

Company No: 671380-H

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Reports and Financial Statements  
for the financial year ended 31 December 2015**

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Reports and Financial Statements for the financial year ended 31 December 2015**

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# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report for the financial year ended 31 December 2015**

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Islamic Bank Berhad ("CIMB Islamic" or "the Bank") for the financial year ended 31 December 2015.

### **Principal activities**

The principal activities of the Bank during the financial year are Islamic banking and finance business and the provision of related financial services. The principal activities of the subsidiaries as set out in Note 15 to the Financial Statements, consist of Islamic nominees and Islamic custody services. There was no significant change in the nature of these activities during the financial year.

### **Financial results**

	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
Net profit after taxation	<u><b>404,025</b></u>	<u><b>404,016</b></u>

### **Dividend**

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2014.

The Directors do not recommend the payment of any dividend for the current financial year.

### **Reserves, provisions and allowances**

There were no material transfers to or from reserves or provisions or allowances during the financial year other than those disclosed in the Financial Statements and notes to the Financial Statements.

# **CIMB Islamic Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2015 (Continued)**

### **Bad and doubtful financing**

Before the Financial Statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for doubtful financing.

At the date of this Report, the Directors are not aware of any circumstances which would render the amounts written off for bad financing, or the amount of the allowance for doubtful financing in the Financial Statements of the Group and of the Bank, inadequate to any substantial extent.

### **Current assets**

Before the Financial Statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and of the Bank had been written down to an amount which they might be expected to realise.

At the date of this Report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the Financial Statements of the Group and of the Bank misleading.

### **Valuation methods**

At the date of this Report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

# **CIMB Islamic Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2015 (Continued)**

### **Contingent and other liabilities**

At the date of this Report, there does not exist:

- (a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability in the Group or the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank and its subsidiaries to meet their obligations when they fall due.

### **Change of circumstances**

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the Financial Statements of the Group and of the Bank, that would render any amount stated in the Financial Statements misleading.

### **Items of an unusual nature**

In the opinion of the Directors:

- (a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Bank for the financial year in which this Report is made.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report for the financial year ended 31 December 2015 (Continued)**

### **Directors**

The Directors who have held office since the date of the last Report and at the date of this Report are as follows:

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir  
Habibah binti Abdul  
Rosnah binti Dato' Kamarul Zaman  
Associate Professor Dr. Mohamed Azam bin Mohamed Adil  
Dato' Professor Dr. Sudin bin Haron  
Mohamed Rafe bin Mohamed Haneef (appointed on 4 January 2016)  
Raja Shaharul Niza bin Raja Abdul Aziz (resigned on 31 May 2015)  
Badlisyah bin Abdul Ghani (resigned on 14 August 2015)

In accordance with Article 83 of the Bank's Articles of Association, Datuk Dr. Syed Muhamad bin Syed Abdul Kadir shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Cik Habibah binti Abdul, who shall retire from the Board at the forthcoming Annual General Meeting and is eligible for re-election in accordance with Article 83 of the Bank's Articles of Association has informed that she will not seek re-election at the Annual General Meeting.

In accordance with Article 84 of the Bank's Articles of Association, Mohamed Rafe bin Mohamed Haneef shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

### **Directors' interests in shares and share options**

According to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interests in shares and options over shares of the Bank, the immediate holding company, the ultimate holding company and the Bank's related companies during the financial year.

# **CIMB Islamic Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2015 (Continued)**

### **Directors' benefits**

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 35 to the Financial Statements or the fixed salary as a full time employees of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than Equity Ownership Plan ("EOP") of the ultimate holding company (see Note 45 of CIMB Group Holdings Berhad Financial Statements).

### **2015 Business Plan and Strategy**

2015 continued with a challenging operating environment characterised by a slower economy, strict and increased regulatory intervention, rise in cost of living and Goods and Services Tax ("GST"). For the year, the Bank's core focus areas were on attracting demand and savings deposit; digital sales enablement supported by analytics; focus on high growth segments of Preferred and Enterprise Banking; collections and recovery; and cost management.

The Bank has recalibrated on many fronts mainly in the area of workforce transitioning via Mutual Separation Scheme; cost base through identification of cost saving opportunities and maintaining expense discipline; harmonisation and alignment of frameworks & processes; establishing a regional operating model; increasing digital delivery through digital sales enablement; and availing an expanded suite of value adding products through key partnerships with strategic partners.

The Bank continued to occupy the top spot for both the Global and Malaysian Sukuk league tables, garnering higher market shares vis-a-vis its competitors. The Bank was involved in a number of high profile transactions in 2015, including landmark issuances by the Government of the Republic of Indonesia, the Government of Malaysia and the Government of Hong Kong, as well as establishing the first Sustainable and Responsible Investment Sukuk programme in Malaysia for Khazanah Nasional Berhad. The Bank was successful in delivering value to and fostering long-term relationships with its corporate clients, evidenced by a healthy 11% year-on-year growth of its corporate financing portfolio to RM13.0 billion.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report for the financial year ended 31 December 2015 (Continued)**

### **2015 Business Plan and Strategy (Continued)**

On the consumer banking front, the Bank's continued focus on (crafting) compelling products and solutions for the diverse Malay market segment has yielded positive outcome. Malay depositors increased the amount of Islamic current and savings accounts by 21%. The Bank also continued to focus on meeting Bank Negara Malaysia's requirements on implementing and segregating investment and deposit accounts.

The Shariah Governance Framework programme was introduced to enhance the level of awareness amongst all staff with regard to Shariah non-compliant risks in their daily work activities, as well as to brief them on the roles and functions of our Shariah organs, namely Shariah and Governance under Group Islamic Banking, Shariah Risk Management Centre of Excellence under Group Risk, and Shariah Compliance Review Unit under Group Compliance. Thirteen workshops were completed, with almost 1000 employees participating across all business and support divisions.

The Bank registered a profit before taxation of RM541 million for the financial year ended 31 December 2015, RM15 million or 3% higher compared to the profit before taxation of RM526 million registered in the previous corresponding year.

### **Outlook for 2016**

2016 is expected to remain challenging for the Islamic banking industry in line with moderating regional economic growth and market volatility. Prospects for CIMB Islamic continue to be tempered by macroeconomic conditions and dampening consumer expenditure. External factors such as slower global economic growth rates, weaker currencies, continued commodity price volatility and sluggish markets will weigh on capital markets. Deal opportunities remain dependent on market conditions and investor sentiment.



# CIMB Islamic Bank Berhad

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## Directors' Report for the financial year ended 31 December 2015 (Continued)

### Rating by External Rating Agencies

Details of the ratings of the Bank and its debt securities are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Malaysian Rating Corporation Berhad (MARC)	November 2015	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM2.0 bil Tier 2 Junior Sukuk Programme 4. RM5.0 bil Tier 2 Junior Sukuk Programme (Proposed Junior Sukuk)	AAA  MARC-1  AA+ IS  AA+ IS	Stable
RAM Rating Services Berhad (RAM)	December 2015	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating	AAA  P1	Stable
Moody's Investors Service (Moody's)	January 2016	1. Long-term Foreign Currency Bank Deposits Rating 2. Short-term Foreign Currency Bank Deposits Rating 3. Long-term Domestic Currency Bank Deposits Rating 4. Short-term Domestic Currency Bank Deposits Rating	A3  P-2  A3  P-2	Stable

# **CIMB Islamic Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2015 (Continued)**

### **Board Shariah Committee**

Pursuant to the enterprise wide Shariah Governance Framework as provided by Bank Negara Malaysia in its Guideline on Shariah Governance for Islamic Financial Institutions and the Islamic Financial Services Act 2013, the Board of Directors (the "Board") is ultimately responsible and accountable for the oversight and management of Shariah matters in the Bank's operation as well as the operations of its subsidiaries that it has management control. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group as established under the Bank.

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the Bank and its subsidiaries that it has management control. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

All decisions by the Board on Shariah matters relating to its business shall be made based on the decisions, views and opinions of the Board Shariah Committee. If the Board disagrees with any decisions, views, and opinions of the Board Shariah Committee on any Shariah matter, the former shall refer back the matter to the latter for a second or third review before final decision is made. All and any final decision of the Board on Shariah matter shall be made based on the final decisions, views and opinions of the Board Shariah Committee. All decisions of the Board and the Board Shariah Committee on Shariah matters shall at all times be subordinated to the decision of the Shariah Advisory Council of the relevant Malaysian financial regulators and shall take into consideration the relevant authority on Shariah matters in the relevant jurisdiction it is doing business.

The Board Shariah Committee shall at all times assist the Board to ensure that the Group's Islamic banking and finance business does not have elements/activities which are not permissible under Shariah.

The members of the Board Shariah Committee are as follows:

1. Sheikh Associate Professor Dr. Mohamed Azam bin Mohamed Adil
2. Sheikh Professor Dr. Mohammad Hashim Kamali
3. Sheikh Dr. Nedham Mohamed Saleh Yaqoobi
4. Sheikh Yang Amat Arif Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar
5. Sheikh Associate Professor Dr. Shafaai bin Musa
6. Sheikh Professor Dr. Yousef Abdullah Al Shubaily
7. Sheikh Professor Dato' Dr. Noor Inayah binti Yaakub
8. Sheikh Muhamad Taufik Ridlo
9. Sheikh Professor Dato' Dr. Sudin bin Haron

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Directors' Report for the financial year ended 31 December 2015 (Continued)**

### **Board Shariah Committee (Continued)**

The Board hereby affirms based on advice of the Board Shariah Committee that the operation of the Bank and its subsidiaries that it has management control has been done in a manner that does not contradict with Shariah save and except for those that have been specifically disclosed in this financial report (if any). This affirmation by the Board is independently verified and confirmed by the Board Shariah Committee in a separate Board Shariah Committee Report made herein.

### **Zakat obligations**

The obligation and responsibility for payment of Zakat lies with the Muslim shareholders (if any) of the Bank, the Bank's Immediate Holding Company and the Bank's Ultimate Holding Company. The obligation and responsibility for specific payment of Zakat on deposits and investments received by the Bank from its customers lies with its Muslim customers only. It is the same with any of the Bank's banking and asset management subsidiaries. The aforesaid is subject to the jurisdictional requirements on Zakat payment as may be applicable from time to time on the Bank and its subsidiaries arising from changes to local legislation, regulation, law or market convention as the case may be. Accrual of Zakat expenses (if any) in the Financial Statements of the Bank is reflective of this.

### **Significant events during the financial year**

Significant events during the financial year are disclosed in Note 43 to the Financial Statements.

### **Subsequent events after the financial year**

There are no significant events subsequent to the financial year ended 31 December 2015.

# **CIMB Islamic Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2015 (Continued)**

### **Statement of Directors' Responsibility**

In preparing the Financial Statements, the Directors have ensured that the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, and the requirements of the Companies Act, 1965 have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the Financial Statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2015 and of the results and cash flows of the Group and the Bank for the financial year ended on that date.

The Financial Statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Bank and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group and the Bank manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 13 of the Financial Statements.

### **Ultimate holding company**

The Directors regard CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

## **CIMB Islamic Bank Berhad**

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### **Directors' Report for the financial year ended 31 December 2015 (Continued)**

#### **Statement of Directors' Responsibility (Continued)**

#### **Auditors**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.



**Datuk Dr. Syed Muhamad bin Syed Abdul Kadir**  
Director



**Mohamed Rafe bin Mohamed Haneef**  
Director

Kuala Lumpur  
8 March 2016

## CIMB Islamic Bank Berhad

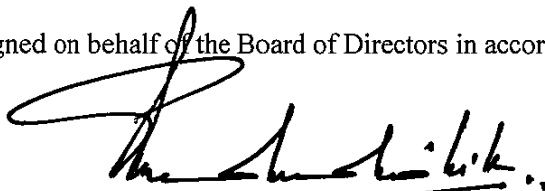
(Incorporated in Malaysia)

### Statement by Directors

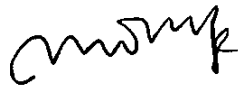
### Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Dr. Syed Muhamad bin Syed Abdul Kadir and Mohamed Rafe bin Mohamed Haneef, being two of the Directors of CIMB Islamic Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 20 to 226 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2015 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.



