
- Income tax effects	(15)	(2,242)	(2,487)	(6,276)
Other comprehensive income for the period, net of tax	50	7,101	7,877	19,876
Total comprehensive income for the period	155,422	133,499	443,692	424,496

Earnings per share (sen)	B3	15.54	12.64	43.58	40.46
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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 SEPTEMBER 2017

		The Bank			
		Individual Quarter		Cumulative Quarter	
		3rd Quarter Ended		9 Months Ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of depositors' funds and others	A20	736,082	586,297	2,131,248	1,752,225
Income derived from investment of investment account	A21	66,534	49,106	177,693	141,463
Income derived from investment of shareholder's funds	A22	82,712	91,983	224,508	224,935
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	A23	(16,285)	(3,047)	(56,353)	3,171
Allowances for impairment losses on other receivables written-back/(made)		20	(23)	1	(138)
Total distributable income		869,063	724,316	2,477,097	2,121,656
Income attributable to depositors and others	A24	(475,684)	(389,257)	(1,363,677)	(1,111,802)
Profit distributed to investment account holder	A25	(50,487)	(34,599)	(131,097)	(100,177)
Total net income		342,892	300,460	982,323	909,677
Personnel costs	A26	(7,088)	(9,528)	(23,465)	(28,126)
Other overheads and expenditures	A27	(130,014)	(116,961)	(381,481)	(339,809)
Profit before taxation		205,790	173,971	577,377	541,742
Taxation		(50,619)	(47,573)	(140,942)	(137,122)
Profit for the financial period		155,171	126,398	436,435	404,620

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

Profit for the period	155,171	126,398	436,435	404,620
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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	1,129	11,517	12,519	29,863
- Realised gain transferred to statement of income on disposal and impairment	(1,064)	(2,174)	(2,155)	(3,711)
- Income tax effects	(15)	(2,242)	(2,487)	(6,276)
Other comprehensive income for the period, net of tax	50	7,101	7,877	19,876
Total comprehensive income for the period	155,221	133,499	444,312	424,496

Earnings per share -basis (sen)	B3	15.52	12.64	43.64	40.46
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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 SEPTEMBER 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
30 September 2017											
At 1 January 2017	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,994	3,930,175	220,000	4,150,175
Net profit for the financial period	-	-	-	-	-	-	-	435,815	435,815	-	435,815
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	7,877	-	-	-	-	-	7,877	-	7,877
Total comprehensive income for the period	-	-	7,877	-	-	-	-	435,815	443,692	-	443,692
Share-based payment expense	-	-	-	-	-	-	523	-	523	-	523
Transfer from statutory reserve	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	61,306	-	(61,306)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(480)	-	(480)	-	(480)
At 30 September 2017	1,000,000	-	(17,820)	(2,457)	458	262,650	623	3,130,456	4,373,910	220,000	4,593,910
30 September 2016											
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	-	-	-	-	-	-	-	404,620	404,620	-	404,620
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	19,876	-	-	-	-	-	19,876	-	19,876
Total comprehensive income for the period	-	-	19,876	-	-	-	-	404,620	424,496	-	424,496
Share-based payment expense	-	-	-	-	-	-	423	-	423	-	423
Transfer to statutory reserve	-	69,556	-	-	-	-	-	(69,556)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	103,062	-	(103,062)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(400)	-	(400)	-	(400)
At 30 September 2016	1,000,000	1,014,709	(6,644)	(2,457)	458	164,019	570	1,639,982	3,810,637	220,000	4,030,637

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 SEPTEMBER 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
30 September 2017											
At 1 January 2017	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	-	-	-	-	-	-	-	436,435	436,435	-	436,435
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	7,877	-	-	-	-	-	7,877	-	7,877
Total comprehensive income for the period	-	-	7,877	-	-	-	-	436,435	444,312	-	444,312
Share-based payment expense	-	-	-	-	-	-	523	-	523	-	523
Transfer from statutory reserve	-	(1,080,953)	-	-	-	-	-	1,080,953	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	61,306	-	(61,306)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(480)	-	(480)	-	(480)
At 30 September 2017	1,000,000	-	(17,820)	(2,457)	458	262,650	623	3,131,041	4,374,495	220,000	4,594,495
30 September 2016											
At 1 January 2016	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	-	-	-	-	-	-	-	404,620	404,620	-	404,620
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	19,876	-	-	-	-	-	19,876	-	19,876
Total comprehensive income for the period	-	-	19,876	-	-	-	-	404,620	424,496	-	424,496
Share-based payment expense	-	-	-	-	-	-	423	-	423	-	423
Transfer to statutory reserve	-	69,556	-	-	-	-	-	(69,556)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	103,062	-	(103,062)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(400)	-	(400)	-	(400)
At 30 September 2016	1,000,000	1,014,709	(6,644)	(2,457)	458	164,019	570	1,639,947	3,810,602	220,000	4,030,602

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 SEPTEMBER 2017

	The Group		The Bank	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Profit before taxation	576,757	541,742	577,377	541,742
Adjustments for non-cash items	<u>(268,871)</u>	<u>(99,059)</u>	<u>(268,871)</u>	<u>(99,059)</u>
Operating profit before changes in working capital	307,886	442,683	308,506	442,683
Net changes in operating assets	(7,437,073)	(2,640,517)	(7,437,072)	(2,669,210)
Net changes in operating liabilities	10,201,052	8,121,213	10,103,214	8,769,362
Tax paid	<u>(75,816)</u>	<u>(61,725)</u>	<u>(75,816)</u>	<u>(61,725)</u>
Net cash generated from operating activities	2,996,049	5,861,654	2,898,832	6,481,110
Net cash flows used in investing activities	(1,561,879)	(996,901)	(1,561,879)	(996,901)
Net cash flows generated from financing activities	<u>285,801</u>	<u>1,192,947</u>	<u>383,018</u>	<u>573,490</u>
Net change in cash and cash equivalents	1,719,971	6,057,700	1,719,971	6,057,699
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>10,035,413</u>	<u>11,701,837</u>	<u>10,035,367</u>	<u>11,701,791</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 September 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

(a) During the financial period, Ziya Capital Bhd ("Ziya") undertook a partial redemption of its Sukuk amounting to RM97 million.

(b) On 18 September 2017, the Bank has redeemed in full, the third tranche of the subordinated Sukuk of RM300 million on its first optional redemption date.

A4. PROPOSED DIVIDEND

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

A5. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events that had occurred between 30 September 2017 and the date of this announcement.

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
A6 Cash and short-term funds				
Cash and balances with banks and other financial institutions	862,627	662,603	862,581	662,557
Money at call and deposit placements maturing within one month	9,172,786	7,652,839	9,172,786	7,652,839
	<u>10,035,413</u>	<u>8,315,442</u>	<u>10,035,367</u>	<u>8,315,396</u>
			The Group and the Bank	
			30 September 2017 RM'000	31 December 2016 RM'000
A7 Deposits and placements with banks and other financial institutions				
Licensed banks			537,013	90,398
A8 Financial assets held for trading				
Money market instruments				
Unquoted				
<u>In Malaysia</u>				
Malaysian Government treasury bills			1,346	120,987
Islamic negotiable instruments of deposits			2,668,481	2,425,600
Government Investment Issues			393,183	55,459
Islamic Cagamas bonds			50,390	-
			<u>3,113,400</u>	<u>2,602,046</u>
Unquoted securities				
<u>In Malaysia</u>				
Corporate Sukuk			60,498	40,778
<u>Outside Malaysia</u>				
Corporate Sukuk			82,199	87,841
			<u>3,256,097</u>	<u>2,730,665</u>
A9 Financial investments available-for-sale				
Money market instruments				
Unquoted				
<u>In Malaysia</u>				
Government Investment Issues			294,438	111,863
Islamic Cagamas bonds			31,248	40,772
Malaysian Government Sukuk			23,026	29,622
			<u>348,712</u>	<u>182,257</u>
Unquoted securities				
<u>In Malaysia</u>				
Corporate Sukuk			1,396,909	1,368,768
Placement with IBFIM			575	575
<u>Outside Malaysia</u>				
Corporate Sukuk			65,485	73,471
			<u>1,811,681</u>	<u>1,625,071</u>
A10 Financial investments held-to-maturity				
Money market instruments				
Unquoted				
<u>In Malaysia</u>				
Government Investment Issues			1,550,127	811,683
Islamic Cagamas bonds			-	30,945
Khazanah bonds			12,662	12,662
			<u>1,562,789</u>	<u>855,290</u>
Unquoted securities				
<u>In Malaysia</u>				
Corporate Sukuk			3,318,703	2,472,854
Amortisation of premium less accretion of discount			4,762	2,456
			<u>4,886,254</u>	<u>3,330,600</u>

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
30 September 2017										
Cash line [^]	-	23,095	4,246	-	715,897	-	-	1,492	-	744,730
Term financing										
House Financing	-	6,480,706	-	-	5,783,560	1,448,178	-	-	-	13,712,444
Syndicated Financing	-	-	238,609	-	1,836,718	72,357	-	-	-	2,147,684
Hire purchase receivables	-	-	-	-	-	-	5,307,122	-	-	5,307,122
Other term financing	-	1,781,671	9,604,209	-	15,195,211	55,801	-	-	-	26,636,892
Bills receivable	-	-	-	25,835	-	-	-	112	-	25,947
Islamic trust receipts	104,153	-	-	-	-	-	-	-	-	104,153
Claims on customers under acceptance credits	698,321	-	-	138,095	-	-	-	-	-	836,416
Staff financing	-	-	-	-	41,095	-	-	-	-	41,095
Credit card receivables	-	-	-	-	-	-	-	-	123,154	123,154
Revolving credits	-	-	-	-	4,102,475	-	-	-	-	4,102,475
Share purchase financing	1,713	-	-	-	-	-	-	-	-	1,713
Gross financing, advances and other financing/loans	804,187	8,285,472	9,847,064	163,930	27,674,956	1,576,336	5,307,122	1,604	123,154	53,783,825
Fair value changes arising from fair value hedge										87,607
										53,871,432
Less: Allowance for impairment losses										(38,839)
- Individual impairment allowance										(246,417)
- Portfolio impairment allowance										(285,256)
Total net financing, advances and other financing/loans										53,586,176

Less: Allowance for impairment losses

- Individual impairment allowance

- Portfolio impairment allowance

Total net financing, advances and other financing/loans

[^] 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
31 December 2016										
Cash line [^]	-	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)
Total net financing, advances and other financing/loans										47,172,873

Less: Allowance for impairment losses

- Individual impairment allowance

- Portfolio impairment allowance

Total net financing, advances and other financing/loans

[^] 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 September 2017, the gross exposures to RPSIA financing is RM4,708,134,000 (31 December 2016: RM3,236,229,000) and the portfolio impairment allowance relating to this RPSIA amounting to RM6,650,000 (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