**Datuk Dr. Syed Muhamad bin Syed Abdul Kadir**  
Director



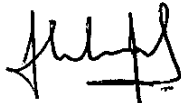
**Mohamed Rafe bin Mohamed Haneef**  
Director

Kuala Lumpur  
8 March 2016

### Statutory Declaration

### Pursuant to Section 169(16) of the Companies Act, 1965

I, Shahnaz Farouque bin Jammal Ahmad, being the person primarily responsible for the financial management of CIMB Islamic Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 20 to 226 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



**Shahnaz Farouque bin Jammal Ahmad**

Subscribed and solemnly declared by the above named Shahnaz Farouque bin Jammal Ahmad at Kuala Lumpur before me, on 8 March 2016.

Commissioner for Oaths



Subang Jaya  
Selangor.

13  
No: 49-1, Jalan USJ 10/1F,  
47620 UEP, Subang Jaya,  
Selangor Darul Ehsan.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Board Shariah Committee's Report**

In the name of Allah, the Most Beneficent, the Most Merciful.

We, the members of the CIMB Group Board Shariah Committee as established under the Bank, is responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Bank. Although the Board is ultimately responsible and accountable for all Shariah matters under the Bank, the Board relies on our independent advice on the same.

Our main responsibility and accountability is to assist the Board in ensuring that the Bank's business does not have elements/activities which are not permissible under Shariah. In undertaking our duties we shall follow and adhere to the decisions, views and opinions of the Shariah Advisory Council of the relevant Malaysian financial regulators for businesses undertaken in Malaysia and for businesses outside Malaysia we shall take into consideration the decisions, views and opinions of the relevant authority on Shariah matters (if any, sanctioned by law/regulation to be followed by the Bank) in the relevant jurisdiction that the Bank is doing business.

As members of the Board Shariah Committee, we are responsible to provide an independent assessment and confirmation in this financial report that the operations of the Bank has been done in conformity with Shariah as has been decided and opined by us and with those Notices, Rules, Standards, Guidelines and Frameworks on Shariah matters as announced and implemented by Malaysian regulators and where relevant by the financial regulators in the relevant jurisdictions that the Bank's businesses were undertaken during the period being reported.

Our independent assessment and confirmation has been used as the basis for the Board's affirmation of the same in the Director's Report herein before.

In making our independent assessment and confirmation, we have always recognised the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the Shariah compliant status of its businesses. In this regard we have developed and maintained a system of monitoring and reporting which provides the necessary internal controls to ensure that any new Islamic financial transactions are properly authorised and transacted in accordance to the requirements of Shariah; the Bank's assets and liabilities under its statements of financial position are safeguarded against possible Shariah non-compliance; and, that the day to day conduct of its operations does not contradict Shariah principles.

# **CIMB Islamic Bank Berhad**

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## **Board Shariah Committee's Report (Continued)**

The system is augmented by written policies and procedures, the careful selection and training of Shariah qualified staff, the establishment of an organisational structure that provides an appropriate and well-defined division of responsibility by Management and the communication of Shariah policies and guidelines of business conduct to all staff of the Bank.

Firstly, the system of internal control for effective Shariah governance is supported by a professional staff of Shariah researchers that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management. Secondly, the Management has a Shariah review framework that operates on a front to back basis comprising of self-assessment/self-reporting mechanism and periodic independent review undertaken by Group Compliance Division. Thirdly, the system is also augmented by a Shariah risk management framework covering the first; second and; third line of defenses. Lastly, there is also a strong team of internal auditors who conduct periodic Shariah audits of all the Bank's operations on a scheduled and periodic basis.

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal and external controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us except for the following incidents of Shariah non-compliance event within the Bank:

- i) Term Financing-i secured by Amanah Saham Bumiputra (ASB) Certificate using dual Wakalah arrangement instead of single Wakalah arrangement as approved by the Board Shariah Committee.
- ii) Usage of conventional terminology ("interest") in the website for Junior Savers Account-i.
- iii) Motor vehicle was covered under conventional insurance instead of Takaful, and the insurance premium was included in the Islamic financing package.
- iv) CIMB Property Mart used conventional document of "Proclamation of Sale" and "Condition of Sale" during auctioning process.
- v) Marketing leaflets were distributed to the customer where the attire of the female in the leaflets do not conform with Shariah
- vi) Usage of conventional terminologies in Islamic documentation for recovery purposes.
- vii) Non-execution of Commodity Murabahah Transaction for Fixed Return Income Account-i (FRIA-i) during Auto Conversion of the Non-Lien General Investment Account-i (GIA-i).



# **CIMB Islamic Bank Berhad**

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## **Board Shariah Committee's Report (Continued)**

However, there are no Shariah non-compliance incomes that were derived from the above incidents.

Various rectification and control measures were instituted to ensure the non-recurrence of such Shariah non-compliance activities including but not limited to the following:

1. Updating the Bank's procedures and processes in the affected activities to reflect the Shariah requirements.
2. Removed any elements that do not comply with Shariah requirements in the Bank's business communication immediately.
3. Conducting series of Shariah Governance Framework Workshop to elevate awareness and knowledge of Shariah among the staff.

Over and above these specific measures, we have also directed the Management to undertake more training sessions, courses and briefings aimed at building stronger and deeper understanding amongst the Bank's employee on Shariah application in the financial activities undertaken by the Bank as well as to infuse the right culture for Shariah compliance amongst them.

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2015 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah; and
3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

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**CIMB Islamic Bank Berhad**  
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**Board Shariah Committee's Report (Continued)**

We have assessed the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted by the Bank. We are satisfied that the Management has planned and performed the necessary review and audit so as to obtain all the information and explanations which are considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Shariah.

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the financial year ended 31 December 2015 were conducted in conformity with Shariah except for what has been disclosed.

On behalf of the Board Shariah Committee.



**Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil**  
Chairman



**Sheikh Professor Dr. Mohammad Hashim Kamali**  
Member

Kuala Lumpur  
8 March 2016



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CIMB ISLAMIC BANK BERHAD  
(Incorporated in Malaysia)  
(Company No. 671380-H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Islamic Bank Berhad on pages 20 to 226, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Bank, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 49.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of Financial Statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of the Financial Statements that give true and fair view to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF CIMB ISLAMIC BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 671380-H)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the Financial Statements of the subsidiaries that have been consolidated with the Bank's Financial Statements are in form and content appropriate and proper for the purposes of the preparation of the Financial Statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the Financial Statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

ONG CHING CHUAN  
(No. 2907/11/17(J))  
Chartered Accountant

Kuala Lumpur  
8 March 2016

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Statements of Financial Position as at 31 December 2015

	Note	The Group		The Bank	
		31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
<b>Assets</b>					
Cash and short-term funds	2	5,644,137	5,134,659	5,644,092	5,134,612
Deposits and placements with banks and other financial institutions	3	141,226	218,934	141,226	218,934
Financial assets held for trading	4	2,691,938	3,536,650	2,691,938	3,536,650
Financial investments available-for-sale	5	1,926,048	2,023,922	1,926,048	2,023,922
Financial investments held-to-maturity	6	1,664,531	620,992	1,664,531	620,992
Islamic derivative financial instruments	7	476,278	263,865	476,278	263,865
Financing, advances and other financing/loans	8	40,325,440	36,299,580	40,325,440	36,299,580
Other assets	9	169,780	101,374	169,780	101,374
Deferred taxation	10	30,454	21,503	30,454	21,503
Amount due from holding company	11	-	106,783	-	106,783
Amount due from related companies	13	635	662	635	662
Statutory deposits with Bank Negara Malaysia	14	1,257,178	1,297,654	1,257,178	1,297,654
Investment in subsidiaries	15	-	-	11	20
Property, plant and equipment	16	12,595	10,124	12,595	10,124
Intangible assets	17	82,941	91,096	82,941	91,096
Goodwill	18	136,000	136,000	136,000	136,000
<b>Total assets</b>		<b>54,559,181</b>	<b>49,863,798</b>	<b>54,559,147</b>	<b>49,863,771</b>
<b>Liabilities</b>					
Deposits from customers	19	44,247,880	41,328,044	44,247,880	41,328,044
Placements from investment accounts	20	3,133,698	-	3,133,698	-
Deposits and placements of banks and other financial institutions	21	959,555	3,644,713	959,555	3,644,713
Financial liabilities designated at fair value	22	199,063	149,835	199,063	149,835
Islamic derivative financial instruments	7	586,061	330,197	586,061	330,197
Amount due to holding company	11	11,043	-	11,043	-
Amount due to subsidiaries	12	-	-	1	-
Amount due to related companies	13	2,616	16,538	2,616	16,537
Other liabilities	23	414,448	297,254	414,448	297,254
Recourse obligation on loans and financing sold to Cagamas	24	502,368	-	502,368	-
Provision for tax and zakat		39,348	29,721	39,348	29,721
Subordinated Sukuk	25	856,983	856,026	856,983	856,026
<b>Total liabilities</b>		<b>50,953,063</b>	<b>46,652,328</b>	<b>50,953,064</b>	<b>46,652,327</b>
<b>Capital and reserves attributable to equity holder of the Bank</b>					
Perpetual preference shares	26	220,000	220,000	220,000	220,000
Ordinary share capital	27	1,000,000	1,000,000	1,000,000	1,000,000
Reserves	28	2,386,118	1,991,470	2,386,083	1,991,444
<b>Total equity</b>		<b>3,606,118</b>	<b>3,211,470</b>	<b>3,606,083</b>	<b>3,211,444</b>
<b>Total equity and liabilities</b>		<b>54,559,181</b>	<b>49,863,798</b>	<b>54,559,147</b>	<b>49,863,771</b>
<b>Commitments and contingencies</b>	41	<b>29,305,914</b>	<b>28,238,559</b>	<b>29,305,914</b>	<b>28,238,559</b>
<b>Net assets per ordinary share attributable to owners of the Parent (RM)</b>		<b>3.39</b>	<b>2.99</b>	<b>3.39</b>	<b>2.99</b>

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Statements of Income  
for the financial year ended 31 December 2015**

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds and others	29	2,279,738	2,059,159	2,279,738	2,059,159
Income derived from investment of shareholder's funds	30	348,305	281,134	348,305	281,134
Allowances for losses on financing, advances and other financing/loans	31	(94,445)	(100,306)	(94,445)	(100,306)
(Allowances for)/write-back of impairment losses on other receivables		(56)	323	(56)	323
Allowances for impairment on investment in subsidiaries		-	-	(9)	-
Total distributable income		2,533,542	2,240,310	2,533,533	2,240,310
Income attributable to depositors	32	(1,482,418)	(1,226,746)	(1,482,418)	(1,226,746)
Total net income		1,051,124	1,013,564	1,051,115	1,013,564
Personnel costs	33	(72,161)	(72,306)	(72,161)	(72,306)
Other overheads and expenditures	34	(437,490)	(415,094)	(437,490)	(415,094)
Profit before taxation		541,473	526,164	541,464	526,164
Taxation	36	(137,448)	(134,816)	(137,448)	(134,816)
Profit after taxation		404,025	391,348	404,016	391,348
Earnings per share (sen)					
- basic	37	40.40	39.13	40.40	39.13

**Statements of Comprehensive Income  
for the financial year ended 31 December 2015**

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the financial year	404,025	391,348	404,016	391,348
Other comprehensive expense :				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Revaluation reserve of financial investments available-for-sale				
- Net (loss)/gain from change in fair value	(10,015)	2,986	(10,015)	2,986
- Realised gain transferred to statement of income on disposal	(1,853)	(4,151)	(1,853)	(4,151)
- Income tax effects	2,618	291	2,618	291
Total other comprehensive expense	(9,250)	(874)	(9,250)	(874)
Total comprehensive income for the financial year	394,775	390,474	394,766	390,474

**CIMB Islamic Bank Berhad**

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**Statements of Changes in Equity  
for the financial year ended 31 December 2015**

The Group	← Attributable to owners of the Parent →										
	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
At 1 January 2015	1,000,000	844,149	(17,270)	(2,457)	458	-	674	1,165,916	2,991,470	220,000	3,211,470
Net profit for the financial year	-	-	-	-	-	-	-	404,025	404,025	-	404,025
Financial investments available-for-sale	-	-	(9,250)	-	-	-	-	-	(9,250)	-	(9,250)
Total comprehensive (expense)/income for the financial year	-	-	(9,250)	-	-	-	-	404,025	394,775	-	394,775
Share-based payment expense	-	-	-	-	-	-	592	-	592	-	592
Transfer to statutory reserve	-	101,004	-	-	-	-	-	(101,004)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	60,957	-	(60,957)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(719)	-	(719)	-	(719)
As at 31 December 2015	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,980	3,386,118	220,000	3,606,118