	The Group and the Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
As at 1 January 2017/2016	4,283	17,267
New disbursement	545	1,740
Repayment	(3,224)	(14,724)
As at 30 September/31 December	<u>1,604</u>	<u>4,283</u>
Sources of Qard fund:		
Depositors' fund	1,507	4,027
Shareholders' fund	97	256
	<u>1,604</u>	<u>4,283</u>
Uses of Qard fund:		
Personal use	214	664
Business purpose	1,390	3,619
	<u>1,604</u>	<u>4,283</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

	The Group and the Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
(ii) By geographical distribution:		
Malaysia	<u>53,783,825</u>	<u>47,352,815</u>
	<u>53,783,825</u>	<u>47,352,815</u>
(iii) By type of customer :		
Domestic banking institutions	-	28,897
Domestic non-bank financial institutions	445,898	580,070
Domestic business enterprises		
- Small medium enterprises	7,960,507	7,670,224
- Others	7,384,805	5,553,813
Government and statutory bodies	6,838,565	7,279,784
Individuals	30,928,286	26,024,320
Other domestic entities	83,791	92,658
Foreign entities	141,973	123,049
	<u>53,783,825</u>	<u>47,352,815</u>
(iv) By profit rate sensitivity :		
Fixed rate		
- House financing	87,348	118,366
- Hire purchase receivables	4,146,552	3,959,825
- Others	9,767,691	9,975,909
Variable rate		
- House financing	13,625,094	12,006,662
- Other financing	26,157,140	21,292,053
	<u>53,783,825</u>	<u>47,352,815</u>
(v) By economic purpose :		
Personal use	2,400,555	2,502,702
Credit card	123,154	121,558
Construction	1,509,330	1,341,384
Residential property	14,079,108	12,434,227
Non-residential property	4,001,005	3,816,548
Purchase of fixed assets other than land and building	140,835	140,923
Merger and acquisition	4,340	2,262
Purchase of securities	8,102,938	6,071,444
Purchase of transport vehicles	5,883,903	4,511,483
Working capital	13,060,179	11,863,283
Other purpose	4,478,478	4,547,001
	<u>53,783,825</u>	<u>47,352,815</u>
(vi) By residual contractual maturity :		
Within one year	7,167,284	5,861,918
One year to less than three years	8,054,863	5,119,510
Three years to less than five years	2,805,651	6,154,384
Five years and more	35,756,027	30,217,003
	<u>53,783,825</u>	<u>47,352,815</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

	The Group and the Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
(vii) Impaired financing by economic purpose :		
Personal use	19,641	22,088
Credit card	2,175	3,768
Construction	32,458	34,221
Residential property	111,205	91,091
Non-residential property	57,960	67,424
Purchase of securities	1,931	654
Purchase of transport vehicles	88,387	106,758
Working capital	28,080	85,428
Other purpose	34,226	54,933
	<u>376,063</u>	<u>466,365</u>
(viii) Impaired financing by geographical distribution:		
Malaysia	<u>376,063</u>	466,365
	<u>376,063</u>	<u>466,365</u>
(ix) Movement in impaired financing, advances and other financing/loans :		
As at 1 January	466,365	424,384
Classified as impaired during the financial year	318,359	597,298
Reclassified as non-impaired during the period/year	(229,800)	(290,211)
Amount written-back in respect of recoveries	(80,651)	(139,866)
Amount written off	(98,210)	(125,240)
As at 30 September/31 December	<u>376,063</u>	<u>466,365</u>
Ratio of gross impaired financing to total financing advances, and other financing/loans	<u>0.70%</u>	<u>0.98%</u>
(x) Movements in allowance for impaired financing :		
Individual impairment allowance		
As at 1 January	48,062	46,168
Net allowance (written-back)/made during the period/year	(2,540)	1,894
Amount written off	(6,683)	-
As at 30 September/31 December	<u>38,839</u>	<u>48,062</u>
Portfolio impairment allowance		
As at 1 January	242,862	314,054
Net allowance made during the period/year	95,138	54,681
Transfer to intercompany	(14)	(596)
Amount written off	(91,527)	(125,315)
Exchange fluctuation	(42)	38
As at 30 September/31 December	<u>246,417</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 September 2017 **31 December 2016**
RM'000 **RM'000**

A12 Other assets

Deposits and prepayments	3,898	4,105
Sundry debtors	293,017	82,493
Collateral pledged for derivative transactions	214,091	575,445
Clearing accounts	241,922	221,335
	752,928	883,378

The Group		The Bank	
30 September 2017	31 December 2016	30 September 2017	31 December 2016
RM'000	RM'000	RM'000	RM'000

A13 Deposits from customers

(i) By type of deposit

Savings deposits	3,124,041	2,927,769	3,124,041	2,927,769
Wadiah	3,120,625	2,927,769	3,120,625	2,927,769
Qard	672	-	672	-
Commodity Murabahah (via Tawarruq arrangement)	2,744	-	2,744	-
Demand deposits	10,682,977	8,966,724	10,682,977	8,966,724
Wadiah	10,529,537	8,764,805	10,529,537	8,764,805
Qard	153,440	201,919	153,440	201,919
Term deposits	46,917,672	40,774,681	47,067,178	40,846,199
Commodity Murabahah (via Tawarruq arrangement)*	46,801,894	40,647,443	46,951,400	40,718,961
General investment account	2,558	12,260	2,558	12,260
Mudharabah	2,558	12,260	2,558	12,260
Specific investment account	113,220	114,978	113,220	114,978
Mudharabah	113,220	114,978	113,220	114,978
Others - Qard	15,278	13,704	15,278	13,704
	60,739,968	52,682,878	60,889,474	52,754,396