**CIMB Islamic Bank Berhad**

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**Statements of Changes in Equity  
for the financial year ended 31 December 2015 (Continued)**

The Group	← Attributable to owners of the Parent →										
	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
At 1 January 2014	1,000,000	746,312	(16,396)	(2,457)	458	230,088	606	642,317	2,600,928	70,000	2,670,928
Net profit for the financial year	-	-	-	-	-	-	-	391,348	391,348	-	391,348
Financial investments available-for-sale	-	-	(874)	-	-	-	-	-	(874)	-	(874)
Total comprehensive (expense)/income for the financial year	-	-	(874)	-	-	-	-	391,348	390,474	-	390,474
Share-based payment expense	-	-	-	-	-	-	687	-	687	-	687
Transfer to statutory reserve	-	97,837	-	-	-	-	-	(97,837)	-	-	-
Transfer from regulatory reserve	-	-	-	-	-	(230,088)	-	230,088	-	-	-
Issuance of shares	-	-	-	-	-	-	-	-	-	150,000	150,000
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(619)	-	(619)	-	(619)
As at 31 December 2014	1,000,000	844,149	(17,270)	(2,457)	458	-	674	1,165,916	2,991,470	220,000	3,211,470



**CIMB Islamic Bank Berhad**

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**Statements of Changes in Equity  
for the financial year ended 31 December 2015 (Continued)**

← Non-distributable → Distributable →

The Bank

	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
At 1 January 2015	1,000,000	844,149	(17,270)	(2,457)	458	-	674	1,165,890	2,991,444	220,000	3,211,444
Net profit for the financial year	-	-	-	-	-	-	-	404,016	404,016	-	404,016
Financial investments available-for-sale	-	-	(9,250)	-	-	-	-	-	(9,250)	-	(9,250)
Total comprehensive (expense)/income for the financial year	-	-	(9,250)	-	-	-	-	404,016	394,766	-	394,766
Share-based payment expense	-	-	-	-	-	-	592	-	592	-	592
Transfer to statutory reserve	-	101,004	-	-	-	-	-	(101,004)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	60,957	-	(60,957)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(719)	-	(719)	-	(719)
As at 31 December 2015	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,945	3,386,083	220,000	3,606,083

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Statements of Changes in Equity  
for the financial year ended 31 December 2015 (Continued)**

	← Non-distributable →							→ Distributable			
	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
At 1 January 2014	1,000,000	746,312	(16,396)	(2,457)	458	230,088	606	642,291	2,600,902	70,000	2,670,902
Net profit for the financial year	-	-	-	-	-	-	-	391,348	391,348	-	391,348
Financial investments available-for-sale	-	-	(874)	-	-	-	-	-	(874)	-	(874)
Total comprehensive (expense)/income for the financial year	-	-	(874)	-	-	-	-	391,348	390,474	-	390,474
Share-based payment expense	-	-	-	-	-	-	687	-	687	-	687
Transfer to statutory reserve	-	97,837	-	-	-	-	-	(97,837)	-	-	-
Transfer from regulatory reserve	-	-	-	-	-	(230,088)	-	230,088	-	-	-
Issuance of shares	-	-	-	-	-	-	-	-	-	150,000	150,000
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(619)	-	(619)	-	(619)
As at 31 December 2014	1,000,000	844,149	(17,270)	(2,457)	458	-	674	1,165,890	2,991,444	220,000	3,211,444

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Statements of Cash Flows for the financial year ended 31 December 2015

	The Group		The Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	541,473	526,164	541,464	526,164
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	3,829	3,389	3,829	3,389
Amortisation of intangible assets	10,272	10,106	10,272	10,106
Profit income from financial investments available-for-sale	(95,719)	(63,046)	(95,719)	(63,046)
Profit income from financial investments held-to-maturity	(46,330)	(31,594)	(46,330)	(31,594)
Profit expense on subordinated Sukuk	41,178	39,088	41,178	39,088
Gain from disposal of financial investments available-for-sale	(1,853)	(4,151)	(1,853)	(4,151)
Loss on disposal of property, plant and equipment	480	169	480	169
Intangible asset written off	-	170	-	170
Net loss from hedging derivatives	2,641	572	2,641	572
Unrealised loss on foreign exchange	79,622	59,912	79,622	59,912
Unrealised (gain)/loss from revaluation of financial assets held for trading	(4,517)	96	(4,517)	96
Unrealised gain arising from financial liabilities designated at fair value	(6)	(105)	(6)	(105)
Unrealised loss from revaluation of Islamic derivative financial instruments	2,964	9,850	2,964	9,850
Accretion of discount less amortisation of premium	(97,092)	(92,804)	(97,092)	(92,804)
Allowances for losses on financing, advances and other financing/loans	132,640	144,785	132,640	144,785
Allowances for impairment losses on other receivables	56	(323)	56	(323)
Allowance for impairment on investment in subsidiaries	-	-	9	-
Share-based payment expense	603	687	603	687
	<b>570,241</b>	<b>602,965</b>	<b>570,241</b>	<b>602,965</b>
<b>(Increase)/decrease in operating assets</b>				
Financing, advances and other financing/loans	(4,105,282)	(1,355,077)	(4,105,282)	(1,355,077)
Other assets	(69,193)	181,423	(69,193)	181,423
Statutory deposits with Bank Negara Malaysia	40,476	139,093	40,476	139,093
Deposits and placements with banks and other financial institutions	77,708	(55,616)	77,708	(55,616)
Financial assets held for trading	944,687	(276,599)	944,687	(276,599)
Amount due from holding company	106,783	(106,783)	106,783	(106,783)
Amount due from related company	27	(244)	27	(244)
<b>Increase/(decrease) in operating liabilities</b>				
Deposits from customers	2,919,836	2,861,170	2,919,836	2,861,170
Placements from investment accounts	3,133,698	-	3,133,698	-
Deposits and placements from banks and other financial institutions	(2,685,158)	(2,927,198)	(2,685,158)	(2,927,198)
Financial liabilities designated at fair value	49,222	3,724	49,222	3,724
Islamic derivative financial instruments	(14,523)	(517)	(14,523)	(517)
Amount due to holding company	11,043	(115,538)	11,043	(115,538)
Amount due to subsidiaries	-	-	1	-
Amount due to related companies	(13,922)	10,105	(13,922)	10,104
Other liabilities	37,446	(50,786)	37,447	(50,786)
	<b>1,003,089</b>	<b>(1,089,878)</b>	<b>1,003,091</b>	<b>(1,089,879)</b>
Taxation paid	(134,014)	(118,934)	(134,014)	(118,934)
Net cash flows generated from/(used in) operating activities	<b>869,075</b>	<b>(1,208,812)</b>	<b>869,077</b>	<b>(1,208,813)</b>

**CIMB Islamic Bank Berhad**

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**Statements of Cash Flows  
for the financial year ended 31 December 2015 (Continued)**

	Note	The Group		The Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from investing activities</b>					
Net proceeds from purchase of financial investments held-to-maturity		(541,860)	(17,121)	(541,860)	(17,121)
Net proceeds from purchase of financial investments available-for-sale		(401,545)	(724,787)	(401,545)	(724,787)
Profit income received from financial investments available-for-sale		95,883	56,252	95,883	56,252
Profit income received from financial investments held-to-maturity		35,690	30,275	35,690	30,275
Purchase of property, plant and equipment		(6,854)	(8,446)	(6,854)	(8,446)
Purchase of intangible assets		(2,044)	(87,175)	(2,044)	(87,175)
Net cash flows used in from investing activities		<u>(820,730)</u>	<u>(751,002)</u>	<u>(820,730)</u>	<u>(751,002)</u>
<b>Cash flows from financing activities</b>					
Profit expense on subordinated Sukuk		(41,235)	(39,088)	(41,235)	(39,088)
Issuance of preference shares		-	150,000	-	150,000
Recourse obligation on loans and financing sold to Cagamas		502,368	-	502,368	-
Net cash flows generated from financing activities		<u>461,133</u>	<u>110,912</u>	<u>461,133</u>	<u>110,912</u>
Net (decrease)/increase in cash and cash equivalents		509,478	(1,848,902)	509,480	(1,848,903)
Cash and cash equivalents at beginning of the financial year		5,134,659	6,983,561	5,134,612	6,983,515
Cash and cash equivalents at end of the financial year	2	<u>5,644,137</u>	<u>5,134,659</u>	<u>5,644,092</u>	<u>5,134,612</u>

# **CIMB Islamic Bank Berhad**

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## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015**

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the Financial Statements.

### **A Basis of preparation**

The Financial Statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The Financial Statements have been prepared under historical cost convention, as modified by the revaluation of financial investments available-for-sale, financial assets and financial liabilities (including Islamic derivatives financial instruments) at fair value through profit or loss.

The preparation of Financial Statements in conformity with 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 Financial Statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 46.

# **CIMB Islamic Bank Berhad**

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## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **A Basis of preparation (Continued)**

#### **(a) Standards and amendments to published standards that are effective and applicable to the Group and the Bank**

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2015 are as follows:

- Annual improvement to MFRSs 2010 - 2012 Cycle
  - Amendment to MFRS 2 “Share-based Payment”
  - Amendment to MFRS 3 “Business Combinations”
  - Amendment to MFRS 8 “Operating Segments”
  - Amendment to MFRS 13 “Fair Value Measurement”
  - Amendments to MFRS 116 “Property, Plant and Equipment” and MFRS 138 “Intangible Assets”
  - Amendment to MFRS 124 “Related Party Disclosures”
- Annual improvement to MFRSs 2011 - 2013 Cycle
  - Amendment to MFRS 3 “Business Combinations”
  - Amendment to MFRS 13 “Fair Value Measurement”
  - Amendment to MFRS 140 “Investment Property”
- Amendments to MFRS 119 “Defined Benefits Plans: Employee Contributions”

The adoption of the new accounting standards, amendments and improvements to published standards did not have material impact on the financial statements of the Group and the Bank.

# **CIMB Islamic Bank Berhad**

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## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **A Basis of preparation (Continued)**

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective**

The Group and the Bank will apply these standards, amendments to published standards from:

##### **(i) Financial year beginning on/after 1 January 2016**

- Amendment to MFRS 11 “Joint Arrangements” requires an investor to apply the principles of MFRS 3 “Business Combination” when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Amendments to MFRS 116 “Property, Plant and Equipment” and MFRS 138 “Intangible Assets” clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 127 “Separate Financial Statements” which allow the use of equity method in the entities’ separate financial statements to measure investment in subsidiaries, joint ventures and associates. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to equity method must do so retrospectively.

# **CIMB Islamic Bank Berhad**

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## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **A Basis of preparation (Continued)**

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (Continued)**

The Group and the Bank will apply these standards, amendments to published standards from (Continued):

##### **(i) Financial year beginning on/after 1 January 2016 (Continued)**

- Annual improvements to MFRS 2012-2014 Cycle
  - MFRS 5 Non-current Assets Held for Sale and Discontinued Operations  
It states that when an asset (or disposal group) is reclassified from “held for sale” to “held for distributions” or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
  - MFRS 7 Financial Instruments: Disclosure – Servicing contracts  
It includes specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute “continuing involvement” and, therefore, whether the asset qualifies for derecognition.
  - MFRS 7 Financial Instruments: Disclosure – Applicability of the amendments to MFRS 7 to condensed interim financial statements  
It states that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by MFRS 134.
  - MFRS 119 Employee Benefits  
It states that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
  - MFRS 134 Interim Financial Reporting  
It clarifies what is meant by the reference in the standard to “information disclosure elsewhere in the interim financial reporting” and adds a requirement to cross-reference from the interim financial statements to the location of that information.



# **CIMB Islamic Bank Berhad**

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## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **A Basis of preparation (Continued)**

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (Continued)**

The Group and the Bank will apply these standards, amendments to published standards from: (Continued)

##### **(i) Financial year beginning on/after 1 January 2016 (Continued)**

- Amendments to MFRS 101 “Presentation of financial statements” – Disclosure Initiative clarifies a number of issues, including:
  - Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial positions or performance.
  - Disaggregation and subtotals – line items specified in MFRS 101 may need to be disaggregated where this is relevant to an understanding of the entity’s financial position or performance. There is also new guidance on the use of subtotals.
  - Notes – confirmation that the notes do not need to be presented in a particular order.
  - Other comprehensive income “OCI” arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in MFRS 108 regarding the adoption of new standards/ accounting policies are not required for these amendments.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **A Basis of preparation (Continued)**

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (Continued)**

The Group and the Bank will apply these standards, amendments to published standards from: (Continued)

##### **(ii) Financial year beginning on/after 1 January 2018**

- MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and profit.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **A Basis of preparation (Continued)**

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (Continued)**

The Group and the Bank will apply these standards, amendments to published standards from (Continued):

##### **(ii) Financial year beginning on/after 1 January 2018 (Continued)**

- **MFRS 9 “Financial Instruments” (will replace MFRS 139 “Financial Instruments: Recognition and Measurement”). (Continued)**

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch.

MFRS 9 introduces expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Group and the Bank except for MFRS 9. The Group has initiated the assessment of the potential effect of this Standard. Due to the complexity of this standard, the financial impact of its adoption is still being assessed by the Group. This standard is expected to have pervasive impact on the Group’s and the Bank’s financial statements.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **B Economic entities in the Group**

#### **(a) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated Financial Statements include the Financial Statements of the Bank and all its subsidiaries made up to the end of the financial year.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations.

Under the acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in the business combination are, with limited exception measured initially at their fair value on the date of acquisition.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor basis of accounting, the results of subsidiaries are presented as if the business combination had been effected from the current year. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit difference is classified as equity. Any resulting debit difference is adjusted against merger reserves. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the combined entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in acquiree (if any), and the fair value of the Group's previously held equity interest in acquiree (if any), over the fair value of the acquiree's identifiable net assets acquired is recorded as goodwill. The accounting policy for goodwill is set out in Note M. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statement of income on the acquisition date.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **B Economic entities in the Group (Continued)**

#### **(a) Subsidiaries (Continued)**

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in statement of income.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

All material transactions and balances between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

#### **(b) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss in control are accounted as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **B Economic entities in the Group (Continued)**

#### **(b) Disposal of subsidiaries**

When the Group ceases to consolidate because of loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statement of income. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

#### **(c) Interests in subsidiaries**

In the Bank's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in statements of income.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **C Recognition of profit income and profit expense**

Profit income and profit expense for all profit-bearing financial instruments are recognised within “profit income” and “profit expense” in the statement of income using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective profit rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

Profit on impaired financial assets is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

### **Financing, advances and other financing/loans**

#### **(i) Bai’ contracts**

##### Murabahah

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

##### Bai’ al-‘inah

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buys back the asset at a marked up and deferred. Income is recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **C Recognition of profit income and profit expense (Continued)**

#### **Financing, advances and other financing/loans (Continued)**

##### **(i) Bai' contracts (Continued)**

###### Tawarruq

Arrangement that involves a purchase of an asset/commodity based on musawamah or murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

##### **(ii) Ijarah contracts**

###### Ijarah

Contract of lease ending with transfer of ownership from the lessor to the lessee either in the form of gift or sale transaction based on agreed terms and conditions. There are two contracts in this arrangement. The first contract is ijarah where the lessee enjoys the usufruct of the assets at an agreed rental during an agreed period while the ownership remains with the lessor. The second contract is to transfer the ownership of the assets which may take place at the end of the ijarah tenure or at any point of time during the tenure subject to the agreed terms and conditions between the contracting parties. Income is recognised on effective profit rate basis over the lease term.

#### **Deposits from customers**

##### Wadiah (Yad Dhamanah)

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian).

##### Commodity Murabahah

A contract of sale and purchase of commodities as underlying assets. The customer appoints the Bank to act as the customer's agent for the purchase and sale of the commodity. Profit expense shall be recognised on accrual basis by maturity date.



# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **C Recognition of profit income and profit expense (Continued)**

#### **Deposits from customers (Continued)**

##### Wakalah

A trust-based contract in which a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. This contract is categorised into two types which are Restricted Agency (Wakalah Muqayyadah) and Unrestricted Agency (Wakalah Mutlaqah). The fee shall be recognised based on agreement.

#### **Financing, advances and other financing/loans and Deposits from customers**

##### Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

##### Bai' al- Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

##### Qard

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No income from financing/profit expense from deposits shall be generated/paid from the transactions.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **C Recognition of profit income and profit expense (Continued)**

#### **Deposits from customers and Placements from investment accounts**

##### Mudharabah

A contract between a capital provider (rabbul mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio (PSR) whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's negligence (taqsir), negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorised into two types:

- a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.
- b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

Profit shall be recognised accrual basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures.

### **D Recognition of fees and other income**

#### **(a) Income from financing and receivables based on mutual accounting policy on Shariah contracts according to the nature of the transactions**

Financing arrangement fees and commissions are recognised as income when all conditions precedent is fulfilled. Commitment fees for financing, advances and other financing/loans that are likely to be disbursed are deferred (together with direct cost) and income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit on the financial instrument.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **D Recognition of fees and other income (Continued)**

#### **(b) Fee and other income recognition**

Guarantee fees, portfolio management fees and income from asset management and securities services are recognised as income based on a time apportionment method.

Brokerage fees are recognised as income based on inception of such transactions.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

Dividends are recognised when the right to receive payment is established.

Islamic derivative financial instruments are developed using Bai' sarf contract which is a buying and selling of foreign currencies and wa'ad which is a promise for delivery or fulfillment at a future date. The derivatives products may also be structured with other contracts such as Bai' al-'inah and Commodity murabahah. The other income recognised comprises of mark-to-market changes on derivatives and realised gains or losses recognised upon early termination of the derivatives.

### **E Financial assets**

#### **(a) Classification**

The Group and the Bank allocate its financial assets into the following categories: financial assets at fair value through profit or loss, financing and receivables, financial investments held-to-maturity and financial investments available-for-sale. Management determines the classification of its financial instruments at initial recognition.

#### **(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise of financial assets held for trading and other financial assets designated by the Group and the Bank as fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **E Financial assets (Continued)**

#### **(a) Classification (Continued)**

#### **(ii) Financing and receivables**

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financing and receivables consist of Ijarah, Murabahah, Bai' Bithaman Ajil, Bai' al- Dayn, Bai'-al'Inah, Tawarruq and Qard contracts. These contracts are initially recognised at fair value, including direct and incremental transactions costs, and subsequently measured at amortised cost using the effective profit method. These contracts are stated net of unearned income and any amounts written off and/or impaired.

#### **(iii) Financial investments held-to-maturity**

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Bank's management have the positive intent and ability to hold to maturity. If the Group and the Bank sell other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

#### **(iv) Financial investments available-for-sale**

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in profit rates, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, financing and receivables and financial investments held-to-maturity.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **E Financial assets (Continued)**

#### **(b) Recognition and initial measurement**

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group and the Bank commence to purchase or sell the asset. Interbank placements are recognised on settlement date. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statement of income.

#### **(c) Subsequent measurement**

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statement of income in the period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in other comprehensive income, until the securities are de-recognised or impaired at which time the cumulative gains or loss previously recognised in equity are recognised in the statement of income. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the statement of income in the period it arises.

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective profit method. Gains or losses arising from the derecognition or impairment of the securities are recognised in the statement of income.

Profit from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective profit method and is recognised in the statement of income. Dividends from available-for-sale equity instruments are recognised in the statement of income when the entity's right to receive payment is established.

Financing and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the financing including the transaction costs, and measured subsequently at amortised cost using the effective profit rate method. Profit on financing is included in the statement of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the financing and recognised in the statement of income.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **E Financial assets (Continued)**

#### **(d) Reclassification of financial assets**

The Group and the Bank may choose to reclassify a non-derivative financial assets held for trading out of the held for trading category if the financial asset is no longer held for the purposes of selling in the near term. In addition, the Group and the Bank may choose to reclassify financial assets that would meet the definition of financing and receivables out of the held for trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities become the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective profit rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective profit rates.

Any previous gain or loss on that asset that has been recognised in other comprehensive income shall be accounted for as follows:

- (i) In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to statement of income over the remaining life of the held-to-maturity investment using the effective profit method. Any difference between the new amortised cost and maturity amount shall also be amortised over the remaining life of the financial asset using the effective profit method, similar to the amortisation of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income in accordance with Note E(c).
- (ii) In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognised in statement of income when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired any previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income in accordance with Note E(c).

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **F Financial liabilities**

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of income. Financial liabilities are derecognised when extinguished.

#### **(a) Financial liabilities at fair value through profit or loss**

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. The specific Group and Bank accounting policy on derivatives is detailed in Note N.

The financial liabilities measured at fair value through profit or loss upon initial recognition are trading derivatives and financial liabilities designated at fair value.

Financial instruments, other than those held for trading, are classified as financial liabilities designated at fair value if they meet one or more of the criteria set out below, and are so designated by management. The Group and the Bank may designate financial instruments at fair value when the designation:

- eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group and the Bank under this criterion. The profit payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **F Financial liabilities (Continued)**

#### **(a) Financial liabilities at fair value through profit or loss (Continued)**

- applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and

- relates to financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

The fair value designation, once made is irrevocable. Designated financial liabilities are recognised when the Group and the Bank enter into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and are normally derecognised when either sold (assets) or extinguished (liabilities). Measurement is initially at fair value, with transaction costs taken to the statements of income. Subsequently, the fair values are remeasured, and gains and losses from changes therein are recognised in the statements of income.

#### **(b) Financial liabilities at amortised cost**

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, placements from investment accounts, deposits and placements of banks and other financial institutions, subordinated sukuk, sundry creditors, amount due to related companies, amount due to holding company, amount due to subsidiaries and recourse obligation on loans and financing sold to Cagamas.

Deposit from customers consists of Wadiah, Murabahah, Mudharabah, Commodity Murabahah, Wakalah, Hybrid (Bai' Bithamin Ajil and Bai' al-Dayn) and Qard contracts.

Placement from investment accounts consists of Mudharabah Contracts.



# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **G Derecognition of financial assets and financial liabilities**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Bank test control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group and the Bank under standard repurchase agreements transactions is not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for de-recognition are therefore not met.

### **H Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### **I Impairment of financial assets**

#### **(a) Assets carried at amortised cost**

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Bank use to determine whether there is objective evidence of impairment loss include indications that the customer or a group of customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in outstanding payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **I Impairment of financial assets (Continued)**

#### **(a) Assets carried at amortised cost (Continued)**

The Group and the Bank first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a financing or financial investments held-to-maturity have a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financing are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

When a financing is uncollectible, it is written off against the related allowance for impairment. Such financings are written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **I Impairment of financial assets (Continued)**

#### **(b) Assets classified as available-for-sale**

The Group and the Bank assess at each date of the statement of financial position whether there is objective evidence that the financial asset is impaired.

For debt securities, the Group and the Bank use criteria and measurement of impairment loss applicable for “assets carried at amortised cost” above. If in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of income, the impairment loss is reversed through statement of income.

In the case of equity instruments classified as financial investments available-for-sale, in addition to the criteria for ‘assets carried at amortised cost’ above, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is objective evidence that an impairment loss on financial investments available-for-sale has incurred, the cumulative loss that has been recognised directly in equity is removed from other comprehensive income and recognised in the statement of income. The amount of cumulative loss that is reclassified to statement of income is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of income. Impairment losses recognised in statement of income on equity instruments are not reversed through the statement of income.

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)

### J Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Renovations	5 years or over the period of the tenancy, whichever is shorter
Office and plant equipment, furniture and fittings:	
- Office equipment	3 - 5 years
- Plant equipment	5 years
- Furniture and fittings	5 – 10 years
Motor vehicles	5 years
Computer equipment:	
- Servers and hardware	3 - 5 years
- ATM machine	5 – 10 years

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in other operating income.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **K Intangible assets**

#### **(a) Goodwill**

Goodwill arising from business combination represents the excess of the cost of acquisition and the fair value of the Group's share of the net identifiable assets of the acquired subsidiary. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### **(b) Other intangible assets**

Other intangible assets are measured at fair value. Other intangible assets include computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Computer software are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives as follows:

Computer software	3 – 15 years
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# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **L Assets purchased under lease**

#### **(a) Finance lease**

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group and the Bank are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property, plant and equipment.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the statement of income.

#### **(b) Operating lease**

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of compensation (ta'widh) is recognised as an expense in the period in which termination takes place.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **M Assets sold under lease**

#### **(a) Finance lease**

When assets are sold under a finance lease, the present value of the lease payments is recognised as a debtor. The difference between the gross debtor and the present value of the debtor is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

#### **(b) Operating lease**

Assets leased out under operating leases are included in property, plant and equipment in the statements of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight line basis over the lease term.