*included Qard contract of RM301,615,000 (31 December 2016:RM554,168,000)

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
A13 Deposits from customers (continued)				
(ii) Maturity structures of term deposits				
Due within six months	37,698,630	37,807,916	37,848,136	37,879,434
Six months to less than one year	9,077,588	2,840,614	9,077,588	2,840,614
One year to less than three years	25,817	8,530	25,817	8,530
Three years to less than five years	2,417	2,643	2,417	2,643
Five years and more	113,220	114,978	113,220	114,978
	<u>46,917,672</u>	<u>40,774,681</u>	<u>47,067,178</u>	<u>40,846,199</u>
(iii) By type of customer				
Government and statutory bodies	5,559,471	4,006,123	5,559,471	4,006,123
Business enterprises	22,982,561	18,356,269	22,982,561	18,356,269
Individuals	15,927,423	13,564,662	15,927,423	13,564,662
Others	16,270,513	16,755,824	16,420,019	16,827,342
	<u>60,739,968</u>	<u>52,682,878</u>	<u>60,889,474</u>	<u>52,754,396</u>

	The Group and the Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
A14 Investment accounts of customers		
Unrestricted investment accounts		
-without maturity		
Mudharabah	263,255	254,408
-with maturity		
Mudharabah*	89,696	-
	<u>352,951</u>	<u>254,408</u>
*of which		
Term Investment Account-i	89,696	-

A15 Deposits and placements of banks and other financial institutions

<u>Non-Mudharabah</u>		
Licensed Islamic banks	110,147	-
Licensed investment banks	45,397	920
Licensed banks	1,510,533	911,149
Other financial institutions	301,408	320,732
	<u>1,967,485</u>	<u>1,232,801</u>

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

Due within six months	1,963,219	1,229,419
Six months to less than one year	4,266	3,382
	<u>1,967,485</u>	<u>1,232,801</u>

PART A - EXPLANATORY NOTES (CONTINUED)

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

A16 Investment accounts due to designated financial institutions

Restricted investment accounts Mudharabah	<u>5,579,483</u>	<u>3,912,011</u>
By type of counterparty Licensed banks	<u>5,579,483</u>	<u>3,912,011</u>

A17 Financial liabilities designated at fair value

Deposits from customers - structured investments	<u>2,222</u>	<u>2,181</u>
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The Group and the Bank have issued structured investments, and have designated them at fair value in accordance with MFRS139. The Group and the Bank have the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the Group and the Bank as at 30 September 2017 of financial liabilities designated at fair value were RM20,000 (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.

The Group		The Bank	
30 September 2017	31 December 2016	30 September 2017	31 December 2016
RM'000	RM'000	RM'000	RM'000

A18 Other liabilities

Accruals and other payables	206,866	75,505	206,866	75,505
Clearing accounts	127,258	162,710	127,258	162,710
Structured deposits	42,346	79,410	42,346	79,410
Others	12,999	14,800	352,145	529,770
	<u>389,469</u>	<u>332,425</u>	<u>728,615</u>	<u>847,395</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.

The second tranche of the Sukuk of RM250 million was issued at par on 21 April 2011 and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

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

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

The Bank had undertaken fair value hedge on the profit rate risk of the third tranche RM300 million subordinated Sukuk using Islamic profit rate swaps which matured on 18 September 2017.

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

The RM300 million (2016: 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)

	3rd Quarter Ended		9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
A20 Income derived from investment of depositors' funds and others				
The Group and The Bank				
Income derived from investment of :				
a) General investment deposits	523,341	420,891	1,502,412	1,206,395
b) Specific investment deposits	786	851	2,406	2,580
c) Other deposits	211,955	164,555	626,430	543,250
	<u>736,082</u>	<u>586,297</u>	<u>2,131,248</u>	<u>1,752,225</u>
a) Income derived from investment of general investment deposits				
Financing, advances and other financing/loans				
- Profit income	393,071	329,976	1,120,348	943,180
- Unwinding income [^]	2,078	3,041	6,210	7,373
Financial assets held for trading	7,257	3,617	20,127	10,452
Financial investments available-for-sale	12,901	10,838	37,167	31,599
Financial investments held-to-maturity	31,492	18,937	79,581	46,464
Money at call and deposit with financial institutions	50,721	51,500	145,828	117,079
	<u>497,520</u>	<u>417,909</u>	<u>1,409,261</u>	<u>1,156,147</u>
Accretion of discount less amortisation of premium	16,672	6,308	48,947	28,699
Total finance income and hibah	<u>514,192</u>	<u>424,217</u>	<u>1,458,208</u>	<u>1,184,846</u>
Other operating income				
- Net gain arising from financial assets held for trading				
- realised (loss)/gain	(196)	7,376	1,414	9,034
- unrealised gain/(loss)	141	168	(38)	(323)
- Net gain from sale of financial investments available-for-sale	710	1,461	1,429	2,435
- Net gain/(loss) from foreign exchange transactions	6,670	(13,291)	37,952	8,202
	<u>7,325</u>	<u>(4,286)</u>	<u>40,757</u>	<u>19,348</u>
Fee and commission income	1,824	960	3,447	2,201
	<u>523,341</u>	<u>420,891</u>	<u>1,502,412</u>	<u>1,206,395</u>
b) Income derived from investment of specific investment deposits				
Money at call and deposit with financial institutions	786	851	2,406	2,580