### **N Derivative financial instruments and hedge accounting**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of income.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise the fair value of derivatives in the statement of income immediately.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **N Derivative financial instruments and hedge accounting (Continued)**

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of future cash flows attributable to a recognised asset or liability, or a highly probable forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group and the Bank document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### **(a) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the statement of income based on recalculated effective profit rate method over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains as part of the carrying amount until the disposal of the equity security.

#### **(b) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statement of income. Amounts accumulated in equity are recycled to the statement of income in the periods in which the hedged item will affect the statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.



# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **N Derivative financial instruments and hedge accounting (Continued)**

#### **(c) Net investment hedge**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Gains and losses accumulated in the equity are recycled to the statement of income when the foreign operation is partially disposed or sold.

#### **(d) Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of income.

### **O Currency translations**

#### **(a) Functional and presentation currency**

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Statements are presented in Ringgit Malaysia, which is the Group's and the Bank's functional and presentation currency.

#### **(b) Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **O Currency translations (Continued)**

#### **(b) Foreign currency transactions and balances (Continued)**

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in statement of income, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the revaluation reserves - financial investments available-for-sale in equity.

### **P Income and deferred taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **P Income and deferred taxes (Continued)**

Deferred tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted at the end of each reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Q Share capital**

#### **(a) Classification**

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

#### **(b) Share issue costs**

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **(c) Dividends**

Dividends on cumulative redeemable preference shares are recognised as a liability and expressed on an accrual basis. Dividends on ordinary shares are recognised as a liability when the shareholder's right to receive the dividend is established.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **R Employee benefits**

#### **(a) Short-term employee benefits**

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

#### **(b) Post employment benefits**

##### *Defined contribution plans*

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's and the Bank's contributions to a defined contribution plan are charged to the statement of income. Once the contributions have been paid, the Group and the Bank have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **(c) Other long-term employee benefits**

The cost of long-term employee benefits (for example, long-term service leave) is accrued to match the rendering of services by the employees concerned using an accounting methodology similar to that for defined benefit plans for the liability which is not expected to be settled within 12 months, except that remeasurements are recognised immediately in profit or loss.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **R Employee benefits (Continued)**

#### **(d) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Bank recognise termination benefits at the earlier of the following dates: (a) when the Group and the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for are structuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

#### **(e) Bonus plans**

The Group and the Bank recognise a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group and the Bank's shareholder after certain adjustments. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **(f) Share-based compensation benefits**

##### *Employee Ownership Plan ("EOP")*

CIMB Group operates an equity-settled, share-based compensation plan, where ordinary shares of CIMB Group are purchased from the market at market value and awarded to the eligible executive employees.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the award is fully released to relevant employees ('the final release date'). The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense in statement of income over the period of release, based on the best available estimate of the number of shares expected to be released at each of the relevant release date. On the final release date, the estimate will be revised to equal the actual number of shares that are ultimately released to the employees.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **S Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statement of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the statement of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### **T Provisions**

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- (i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as a profit expense.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **U Financial guarantee contracts**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified customer fails to make payments when due, in accordance with the terms of an instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure financing and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount determined in accordance with MFRS 137 – "Provision, Contingent Liabilities and Contingent Assets", and the amount initially recognised less, when appropriate, accumulative amortisation recognised in accordance with MFRS 118 – "Revenue". These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in the statement of income within overheads.

### **V Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements maturing less than one month.

### **W Segment reporting**

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.

Intra-segment revenue and costs are eliminated at head office. Income and expenses directly associated with each segment are included in determining business segment performance.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Summary of Significant Accounting Policies for the financial year ended 31 December 2015 (Continued)**

### **X Contingent assets and contingent liabilities**

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and the Bank. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's and the Bank's financial statements.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group and the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognised in the Financial Statements but are disclosed unless the probability of settlement is remote.

### **Y Restricted Profit Sharing Investment Accounts (“RPSIA”)**

These placements from investment accounts are used to fund specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by depositors.



# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015

### 1 General information

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related financial services. The principal activities of the significant subsidiaries as set out in Note 15 in the Financial Statements are providing Islamic nominee and custody services. Islamic banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities allowed under the Islamic Financial Services Act, 2013 done in accordance with Shariah.

The immediate holding company of the Bank is CIMB Bank Berhad, a licensed bank incorporated in Malaysia and the Directors regard CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act, 2013, incorporated and domiciled in Malaysia.

The address of the Bank's registered office is Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The address of the Bank's principal place of business is at Menara Bumiputra- Commerce, 11, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

### 2 Cash and short-term funds

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Cash and balances with banks and other financial institutions	822,014	266,808	821,969	266,761
Money at call and deposit placements maturing within one month	4,822,123	4,867,851	4,822,123	4,867,851
	<u>5,644,137</u>	<u>5,134,659</u>	<u>5,644,092</u>	<u>5,134,612</u>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 3 Deposits and placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Licensed banks	99,002	218,934
Other financial institution	42,224	-
	<u>141,226</u>	<u>218,934</u>

### 4 Financial assets held for trading

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
<b>Money market instruments</b>		
<b>Unquoted:</b>		
Malaysian Government treasury bills	14,861	14,826
Bank Negara monetary notes	19,918	2,235,535
Islamic negotiable instruments of deposits	2,230,491	992,580
Government Investment Issues	123,405	12,885
	<u>2,388,675</u>	<u>3,255,826</u>
<b>Unquoted securities:</b>		
<u>In Malaysia</u>		
Private debt securities	218,039	210,789
<u>Outside Malaysia</u>		
Private debt securities	85,224	70,035
	<u>2,691,938</u>	<u>3,536,650</u>

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****5 Financial investments available-for-sale**

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
<b>Money market instruments</b>		
<b>Unquoted:</b>		
Government Investment Issues	229,054	315,897
Islamic Cagamas bonds	23,671	8,504
Malaysian Government Sukuk	44,168	19,750
Khazanah bonds	20,189	70,214
	<b>317,082</b>	<b>414,365</b>
<b>Unquoted securities:</b>		
<u>In Malaysia</u>		
Private debt securities	1,526,399	1,525,393
Placement with Islamic Banking and Finance Institute Malaysia	575	575
	<b>1,526,974</b>	<b>1,525,968</b>
<u>Outside Malaysia</u>		
Private debt securities	81,992	83,589
	<b>81,992</b>	<b>83,589</b>
	<b>1,926,048</b>	<b>2,023,922</b>

**6 Financial investments held-to-maturity**

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
<b>Money market instruments</b>		
<b>Unquoted:</b>		
Government Investment Issue	433,885	7,569
Islamic Cagamas bonds	30,724	-
Khazanah bonds	12,662	12,662
	<b>477,271</b>	<b>20,231</b>
<b>Unquoted securities:</b>		
<u>In Malaysia</u>		
Private debt securities	1,186,380	600,386
Accretion of discount net of amortisation of premium	880	375
	<b>1,187,260</b>	<b>600,761</b>
	<b>1,664,531</b>	<b>620,992</b>

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **6 Financial investments held-to-maturity (Continued)**

In 2015, CIMB Islamic Bank reclassified previously held financial investments available-for-sale to financial investments held-to-maturity. Given the long term nature of the holdings, the bonds were reclassified from financial investments available-for-sale to financial investments held-to-maturity as part of the CIMB Islamic Bank's Asset Liability Management. It reflects CIMB Islamic Bank's positive intent and ability to hold them until maturity. The bonds were transferred at the prevailing mark-to-market prices.

The fair value and the carrying amount of the financial investments and the fair value loss in revaluation reserve-financial investments available-for-sale at the date of reclassification are RM470,280,000 and RM491,220,000 and RM20,939,000 respectively. The fair value and carrying amount of the financial investments as at 31 December 2015 are RM470,729,000 and RM470,611,000 respectively. The fair value gains that would have been recognised in other comprehensive income if the financial investments had not been reclassified is RM449,000.

As at 31 December 2015, the remaining unamortised fair value loss in revaluation reserve-financial investments available-for-sale amounting to RM20,470,000.

# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 7 Islamic derivative financial instruments

#### Islamic derivative financial instruments

The following tables summarise the contractual 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 date of statement of financial position, and do not represent amounts at risk.

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

	The Group and the Bank					
	31 December 2015			31 December 2014		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
<u>Foreign exchange derivatives</u>						
Currency forwards	2,312,595	171,455	(97,623)	919,232	42,422	(22,544)
Currency swaps	4,750,561	86,890	(143,226)	2,727,683	36,895	(38,700)
Currency spot	6,938	2	(3)	21,488	10	(12)
Currency option	12,206	19	(19)	-	-	-
Cross currency profit rate swaps	1,510,651	169,734	(165,935)	1,050,230	70,333	(69,932)
	8,592,951	428,100	(406,806)	4,718,633	149,660	(131,188)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	8,473,524	41,342	(44,108)	9,548,143	70,369	(67,567)
<u>Equity related derivatives</u>						
Equity options	462,541	6,011	(6,011)	580,161	13,611	(13,611)
<u>Credit related contracts</u>						
Total return swaps	104,520	603	(603)	113,800	752	(752)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	4,144,812	222	(128,533)	6,916,136	29,473	(117,079)
Total derivative assets/(liabilities)	21,778,348	476,278	(586,061)	21,876,873	263,865	(330,197)

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****7 Islamic derivative financial instruments (Continued)****Islamic derivative financial instruments (Continued)****Fair value hedge**

Fair value hedges are used by the Group and the Bank to protect it against the changes in fair value of financial assets and financial liabilities due to movements in market rates. The Group and the Bank use Islamic profit rate swaps to hedge against profit rate risk of financing, subordinated Sukuk and financial investments available-for-sale. For designated and qualifying fair value hedges, the changes in fair value of derivative and item in relation to the hedged risk are recognised in the statement of income. If the hedge relationship is terminated, the cumulative adjustment to the carrying amount of the hedged item is amortised in the statement of income based on recalculated effective profit rate over the residual period to maturity, unless the hedged item has been derecognised, in which case, it is released to the statement of income immediately.

Included in the net income is the net gains and losses arising from fair value hedges during the year as follows:

	<b>The Group and the Bank</b>	
	<b>31 December</b>	31 December
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
Loss on hedging instruments	<b>(55,010)</b>	(18,422)
Gain on the hedged items attributable to the hedge risk	<b>52,369</b>	17,850

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****8 Financing, advances and other financing/loans**

(i) Financing by types and Shariah contracts

At amortised cost: 31 December 2015	The Group and the Bank				Total RM'000
	Bai' RM'000	Ijarah RM'000	Qard RM'000	Others RM'000	
Cash line <sup>^</sup>	584,930	-	17,114	-	602,044
Term financing					
- House financing	9,634,927	1,385,143	-	-	11,020,070
- Syndicated financing	2,084,525	160,701	-	-	2,245,226
- Hire purchase receivables	-	4,306,661	-	-	4,306,661
- Other term financing	19,579,550	58,232	-	-	19,637,782
Bills receivable	3,373	-	153	-	3,526
Islamic trust receipts	26,106	-	-	-	26,106
Claims on customer under Islamic accepted bills	445,038	-	-	-	445,038
Credit card receivables	-	-	-	115,218	115,218
Revolving credits	2,168,995	-	-	-	2,168,995
Share purchase financing	4,100	-	-	-	4,100
Ar Rahnū	-	-	-	405	405
Gross financing, advances and other financing/loans	34,531,544	5,910,737	17,267	115,623	40,575,171
Fair value changes arising from fair value hedges					110,491
Less : Allowance for impairment losses					
- Individual impairment allowance					(46,168)
- Portfolio impairment allowance					(314,054)
Total net financing, advances and other financing/loans					<u>40,325,440</u>

(i) Financing by types and Shariah contracts

At amortised cost: 31 December 2014	The Group and the Bank				Total RM'000
	Bai' RM'000	Ijarah RM'000	Qard RM'000	Others RM'000	
Cash line <sup>^</sup>	554,680	-	10,277	-	564,957
Term financing					
- House financing	8,907,718	992,267	-	-	9,899,985
- Syndicated financing	365,825	211,243	-	-	577,068
- Hire purchase receivables	-	5,298,240	-	-	5,298,240
- Other term financing	17,304,405	56,820	-	-	17,361,225
Bills receivable	2,939	-	-	-	2,939
Islamic trust receipts	19,218	-	-	-	19,218
Claims on customer under Islamic accepted bills	391,983	-	-	-	391,983
Credit card receivables	-	-	-	111,917	111,917
Revolving credits	2,389,876	-	-	-	2,389,876
Share purchase financing	9,453	-	-	-	9,453
Ar Rahnū	-	-	-	1,590	1,590
Gross financing, advances and other financing/loans	29,946,097	6,558,570	10,277	113,507	36,628,451
Fair value changes arising from fair value hedges					57,272
Less : Allowance for impairment losses					
- Individual impairment allowance					(39,713)
- Portfolio impairment allowance					(346,430)
Total net financing, advances and other financing/loans					<u>36,299,580</u>

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

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **8 Financing, advances and other financing/loans (Continued)**

(i) By type and Shariah contracts (Continued):

- (a) The Group and the Bank has undertaken fair value hedge on the profit rate risk of RM3,575 million (2014: RM6,350 million) financing 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 31 December 2015, the gross exposures to RPSIA financing is RM2,733 million (2014: RM2,099 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM5.4 million (2014: RM6.4 million) is recognised in the Financial Statements of CIMB Bank Berhad. There was no individual impairment provided on this RPSIA financing.