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

PART A - EXPLANATORY NOTES (CONTINUED)

3rd Quarter Ended		9 Months Ended	
30 September	30 September	30 September	30 September
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	159,627	128,475	467,235	419,214
- Unwinding income [^]	843	1,184	2,593	3,242
Financial assets held for trading	2,947	1,408	8,377	4,636
Financial investments available-for-sale	5,240	4,220	15,496	14,049
Financial investments held-to-maturity	12,789	7,373	33,117	20,454
Money at call and deposit with financial institutions	20,023	20,734	60,795	58,623
	201,469	163,394	587,613	520,218
Accretion of discount less amortisation of premium	6,770	2,456	20,415	13,014
Total finance income and hibah	208,239	165,850	608,028	533,232
Other operating income				
- Net gain arising from financial assets held for trading				
- realised (loss)/gain	(80)	2,872	600	3,641
- unrealised gain/(loss)	57	66	(15)	(175)
- Net gain from sale of financial investments available-for-sale	289	569	593	1,024
- Net gain/(loss) from foreign exchange transactions	2,709	(5,176)	15,795	4,568
	2,975	(1,669)	16,973	9,058
Fee and commission income	741	374	1,429	960
	211,955	164,555	626,430	543,250

[^] 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	59,710	43,791	160,141	130,033
- Unwinding income [^]	16	(14)	43	35
Money at call and deposit with financial institutions	6,808	5,329	17,509	11,395
	66,534	49,106	177,693	141,463

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

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
A22 Income derived from investment of shareholder's funds				
The Group				
Financing, advances and other financing/loans				
- Profit income	35,607	32,365	104,592	99,755
- Unwinding income [^]	188	298	580	774
Financial assets held for trading	657	355	1,876	1,108
Financial investments available-for-sale	1,169	1,063	3,469	3,347
Financial investments held-to-maturity	2,853	1,858	7,412	4,879
Money at call and deposit with financial institutions	4,594	5,051	13,611	12,243
	45,068	40,990	131,540	122,106
Accretion of discount less amortisation of premium	1,511	618	4,571	3,087
Total finance income and hibah	46,579	41,608	136,111	125,193
Other operating income				
- Net gain arising from financial assets held for trading				
- realised (loss)/gain	(17)	723	135	908
- unrealised gain/(loss)	12	17	(4)	(36)
- Net gain from sale of financial investments available-for-sale	65	143	133	251
- Net gain/(loss) from foreign exchange transactions	604	(1,304)	3,548	1,119
- Net loss arising from hedging activities	(411)	(390)	(1,107)	(1,154)
-Net gain/(loss) arising from financial liabilities designated at fair value				
- realised gain/(loss)	10	36	30	(1,188)
- unrealised loss	(12)	(1,068)	(41)	(9,173)
-Net gain/(loss) arising from derivative financial instrument				
- realised gain/(loss)	2,179	5,889	(2,612)	12,333
- unrealised gain/(loss)	5,696	20,190	(6,750)	19,228
	8,126	24,236	(6,668)	22,288
Fee and commission income	27,102	25,223	94,531	73,352
Less : fee and commission expense	(650)	(2,088)	(4,285)	(3,707)
Net fee and commission income	26,452	23,135	90,246	69,645
Other income				
- Sundry income	846	3,004	2,675	7,809
	82,003	91,983	222,364	224,935

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

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
A22 Income derived from investment of shareholder's funds (cont'd.)				
The Bank				
Financing, advances and other financing/loans				
- Profit income	35,607	32,365	104,592	99,755
- Unwinding income [^]	188	298	580	774
Financial assets held for trading	657	355	1,876	1,108
Financial investments available-for-sale	1,169	1,063	3,469	3,347
Financial investments held-to-maturity	2,853	1,858	7,412	4,879
Money at call and deposit with financial institutions	4,594	5,051	13,611	12,243
	45,068	40,990	131,540	122,106
Accretion of discount less amortisation of premium	1,511	618	4,571	3,087
Total finance income and hibah	46,579	41,608	136,111	125,193
Other operating income				
- Net gain from sale of financial investments held for trading				
- realised (loss)/gain	(17)	723	135	908
- unrealised gain/(loss)	12	17	(4)	(36)
- Net gain from sale of financial investments available-for-sale	65	143	133	251
- Net gain/(loss) from foreign exchange transactions	604	(1,304)	3,548	1,119
- Net loss arising from hedging activities	(411)	(390)	(1,107)	(1,154)
Net gain/(loss) arising from financial liabilities designated at fair value				
- realised gain/(loss)	10	36	30	(1,188)
- unrealised loss	(12)	(1,068)	(41)	(9,173)
- Net gain/(loss) arising from derivative financial instrument				
- realised gain/(loss)	2,179	5,889	(2,612)	12,333
- unrealised gain/(loss)	5,696	20,190	(6,750)	19,228
	8,126	24,236	(6,668)	22,288
Fee and commission income	27,811	25,223	96,675	73,352
Less : fee and commission expense	(650)	(2,088)	(4,285)	(3,707)
Net fee and commission income	27,161	23,135	92,390	69,645
Other income				
- Sundry income	846	3,004	2,675	7,809
	82,712	91,983	224,508	224,935

[^] 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				
- Made/(written-back) during the period	10,395	2,000	(2,540)	7,947
Portfolio impairment allowance				
- Made during the period	17,845	12,360	95,138	23,682
Impaired financing :				
- recovered	(12,997)	(11,737)	(39,641)	(36,735)
- written off	1,042	424	3,396	1,935
	16,285	3,047	56,353	(3,171)

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
A24 Income attributable to depositors and others				
The Group				
Deposits from customers				
- Mudharabah	975	3,270	3,036	5,526
- Non-Mudharabah	439,152	354,973	1,251,363	1,015,201
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	10,045	4,592	31,855	14,336
Others				
- Financial liabilities designated at fair value	20	623	59	4,027
- Subordinated Sukuk	7,311	10,705	22,654	29,308
- Recourse obligation on loans and financing sold to Cagamas	12,972	14,461	38,033	38,464
- Sukuk	4,472	-	14,219	-
- Structured deposits	141	633	716	4,940
	475,088	389,257	1,361,935	1,111,802
The Bank				
Deposits from customers				
- Mudharabah	975	3,270	3,036	5,526
- Non-Mudharabah	439,152	354,973	1,251,363	1,015,201
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	10,045	4,592	31,855	14,336
Others				
- Financial liabilities designated at fair value	20	623	59	4,027
- Subordinated Sukuk	7,311	10,705	22,654	29,308
- Recourse obligation on loans and financing sold to Cagamas	12,972	14,461	38,033	38,464
- Structured deposits	141	633	716	4,940
- Others	5,068	-	15,961	-
	475,684	389,257	1,363,677	1,111,802
A25 Profit distributed to investment account holder				
The Group and The Bank				
-Restricted	50,016	34,462	130,354	99,765
-Unrestricted	471	137	743	412
	50,487	34,599	131,097	100,177

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
A26 Personnel expenses				
The Group and The Bank				
Salaries, allowances and bonuses	5,460	8,012	18,921	21,511
Pension costs (defined contribution plan)	614	861	2,204	2,799
Staff incentives and other staff payments	687	102	1,176	2,186
Medical expenses	117	136	685	621
Others	210	417	479	1,009
	7,088	9,528	23,465	28,126
A27 Other overheads and expenditures				
The Group				
Establishment				
Depreciation of property, plant equipment	1,438	1,126	4,098	3,454
Amortisation of intangible assets	1,825	2,689	5,663	8,278
Rental	788	870	2,248	2,443
Repairs and maintenance	359	(386)	700	575
Outsourcing expenses	(215)	229	(179)	518
Security expenses	6	9	25	20
Utility expenses	22	19	79	65
Others	114	37	52	351
	4,337	4,593	12,686	15,704
Marketing				
Advertisement and publicity	1,581	2,560	2,535	4,649
Others	161	245	670	957
	1,742	2,805	3,205	5,606
General expenses				
Communication	35	(105)	450	(79)
Consultancy and professional fees	153	1,100	749	1,220
Legal expenses	273	261	275	1,201
Stationery	135	91	436	480
Postages	1,127	809	2,659	3,390
Donation	220	1,018	968	3,086
Incidental expenses on banking operations	739	1,050	2,773	3,007
Takaful	2,067	1,827	6,927	5,973
Others	1,732	1,509	6,709	5,439
	6,481	7,560	21,946	23,717
Total other overheads and expenditures	12,560	14,958	37,837	45,027
Shared service costs	117,140	102,003	343,862	294,782
	129,700	116,961	381,699	339,809

PART A - EXPLANATORY NOTES (CONTINUED)

	3rd Quarter Ended		9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
A27 Other overheads and expenditures (continued)				
The Bank				
Establishment				
Depreciation of property, plant equipment	1,438	1,126	4,098	3,454
Amortisation of intangible assets	1,825	2,689	5,663	8,278
Rental	788	870	2,248	2,443
Repairs and maintenance	359	(386)	700	575
Outsourcing expenses	(215)	229	(179)	518
Security expenses	6	9	25	20
Utility expenses	22	19	79	65
Others	114	37	52	351
	4,337	4,593	12,686	15,704
Marketing				
Advertisement and publicity	1,581	2,560	2,535	4,649
Others	161	245	670	957
	1,742	2,805	3,205	5,606
General expenses				
Communication	35	(105)	450	(79)
Consultancy and professional fees	153	1,100	749	1,220
Legal expenses	273	261	275	1,201
Stationery	135	91	436	480
Postages	1,127	809	2,659	3,390
Donation	220	1,018	968	3,086
Incidental expenses on banking operations	739	1,050	2,773	3,007
Takaful	2,067	1,827	6,927	5,973
Others	2,046	1,509	6,491	5,439
	6,795	7,560	21,728	23,717
Total other overheads and expenditures	12,874	14,958	37,619	45,027
Shared service costs	117,140	102,003	343,862	294,782
	130,014	116,961	381,481	339,809