**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****8 Financing, advances and other financing/loans (Continued)**

(i) By type and Shariah contracts (Continued):

(c) Movement of Qard financing

	<b>The Group and the Bank</b>	
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
As at 1 January	10,277	2,006
New disbursement	13,522	10,067
Repayment	(6,532)	(1,796)
As at 31 December	<u>17,267</u>	<u>10,277</u>
Sources of Qard fund:		
Depositors' fund	16,122	9,665
Shareholders' fund	1,145	612
	<u>17,267</u>	<u>10,277</u>
Uses of Qard fund:		
Personal use	337	1,156
Business purpose	16,930	9,121
	<u>17,267</u>	<u>10,277</u>

(ii) By geographical distribution:

	<b>The Group and the Bank</b>	
	<b>31 December</b>	31 December
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
Malaysia	<u>40,575,171</u>	<u>36,628,451</u>

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****8 Financing, advances and other financing/loans (Continued)**

(iii) By type of customer:

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Domestic non-bank financial institutions	<b>1,657,505</b>	1,744,023
Domestic business enterprises		
- Small medium enterprises	<b>6,233,846</b>	5,072,522
- Others	<b>4,120,572</b>	2,814,822
Government and statutory bodies	<b>6,777,740</b>	6,773,484
Individuals	<b>21,533,091</b>	19,990,768
Other domestic entities	<b>85,076</b>	48,331
Foreign entities	<b>167,341</b>	184,501
	<b><u>40,575,171</u></b>	<b><u>36,628,451</u></b>

(iv) By profit rate sensitivity:

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Fixed rate		
- house financing	<b>142,863</b>	169,414
- hire purchase receivables	<b>4,306,661</b>	5,298,240
- others	<b>10,595,140</b>	11,101,995
Variable rate		
- house financing	<b>10,877,207</b>	9,730,571
- others	<b>14,653,300</b>	10,328,231
	<b><u>40,575,171</u></b>	<b><u>36,628,451</u></b>

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****8 Financing, advances and other financing/loans (Continued)**

(v) By economic purpose:

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Personal use	2,678,136	2,903,936
Credit card	115,218	111,918
Construction	1,509,395	1,698,211
Residential property	11,275,976	10,038,277
Non-residential property	3,808,146	3,573,649
Purchase of fixed assets other than land and building	190,870	199,445
Purchase of securities	2,254,002	584,113
Purchase of transport vehicles	4,571,338	5,349,838
Working capital	9,714,362	9,164,677
Merger and acquisition	593	934
Other purpose	4,457,135	3,003,453
	<u><b>40,575,171</b></u>	<u><b>36,628,451</b></u>

(vi) By residual contractual maturity:

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Within one year	3,673,132	3,561,476
One year to less than three years	3,662,243	1,518,090
Three years to less than five years	6,980,706	6,924,314
Five years and more	26,259,090	24,624,571
	<u><b>40,575,171</b></u>	<u><b>36,628,451</b></u>

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****8 Financing, advances and other financing/loans (Continued)**

(vii) Impaired financing by economic purpose:

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	31 December 2014 RM'000
Personal use	27,423	31,233
Credit cards	3,463	2,922
Construction	40,150	46,896
Residential property	93,851	89,243
Non-residential property	40,038	33,429
Purchase of fixed assets other than land and building	379	883
Purchase of securities	988	200
Purchase of transport vehicles	106,316	145,510
Working capital	74,433	68,039
Other purpose	37,343	39,506
	<u>424,384</u>	<u>457,861</u>

(viii) Impaired financings by geographical distribution:

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	31 December 2014 RM'000
Malaysia	<u>424,384</u>	<u>457,861</u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****8 Financing, advances and other financing/loans (Continued)**

- (ix) Movements in impaired financing, advances and other financing/loans are as follows:

	<b>The Group and the Bank</b>	
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
At 1 January	<b>457,861</b>	310,151
Classified as impaired during the financial year	<b>534,355</b>	769,607
Reclassified as non-impaired during the financial year	<b>(305,934)</b>	(355,337)
Amount written back in respect of recoveries	<b>(103,317)</b>	(103,631)
Amount written off	<b>(158,581)</b>	(162,929)
At 31 December	<b><u>424,384</u></b>	<u>457,861</u>
 Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	 <b><u>1.05%</u></b>	 1.25%

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****8 Financing, advances and other financing/loans (Continued)**

- (x) Movements in the allowance for impaired financing, advances and other financing/ loans are as follows:

	<b>The Group and the Bank</b>	
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
<b>Individual impairment allowance</b>		
At 1 January	<b>39,713</b>	29,801
Net allowance made during the financial year	<b>7,436</b>	19,017
Amount written off	<b>(981)</b>	(9,105)
At 31 December	<b><u>46,168</u></b>	<u>39,713</u>

	<b>The Group and the Bank</b>	
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
<b>Portfolio impairment allowance</b>		
At 1 January	<b>346,430</b>	376,849
Net allowance made during the financial year	<b>125,204</b>	123,405
Amount written off	<b>(157,580)</b>	(153,824)
At 31 December	<b><u>314,054</u></b>	<u>346,430</u>

Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance

<b><u>1.20%</u></b>	<u>1.24%</u>
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# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 9 Other assets

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Deposits and prepayments	4,176	4,085
Sundry debtors	100,929	34,338
Credit Support Annex for derivative transactions	52,790	57,150
Clearing accounts	11,885	5,801
	<u>169,780</u>	<u>101,374</u>

- (a) Movements of allowance for doubtful debts on other debtors, deposits and prepayments are as follows:

	The Group and the Bank	
	31 December 2014 2015 RM'000	31 December 2014 RM'000
At 1 January	271	594
Net allowance made during the financial year	56	(323)
Write off	(152)	-
Exchange difference	-	-
At 31 December	<u>175</u>	<u>271</u>

### 10 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Deferred tax assets	30,852	22,917
Deferred tax liabilities	(398)	(1,414)
	<u>30,454</u>	<u>21,503</u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****10 Deferred taxation (Continued)**

Further breakdown are as follows:

	<b>The Group and the Bank</b>	
	<b>31 December 2015</b>	31 December 2014
	<b>RM'000</b>	RM'000
Portfolio impairment allowance for impaired financing	-	118
Excess of capital allowance over depreciation	<b>(398)</b>	(1,414)
Revaluation reserve-Financial investments available-for-sale	<b>8,374</b>	5,756
Provision for expenses	<b>22,478</b>	17,043
Deferred tax assets	<b><u>30,454</u></b>	<b><u>21,503</u></b>

The movements in deferred tax assets and liabilities during the financial year comprise the following:

**The Group and the Bank**

<u>Deferred tax assets/(liabilities)</u>	Portfolio impairment allowance for impaired financing RM'000	Accelerated tax depreciation RM'000	Revaluation reserve - financial investments available- for-sale RM'000	Provision for expenses RM'000	Total RM'000
--	---	---	--	--	-----------------

**The Group and the Bank**

At 1 January 2015	118	(1,414)	5,756	17,043	21,503
Credited/(charged) to statement of income (Note 36)	(118)	782	-	5,111	5,775
Over/(under) accrual in prior year	-	234	-	324	558
Transferred to equity	-	-	2,618	-	2,618
At 31 December 2015	<b>-</b>	<b>(398)</b>	<b>8,374</b>	<b>22,478</b>	<b>30,454</b>

**The Group and the Bank**

At 1 January 2014	45	(3,482)	5,465	20,421	22,449
Credited/(charged) to statement of income (Note 36)	73	2,068	-	(3,378)	(1,237)
Transferred to equity	-	-	291	-	291
At 31 December 2014	<b>118</b>	<b>(1,414)</b>	<b>5,756</b>	<b>17,043</b>	<b>21,503</b>



**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****11 Amount due from/(to) holding company**

	<b>The Group and the Bank</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Amounts due from :		
- holding company	-	106,783
	<u>                    </u>	<u>                    </u>
Amounts due to :		
- holding company	(11,043)	-
	<u>                    </u>	<u>                    </u>

The amount due from/(to) holding company is unsecured and payable on demand.

**12 Amount due to subsidiaries**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amounts due to :				
- subsidiaries	-	-	(1)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**13 Amount due from/(to) related companies**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amounts due from :				
- related companies	635	662	635	662
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Amounts due to :				
- related companies	(2,616)	(16,538)	(2,616)	(16,537)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

The amount due from/(to) related companies are unsecured and payable on demand.

# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 14 Statutory deposits with Bank Negara Malaysia

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	31 December 2014 RM'000
Statutory deposits with Bank Negara Malaysia	<u><b>1,257,178</b></u>	<u>1,297,654</u>

The non-profit bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26 (2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.

### 15 Investment in subsidiaries

	<b>The Bank</b>	
	<b>31 December 2015 RM'000</b>	31 December 2014 RM'000
Unquoted shares, at cost	20	20
Less: Allowance for impairment losses	(9)	-
	<u><b>11</b></u>	<u>20</u>

(a) The subsidiaries of the Bank are as follows:

<b>Name</b>	<b>Principal activities</b>	<b>Percentage of equity held directly by the Bank</b>	
		<b>31 December 2015 %</b>	31 December 2014 %
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	<b>100</b>	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	<b>100</b>	100

All subsidiaries are incorporated in Malaysia and audited by PricewaterhouseCoopers Malaysia.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****16 Property, plant and equipment**

<b>2015</b>	<b>Note</b>	<b>Renovations, office and plant equipment, furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Computer equipment RM'000</b>	<b>Total RM'000</b>
<b>The Group and the Bank</b>					
<b>Cost</b>					
At 1 January		2,619	3,398	11,325	17,342
Additions		3	209	6,642	6,854
Reclassified to Intangible Asset	17	-	-	(73)	(73)
Disposals		(382)	(740)	-	(1,122)
At 31 December		<u>2,240</u>	<u>2,867</u>	<u>17,894</u>	<u>23,001</u>
<b>Accumulated depreciation</b>					
At 1 January		1,476	1,542	4,200	7,218
Charge for the financial year		435	538	2,856	3,829
Disposals		(218)	(423)	-	(641)
At 31 December		<u>1,693</u>	<u>1,657</u>	<u>7,056</u>	<u>10,406</u>
<b>Net book value at 31 December</b>		<u>547</u>	<u>1,210</u>	<u>10,838</u>	<u>12,595</u>
<b>2014</b>		<b>Renovations, office and plant equipment, furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Computer equipment RM'000</b>	<b>Total RM'000</b>
<b>The Group and the Bank</b>					
<b>Cost</b>					
At 1 January		2,610	3,571	3,323	9,504
Additions		32	318	8,096	8,446
Disposals		(23)	(491)	(94)	(608)
At 31 December		<u>2,619</u>	<u>3,398</u>	<u>11,325</u>	<u>17,342</u>
<b>Accumulated depreciation</b>					
At 1 January		1,015	1,227	2,026	4,268
Charge for the financial year		484	637	2,268	3,389
Disposals		(23)	(322)	(94)	(439)
At 31 December		<u>1,476</u>	<u>1,542</u>	<u>4,200</u>	<u>7,218</u>
<b>Net book value at 31 December</b>		<u>1,143</u>	<u>1,856</u>	<u>7,125</u>	<u>10,124</u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****17 Intangible assets**

	Note	The Group and the Bank	
		2015 RM'000	2014 RM'000
<b>Computer software</b>			
<b>Cost</b>			
At 1 January		121,387	34,382
Additions		2,044	87,175
Written off		-	(170)
Reclassified from property, plant and equipment	16	73	-
At 31 December		<u>123,504</u>	<u>121,387</u>
<b>Amortisation</b>			
At 1 January		30,291	20,185
Amortisation for the financial year		10,272	10,106
At 31 December		<u>40,563</u>	<u>30,291</u>
<b>Net book value at 31 December</b>		<u>82,941</u>	<u>91,096</u>

The remaining amortisation period of the intangible assets are as follows:

Computer Software 1-15 years

The above intangible assets include computer software under construction at cost of the Group and the Bank of RM407,911 (2014: RM422,760).