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 September 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	5,992,575	110,362	(151,625)	6,269,523	372,409	(185,239)
- Less than one year	4,843,085	27,708	(79,826)	5,575,198	273,449	(95,454)
- One year to three years	577,413	8,962	(5,747)	76,800	3,123	(2,967)
- More than three years	572,077	73,692	(66,052)	617,525	95,837	(86,818)
Currency swaps	10,268,724	110,232	(69,510)	12,016,387	124,021	(306,096)
- Less than one year	10,240,310	107,233	(66,473)	12,013,950	124,021	(305,378)
- One year to three years	28,414	2,999	(3,037)	-	-	-
- More than three years	-	-	-	2,437	-	(718)
Currency spots	193,812	37	(320)	24,545	19	(34)
- Less than one year	193,812	37	(320)	24,545	19	(34)
Currency options	2,533	10	(10)	2,512	93	(93)
- Less than one year	2,533	10	(10)	2,512	93	(93)
Cross currency profit rate swaps	3,690,803	181,888	(176,289)	4,312,432	252,303	(245,706)
- Less than one year	315,400	2,095	(2,025)	891,000	21,919	(21,902)
- One year to three years	1,686,425	49,450	(47,864)	1,292,048	46,779	(45,137)
- More than three years	1,688,978	130,343	(126,400)	2,129,384	183,605	(178,667)
	20,148,447	402,529	(397,754)	22,625,399	748,845	(737,168)
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	16,010,715	81,342	(71,873)	15,467,449	117,223	(107,721)
- Less than one year	2,578,241	1,430	(1,302)	2,479,351	1,741	(1,665)
- One year to three years	3,211,245	6,837	(4,774)	4,759,747	8,653	(7,135)
- More than three years	10,221,229	73,075	(65,797)	8,228,351	106,829	(98,921)
<u>Equity related derivatives</u>						
Equity options	345,631	2,914	(2,914)	447,152	3,713	(3,632)
- Less than one year	-	-	-	93,021	737	(737)
- One year to three years	32,313	1,394	(1,394)	39,438	1,327	(1,327)
- More than three years	313,318	1,520	(1,520)	314,693	1,649	(1,568)
<u>Credit related contracts</u>						
Total return swaps	52,600	537	(537)	81,150	869	(869)
- More than three years	52,600	537	(537)	81,150	869	(869)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,594,485	-	(130,692)	3,895,703	-	(129,621)
- Less than one year	-	-	-	300,000	-	(911)
- One year to three years	3,575,000	-	(130,479)	1,675,000	-	(59,700)
- More than three years	19,485	-	(213)	1,920,703	-	(69,010)
Total derivative assets/(liabilities)	40,151,878	487,322	(603,770)	42,516,853	870,650	(979,011)

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 September 2017, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM487,322,000 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 September 2017, the Group and the Bank have posted cash collateral of RM214,091,000 (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

	30 September 2017 Principal amount	31 December 2016 Principal amount
The Group and the Bank	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	211,748	207,083
Certain transaction-related contingent items	656,199	520,884
Short-term self-liquidating trade-related contingencies	60,436	153,685
Obligations under underwriting agreement	275,233	-
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	4,563,858	6,236,307
- maturity exceeding one year	4,379,567	3,388,319
Miscellaneous commitments and contingencies	73,493	57,374
Total credit-related commitments and contingencies	<u>10,220,534</u>	<u>10,563,652</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	15,595,141	18,507,205
- one year to five years	3,328,943	2,841,450
- more than five years	1,224,363	1,276,744
Profit rate related contracts :		
- less than one year	2,578,241	2,779,351
- one year to five years	16,404,657	15,846,824
- more than five years	622,302	736,977
Equity related contracts :		
- less than one year	-	93,021
- one year to five years	66,036	78,876
- more than five years	279,595	275,255
Credit related contracts:		
- more than five years	52,600	81,150
Total treasury-related commitments and contingencies	<u>40,151,878</u>	<u>42,516,853</u>
	<u>50,372,412</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 and then subsequently on 4 August 2017. The revised guidelines took effect for all banking institutions on 1 Jan 2016 and 4 August 2017 respectively 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) issued on 28 November 2012, and updated 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 September 2017	31 December 2016	30 September 2017	31 December 2016
Common equity tier 1 ratio	13.032%	14.711%	13.035%	14.711%
Tier 1 ratio	13.673%	15.526%	13.675%	15.526%
Total capital ratio	15.037%	18.025%	15.039%	18.025%

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

	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM’000	RM’000	RM’000	RM’000
Credit risk	25,492,224	20,854,017	25,492,339	20,854,131
Market risk	1,087,946	537,923	1,087,946	537,923
Operational risk	2,300,712	2,166,460	2,300,995	2,166,412
Total risk-weighted assets	28,880,882	23,558,400	28,881,280	23,558,466

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

	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM’000	RM’000	RM’000	RM’000
Common Equity Tier I capital				
Ordinary share capital	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	3,257,958	2,930,175	3,258,744	2,930,140
Common Equity Tier I capital before regulatory adjustments	4,257,958	3,930,175	4,258,744	3,930,140
<u>Less: Regulatory adjustments</u>				
Goodwill	(136,000)	(136,000)	(136,000)	(136,000)
Intangible assets	(79,202)	(80,961)	(79,202)	(80,961)
Deferred tax assets	(16,345)	(15,507)	(16,345)	(15,507)
Others	(262,650)	(231,914)	(262,650)	(231,915)
Common Equity Tier I capital after regulatory adjustments	3,763,761	3,465,793	3,764,547	3,465,757
Additional Tier I capital				
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
Total Tier I capital	3,948,761	3,657,793	3,949,547	3,657,757
Tier II capital				
Subordinated notes	310,000	520,000	310,000	520,000
Surplus eligible provisions over expected loss	9,730	-	9,728	-
Portfolio impairment allowance and regulatory reserves ^	74,208	68,593	74,210	68,594
Total Tier II capital	393,938	588,593	393,938	588,594
Total capital	4,342,699	4,246,386	4,343,485	4,246,351