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****18 Goodwill**

	<b>The Group and the Bank</b>	
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
<b>Cost</b>		
At 1 January/At 31 December	<b>136,000</b>	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit (“CGU”).

**Impairment test for goodwill**Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2016 financial budgets approved by the Board of Directors, projected for five years based on the average terminal historical Gross Domestic Product (“GDP”) growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 4.50% (2014: 5.00%). The cash flow projections are derived based on a number of key factors including the past performance and management’s expectation of market developments. The discount rate used in determining the recoverable amount of all the CGU is 6.62% (2014: 7.04%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

**Impairment charge**

There was no impairment charge for the financial year ended 31 December 2015 and 31 December 2014.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****19 Deposits from customers**

(i) By type of deposits

(i) By type of deposits

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
a) Savings deposit	<b>2,584,159</b>	2,202,778
Wadiah	<b>2,584,159</b>	2,202,778
b) Demand deposit	<b>9,352,520</b>	7,901,001
Wadiah	<b>8,965,736</b>	7,101,583
Qard	<b>386,784</b>	61,320
Mudharabah	<b>-</b>	738,098
c) Term deposit	<b>32,296,512</b>	31,205,378
Commodity Murabahah	<b>31,296,088</b>	21,420,321
Islamic negotiable instruments	<b>742,792</b>	2,563,732
Mudharabah	<b>344,450</b>	389,915
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	<b>398,342</b>	2,173,817
Short term money market deposit - i	<b>-</b>	5,093,512
Wakalah	<b>-</b>	5,093,512
General investment account	<b>77,997</b>	1,336,037
Mudharabah	<b>77,997</b>	1,336,037
Specific investment account	<b>169,209</b>	174,606
Mudharabah	<b>169,209</b>	174,606
Other term deposit	<b>10,426</b>	617,170
Wakalah	<b>-</b>	608,700
Wadiah	<b>10,426</b>	8,470
d) Others	<b>14,689</b>	18,887
Qard	<b>14,689</b>	18,887
	<b>44,247,880</b>	41,328,044

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****19 Deposits from customers (Continued)**

## (i) By type of deposits (Continued)

The maturity structure of term deposit is as follows:

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Due within six months	<b>25,842,307</b>	29,668,807
Six months to less than one year	<b>5,899,386</b>	986,768
One year to less than three years	<b>389,910</b>	380,679
Three years to less than five years	<b>885</b>	436
Five years and more	<b>164,024</b>	168,688
	<b><u>32,296,512</u></b>	<u>31,205,378</u>

## (ii) By type of customers

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Government and statutory bodies	<b>3,459,263</b>	3,737,245
Business enterprises	<b>17,357,522</b>	16,365,739
Individuals	<b>8,414,602</b>	5,400,206
Others	<b>15,016,493</b>	15,824,854
	<b><u>44,247,880</u></b>	<u>41,328,044</u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****20 Placements from investment accounts**

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
-Restricted investment accounts	<b>2,900,982</b>	-
-Unrestricted investment accounts	<b>232,716</b>	-
	<b>3,133,698</b>	-

## i) Movement in the placements from investment accounts

	<b>Mudharabah</b>		<b>Total RM'000</b>
	<b>Restricted investment accounts-RPSIA RM'000</b>	<b>Unrestricted investment accounts-Special Mudharabah Investment Account -SMIA RM'000</b>	
1 January 2015	-	-	-
<i>Funding inflows/outflows</i>			
New placement during the year	4,341,765	262,928	4,604,693
Redemption during the year	(1,497,417)	(30,406)	(1,527,823)
Income from investment	74,653	3,881	78,534
<i>Company's share of profit</i>			
Profit distributed to mudarib	(747)	(3,687)	(4,434)
Incentive fee	(17,272)	-	(17,272)
31 December 2015	<b>2,900,982</b>	<b>232,716</b>	<b>3,133,698</b>
<i>Investment asset:</i>			
House financing	-	170,496	170,496
Other term financing	2,722,855	62,220	2,785,075
Marketable securities	125,897	-	125,897
Miscellaneous Other Assets/(Other Liabilities)	52,230	-	52,230
Total investment	<b>2,900,982</b>	<b>232,716</b>	<b>3,133,698</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****20 Placements from investment accounts (Continued)**

## ii) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	<b>Investment account holder</b>		
	<b>Average</b>		
	<b>profit sharing</b>	<b>Average rate</b>	<b>Performance</b>
	<b>ratio</b>	<b>of return</b>	<b>incentive fee</b>
	(%)	(%)	(%)
Unrestricted investment accounts: no specific tenure	5	0.22	n/a
Restricted investment accounts: less than 1 year	99	3.64	1.15

Included in the placements from investment accounts is the Restricted Profit Sharing Investment Account (“RPSIA”) placed by CIMB Bank Berhad amounting to RM2,901 million (2014: RM2,098 million) for tenures between 1 month to 3 months at indicative profit rates from 3.41% to 3.99% per annum (2014 : 3.38% to 3.96% tenures between 1 month to 3 months). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

The placement from investment accounts placed by CIMB Bank Berhad for 2014 was recognised under deposits and placements of banks and other financial institutions.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****21 Deposits and placements of banks and other financial institutions**

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Licensed Islamic banks	<b>85,901</b>	251,990
Licensed investment banks	<b>173,345</b>	201,122
Licensed banks	<b>473,446</b>	3,009,744
Bank Negara Malaysia	<b>159,026</b>	29,384
Other financial institutions	<b>67,837</b>	152,473
	<b><u>959,555</u></b>	<b><u>3,644,713</u></b>

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

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Due within six months	<b>772,251</b>	3,643,839
Six months to one year	<b>187,304</b>	874
	<b><u>959,555</u></b>	<b><u>3,644,713</u></b>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****22 Financial liabilities designated at fair value**

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Deposits from customers - structured investments	<u><b>199,063</b></u>	<u><b>149,835</b></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 financial liabilities designated at fair value of the Group and the Bank as at 31 December 2015 were RM8,581,000 (2014: RM8,551,000) 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.

**23 Other liabilities**

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Accruals and other payables	<b>168,708</b>	63,025
Clearing accounts	<b>234,571</b>	223,067
Others	<b>11,169</b>	11,162
	<u><b>414,448</b></u>	<u><b>297,254</b></u>

# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 24 Recourse obligation on loans and financing sold to Cagamas

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under this agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

### 25 Subordinated Sukuk

	<b>The Group and the Bank</b>	
	<b>31 December 2015</b>	31 December 2014
	<b>RM'000</b>	RM'000
Subordinated Sukuk, at cost	<b>860,252</b>	860,309
Fair value changes arising from fair value hedges	<b>(3,269)</b>	(4,283)
	<b><u>856,983</u></b>	<u>856,026</u>

The RM850 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.

- a) The first tranche of the Sukuk of RM300 million 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.
- b) On 21 April 2011, the second tranche of the Sukuk of RM250 million was issued at par and is due on 21 April 2021, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.
- c) 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.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **25 Subordinated Sukuk (Continued)**

Redemption of the Subordinated Sukuk on the call dates shall be subject to Bank Negara Malaysia ("BNM")'s approval. The proceeds of the Subordinated Sukuk shall be made available to the Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing Subordinated Sukuk previously issued by the Issuer under other programmes established by the Bank.

The Bank has undertaken fair value hedge on the profit rate risk of the second tranche RM250 million and third tranche RM300 million subordinated Sukuk using Islamic profit rate swaps.

The RM850 million Sukuk qualify as Tier-2 capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****26 Perpetual preference shares**

	<b>The Group and the Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised</b>		
<b>Perpetual preference shares of RM1.00 each</b>		
At 1 January	<b>400,000</b>	100,000
Issued during the financial year	-	300,000
At 31 December	<u><b>400,000</b></u>	<u><b>400,000</b></u>
<b>Issued and fully paid</b>		
<b>Perpetual preference shares of RM1.00 each</b>		
At 1 January	<b>220,000</b>	70,000
Issued during the financial year	-	150,000
At 31 December	<u><b>220,000</b></u>	<u><b>220,000</b></u>

The preference shares shall rank pari passu among themselves, and in priority to the ordinary shares.

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash repayment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of the Bank and the costs of winding up or such capital reduction exercise.

A preference share shall not entitle its holder to participate in the surplus assets and profits of the Bank beyond such redemption rights as are expressly set out in these Articles.

The Bank may declare dividends on any of the preference shares.

The preference shares are not convertible to ordinary shares or any other class of share of the Bank.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****27 Ordinary share capital**

	<b>The Group and the Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised</b>		
<b>Ordinary shares of RM1.00 each:</b>		
At 1 January/31 December	<u><b>1,400,000</b></u>	<u>1,400,000</u>
<b>Issued and fully paid</b>		
<b>Ordinary shares of RM1.00 each:</b>		
At 1 January/31 December	<u><b>1,000,000</b></u>	<u>1,000,000</u>

**28 Reserves**

- (a) The statutory reserve is maintained in compliance with BNM's guidelines and is not distributable as cash dividend.
- (b) Merger reserves, which are non-distributable, relate to the difference between the cost of the merger between the Bank and the Islamic banking operation of CIMB Bank Berhad, and the value of the net assets and reserves transferred to the Bank.
- (c) Capital reserves, which are non-distributable, relate to the retained earnings of the Islamic banking business of CIMB Bank Berhad which were transferred to the Bank, arising from the business combination under common control using the predecessor basis of accounting in the financial year 2007.
- (d) Regulatory reserves are maintained as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of MFRS 139 beginning 1 January 2010.
- (e) Share-based payment reserve represents the Bank's commitments for Employee Ownership Plan under share-based compensation benefits.
- (f) Movement of the revaluation reserve of financial investments available-for-sale is shown in the statements of comprehensive income.

# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 29 Income derived from investment of depositors' funds and others

	Note	The Group and the Bank	
		31 December 2015 RM'000	31 December 2014 RM'000
Income derived from investment of:			
- General investment deposits	(i)	1,398,800	1,047,535
- Specific investment deposits	(ii)	164,283	91,033
- Other deposits	(iii)	716,655	920,591
		<u>2,279,738</u>	<u>2,059,159</u>

#### (i) Income derived from investment of general investment deposits

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Financing, advances and other financing/loans:		
- Profit income	1,134,388	851,636
- Unwinding income*	6,269	3,816
Financial assets held for trading	16,058	13,634
Financial investments available-for-sale	59,251	32,232
Financial investments held-to-maturity	28,779	15,918
Money at call and deposit with financial institutions	129,660	115,285
	<u>1,374,405</u>	<u>1,032,521</u>
Accretion of discount less amortisation of premium	59,912	47,606
Total finance income and hibah	<u>1,434,317</u>	<u>1,080,127</u>
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	71	451
- unrealised	2,839	75
Net gain from sale of financial investments available-for-sale	1,167	2,131
Net loss from foreign exchange transactions	(47,912)	(38,382)
	<u>(43,835)</u>	<u>(35,725)</u>
Fee and commission income	8,318	3,133
	<u>1,398,800</u>	<u>1,047,535</u>

\*Unwinding income is income earned on impaired financial assets.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****29 Income derived from investment of depositors' fund and others  
(Continued)****(ii) Income derived from specific investment deposits**

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
<b>Income from specific investment deposit:</b>		
i) Deposit from customers:	<b>85,691</b>	91,033
ii) Placements from investment accounts:	<b>78,592</b>	-
	<b>164,283</b>	91,033
<b><u>i) Deposit from customers:</u></b>		
Financing, advances and other financing/loans:		
- Profit income	<b>64,472</b>	69,486
Money at call and deposit with financial institutions	<b>21,219</b>	21,547
	<b>85,691</b>	91,033
<b><u>ii) Placement from investment accounts:</u></b>		
Financing, advances and other financing/loans:		
- Profit income	<b>70,609</b>	-
- Unwinding income*	<b>15</b>	-
Money at call and deposit with financial institutions	<b>7,968</b>	-
	<b>78,592</b>	-