^ The capital base of the Group and the Bank as at 30 September 2017 have excluded portfolio impairment allowance on impaired financings restricted from Tier II capital of RM16 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)

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

The Group	Wholesale Banking	Consumer Banking	Commercial Banking	Investments	Support and others	Total
30 September 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net income:						
- external	(226,047)	770,175	155,534	75,670	-	775,332
- inter-segment	350,006	(304,819)	(57,753)	12,566	-	-
	123,959	465,356	97,781	88,236	-	775,332
Other income	30,606	85,598	12,024	3,084	-	131,312
Operating income	154,565	550,954	109,805	91,320	-	906,644
Overhead expenses	(54,923)	(261,221)	(37,235)	(909)	(13,647)	(367,935)
Consist of :						
Depreciation of property, plant and equipment	(353)	(3,050)	-	(51)	-	(3,454)
Amortisation of intangible assets	(2,184)	(6,094)	-	-	-	(8,278)
Profit/(loss) before allowances	99,642	289,733	72,570	90,411	(13,647)	538,709
Allowances for impairment losses on financing, advances and other financing/loans written-back/(made)	7,817	(7,562)	2,916	-	-	3,171
Allowances for impairment losses on other receivables made	-	-	-	-	(138)	(138)
Segment results	107,459	282,171	75,486	90,411	(13,785)	541,742
Taxation						(137,122)
Net profit for the financial year						404,620

PART A - EXPLANATORY NOTES (CONTINUED)

A30 Segmental reporting (continued)

The Group	Wholesale	Consumer	Commercial		
30 September 2017	Banking	Banking	Banking	Investments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	35,586,559	32,001,357	5,641,505	2,948,683	76,178,104
Unallocated assets					1,034,080
Total assets					<u>77,212,184</u>
Segment liabilities	46,044,322	21,240,939	4,069,413	800,117	72,154,791
Unallocated liabilities					463,483
Total liabilities					<u>72,618,274</u>
Other segment items					
Capital expenditure	276	5,971	-	492	6,739

The Group	Wholesale	Consumer	Commercial		
31 December 2016	Banking	Banking	Banking	Investments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	30,636,308	26,974,030	5,248,223	2,797,997	65,656,558
Unallocated assets					990,333
Total assets					<u>66,646,891</u>
Segment liabilities	38,881,015	18,650,148	2,962,764	1,206,214	61,700,141
Unallocated liabilities					796,575
Total liabilities					<u>62,496,716</u>
Other segment items					
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 September 2017 and 31 December 2016.

The Group and the Bank	Carrying amount RM'000	Fair Value 30 September 2017			Carrying amount RM'000	Fair Value 31 December 2016		
		Level 2 RM'000	Fair Value Level 3 RM'000	Total RM'000		Level 2 RM'000	Fair Value Level 3 RM'000	Total RM'000
<u>Financial assets</u>								
Financial assets held for trading								
-Money market instruments	3,113,400	3,113,400	-	3,113,400	2,602,046	2,602,046	-	2,602,046
-Unquoted securities	142,697	142,697	-	142,697	128,619	128,619	-	128,619
Financial investments available-for-sale								
-Money market instruments	348,712	348,712	-	348,712	182,257	182,257	-	182,257
-Unquoted securities	1,462,969	1,462,394	575 ^	1,462,969	1,442,814	1,442,239	575 ^	1,442,814
Derivative financial instruments								
-Trading derivatives	487,322	487,322	-	487,322	870,650	870,650	-	870,650
Total	5,555,100	5,554,525	575	5,555,100	5,226,386	5,225,811	575	5,226,386
<u>Financial liabilities</u>								
Derivative financial instruments								
-Trading derivatives	473,078	473,078	-	473,078	849,390	849,390	-	849,390
-Hedging derivatives	130,692	130,692	-	130,692	129,621	129,621	-	129,621
Financial liabilities designated at fair value	2,222	2,222	-	2,222	2,181	2,181	-	2,181
Total	605,992	605,992	-	605,992	981,192	981,192	-	981,192

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

PART B

B1 Group performance review

The Group recorded a higher pre-tax profit of 6.5% or RM35.0 million from RM541.7 million to RM576.8 million for the nine months ended 30 September 2017. The increase was mainly due to higher income derived from investment of depositors' funds and others by RM379.0 million and higher income derived from investment of investment account by RM36.2 million. This was offset by higher income attributable to depositors by RM250.0 million and higher allowances for losses on financing, advances and other financing/loans by RM59.5 million.

B2 Prospects for the current financial year

CIMB Islamic remains cautiously optimistic for the remainder of 2017 with continued growth in operating income, sustained focus on credit quality and strict cost controls. CIMB Islamic is expected to grow in line with the economic trajectory and improving capital market activity, with asset quality staying stable. The outlook for the fixed income market is encouraging with sustained fund raising activities, particularly sukuk issuances for infrastructure and development projects.

B3 Computation of earnings per share (EPS)

a) Basic EPS

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

	The Group			
	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	155,372	126,398	435,815	404,620
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (expressed in sen per share)	15.54	12.64	43.58	40.46

	The Bank			
	3rd Quarter Ended		9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	155,171	126,398	436,435	404,620
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (expressed in sen per share)	15.52	12.64	43.64	40.46

b) Diluted EPS

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