\*Unwinding income is income earned on impaired financial assets.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****29 Income derived from investment of depositors' fund and others  
(Continued)****(iii) Income derived from investment of other deposits**

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Financing, advances and other financing/loans:		
- Profit income	582,791	737,781
- Unwinding income*	3,201	3,296
Financial assets held for trading	8,275	11,691
Financial investments available-for-sale	30,342	27,111
Financial investments held-to-maturity	14,565	13,825
Money at call and deposit with financial institutions	<u>67,105</u>	<u>100,548</u>
	706,279	894,252
Accretion of discount less amortisation of premium	<u>30,945</u>	<u>39,745</u>
Total finance income and hibah	737,224	933,997
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	94	339
- unrealised	1,388	(168)
Net gain from sale of financial investments available-for-sale	570	1,776
Net loss from foreign exchange transactions	<u>(26,732)</u>	<u>(18,017)</u>
	(24,680)	(16,070)
Fees and commission income	<u>4,111</u>	<u>2,664</u>
	<u><u>716,655</u></u>	<u><u>920,591</u></u>

\*Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****30 Income derived from investment of shareholder's fund**

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
Financing, advances and other financing/loans:		
- Profit income	<b>113,629</b>	98,825
- Unwinding income*	<b>650</b>	443
Financial assets held for trading	<b>1,663</b>	1,577
Financial investments available-for-sale	<b>6,127</b>	3,703
Financial investments held-to-maturity	<b>2,986</b>	1,851
Money at call and deposits with financial institutions	<b>13,320</b>	13,404
	<b>138,375</b>	119,803
Accretion of discount less amortisation of premium	<b>6,233</b>	5,453
Total finance income and hibah	<b>144,608</b>	125,256
Other operating income		
Net gain/(loss) from financial assets held for trading:		
- realised	<b>9</b>	49
- unrealised	<b>290</b>	(3)
Net gain from sale of financial investments available-for-sale	<b>116</b>	244
Net loss from foreign exchange transactions	<b>(4,978)</b>	(3,586)
Net loss from hedging activities	<b>(2,641)</b>	(572)
Net gain/(loss) from derivative financial instruments:		
- realised	<b>103,414</b>	70,964
- unrealised	<b>(2,964)</b>	(9,850)
Net gain/(loss) arising from financial liabilities designated at fair value		
- realised	<b>(2,534)</b>	(287)
- unrealised	<b>(6)</b>	105
	<b>90,706</b>	57,064
Fees and commission income	<b>110,793</b>	98,359
Less : Fee and commission expense	<b>(4,321)</b>	(3,970)
Net fees and commission income	<b>106,472</b>	94,389
Other income:		
- Sundry income	<b>6,519</b>	4,425
	<b>348,305</b>	281,134

\*Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****31 Allowances for losses on financing, advances and other financing/loans**

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Individual impairment allowance:		
- made during the financial year	7,436	19,017
Portfolio impairment allowance:		
- net allowance made during the financial year	125,204	123,405
Bad debts on financing:		
- recovered	(41,356)	(44,479)
- written off	3,161	2,363
	<u>94,445</u>	<u>100,306</u>

**32 Income attributable to depositors**

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Deposits from customers:		
- Mudharabah	55,140	107,699
- Non-Mudharabah	1,213,450	918,874
- Financial liabilities designated at fair value	7,312	7,020
Placements from investment account	56,838	-
Deposits and placements of banks and other financial institutions:		
- Mudharabah	71,107	89,774
- Non-Mudharabah	35,025	64,291
Others	43,546	39,088
	<u>1,482,418</u>	<u>1,226,746</u>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****33 Personnel costs**

	<b>The Group and the Bank</b>	
	31 December 2015 RM'000	31 December 2014 RM'000
Salaries, allowances and bonuses	61,590	62,245
Pension costs (defined contribution plan)	3,500	3,250
Staff incentives and other staff payments	2,024	5,485
Mutual separation scheme	2,586	-
Medical expenses	1,385	501
Others	1,076	825
	<u>72,161</u>	<u>72,306</u>

**34 Other overheads and expenditures**

	<b>The Group and the Bank</b>	
	31 December 2015 RM'000	31 December 2014 RM'000
<b>Establishment costs</b>		
Depreciation of property, plant equipment	3,829	3,389
Rental	1,978	1,581
Repairs and maintenance	572	2,963
Outsourcing expenses	918	1,398
Security expenses	10	35
Utility expenses	239	256
Others	1,585	913
<b>Marketing expenses</b>		
Advertisement and publicity	4,785	4,613
Others	1,890	2,683
<b>General expenses</b>		
Communication	183	613
Consultancy and professional fees	963	275
Legal expenses	225	611
Stationery	674	673
Amortisation of intangible assets	10,272	10,106
Postages	3,322	3,075
Donation	5,115	4,519
Incidental expenses on banking operations	1,380	3,540
Others	14,589	12,298
	<u>52,529</u>	<u>53,541</u>
Shared services costs paid/payable to CIMB Bank/CIMB Investment Bank	384,961	361,553
	<u>437,490</u>	<u>415,094</u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****34 Other overheads and expenditures (Continued)**

The personnel expenses and other overhead and expenditures include the following statutory disclosures:

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Directors remuneration (Note 35)	2,214 *	2,190	2,214 *	2,190
Auditors' remuneration :				
PwC Malaysia (audit):				
- statutory audit	210	154	204	148
- limited review	54	52	54	52
- other audit related	129	159	129	159
PwC Malaysia (non-audit):				
- PwC Malaysia (non-audit)	15	59	15	59

\* include fees and allowances paid and borne by CIMB Bank Berhad of RM56,000.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****35 Directors and Shariah Committee Members remuneration**

The Directors of the Bank in office during the financial year were as follows:

Non-Executive Directors

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir

Habibah binti Abdul

Rosnah binti Dato' Kamarul Zaman

Associate Professor Dr. Mohamed Azam bin Mohamed Adil

Professor Dato' Dr. Sudin bin Haron

Raja Shaharul Niza bin Raja Abdul Aziz (resigned on 31 May 2015)

Executive Director

Badlisyah bin Abdul Ghani (resigned on 14 August 2015)

The Directors and Shariah Committee members of the Group and the Bank and their total remuneration during the financial year are analysed below:

	<b>The Group and the Bank</b>	
	<b>31 December 2015</b>	31 December 2014
	<b>RM'000</b>	RM'000
Executive Director		
- Salary and other remuneration	<b>1,227</b>	1,104
- Bonus	-	396
- Benefits-in-kind	<b>15</b>	21
Non-Executive Directors		
- Fees	<b>297</b>	153
- Other remuneration	<b>641</b>	489
- Benefits-in-kind	<b>34</b>	27
Shariah Committee members		
- Fees	<b>1,114</b>	817
- Other remuneration	<b>113</b>	97
	<b><u>3,441</u></b>	<b><u>3,104</u></b>

\* The Executive Director's salary, other remuneration and bonus were paid by a related company and have been charged back to the Bank.

The Director's bonus for the financial year 2015 will be paid in tranches, spread over financial year 2016, while for financial year 2014, it was similarly paid in tranches, spread over financial year 2015. A similar condition is also imposed on the bonus for certain key personnel.

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****35 Directors and Shariah Committee Members remuneration (Continued)**

	The Group and the Bank			Total RM'000
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits- in-kind RM'000	
<b>2015</b>				
<b>Executive Directors</b>				
Badlisyah bin Abdul Ghani	-	1,227	15	1,242
	-	1,227	15	1,242
<b>Non-Executive Directors</b>				
Associate Professor Dr. Mohamed Azam bin Mohamed Adil	57	90	-	147
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	77	255	34	366
Habibah binti Abdul	52	72	-	124
Professor Dato' Dr. Sudin bin Haron	48 *	108 *	-	156
Raja Shaharul Niza bin Raja Abdul Aziz	20	38	-	58
Rosnah binti Dato' Kamarul Zaman	43	78	-	121
	297	641	34	972
<b>Shariah Committee members</b>				
Sheikh Associate Professor Dr. Mohamed Azam bin Mohamed Adil	108	4	-	112
Sheikh Professor Dr. Mohammad Hashim Kamali	96	3	-	99
Sheikh Dr. Nedham Mohamed Saleh Yaqoobi	215	43	-	258
Sheikh Yang Amat Arif Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar	96	4	-	100
Sheikh Associate Professor Dr. Shafaai bin Musa	96	5	-	101
Sheikh Professor Dr. Yousef Abdullah Al Shubaily	215	43	-	258
Sheikha Professor Dato' Dr. Noor Inayah binti Yaakub	96	4	-	100
Sheikh Muhamad Taufik Ridlo	96	3	-	99
Sheikh Professor Dato' Dr. Sudin bin Haron	96	4	-	100
	1,114	113	-	1,227
	1,411	1,981	49	3,441

\* include fees and allowances paid and borne by CIMB Bank Berhad of RM12,000 and RM44,000 respectively.



**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****35 Directors and Shariah Committee Members remuneration (Continued)**

	<b>The Group and the Bank</b>			
	<b>Salary</b>			
	<b>Fees</b>	<b>and/or other</b>	<b>Benefits-</b>	<b>Total</b>
	<b>RM'000</b>	<b>remuneration</b>	<b>in-kind</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2014</b>				
<b>Executive Directors</b>				
Badlisyah bin Abdul Ghani	-	1,500	21	1,521
	-	1,500	21	1,521
<b>Non-Executive Directors</b>				
Associate Professor Dr. Mohamed Azam bin Mohamed Adil	6	10	-	16
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	51	248	27	326
Habibah binti Abdul	41	93	-	134
Professor Dato' Dr. Sudin bin Haron	6	8	-	14
Raja Shaharul Niza bin Raja Abdul Aziz	32	86	-	118
Rosnah binti Dato' Kamarul Zaman	17	44	-	61
	153	489	27	669
<b>Shariah Committee members</b>				
Sheikh Associate Professor Dr. Mohamed Azam bin Mohamed Adil	17	1	-	18
Sheikh Professor Dr. Mohammad Hashim Kamali	96	3	-	99
Sheikh Dr. Nedham Mohamed Saleh Yaqoobi	164	33	-	197
Sheikh Yang Amat Arif Dato' Dr. Haji Mohd Na'im bin Haji Mokhtar	96	3	-	99
Sheikh Associate Professor Dr. Shafaai bin Musa	96	2	-	98
Sheikh Professor Dr. Yousef Abdullah Al Shubaily	164	48	-	212
Sheikha Professor Dato' Dr. Noor Inayah binti Yaakub	96	3	-	99
Sheikh Muhamad Taufik Ridlo	72	3	-	75
Sheikh Professor Dato' Dr. Sudin bin Haron	16	1	-	17
	817	97	-	914
	970	2,086	48	3,104



# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 37 Earnings per share

#### a) Basic earnings per share

The basic earnings per ordinary share for Group and the Bank are calculated based on the net profit for the financial year of RM 404,025,000 (2014: RM 391,348,000) and RM 404,016,000 (2014: RM 391,348,000) respectively divided by the weighted average number of ordinary shares of 1,000,000,000 (2014: 1,000,000,000) in issue during the financial year respectively.

#### b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

### 38 Significant related party transactions and balances

#### (a) Related parties and relationship

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The related parties of, and their relationship with the Bank, are as follows:

<b>Related parties</b>	<b>Relationship</b>
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn. Bhd.	Penultimate holding company
CIMB Bank Berhad	Immediate holding company
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Subsidiary
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Subsidiary
Subsidiaries of CIMB Group Holdings Berhad as disclosed in its financial statements	Subsidiaries of ultimate holding company
Subsidiaries of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Subsidiaries of penultimate holding company
Subsidiaries of CIMB Bank Berhad as disclosed in its financial statements	Subsidiaries of immediate holding company
Key management personnel	See below

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****38 Significant related party transactions and balances (Continued)****(a) Related parties and relationship (Continued)**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank include all the Directors of the Bank and its employees who make certain critical decisions in relation to the strategic direction of the Bank.

**(b) Related party transactions of the Group and the Bank**

In addition to related parties disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions.

	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>The Group and the Bank 2015</b>			
<b>Income</b>			
Fee income	-	554	-
Profit income on deposits and placement with banks and other financial institutions	6,891	3,612	-
Profit income on financing, advances and other financing/loans	-	-	13
<b>Expenditure</b>			
Profit expense on deposits and placements of banks and other financial institutions	23,639	16,154	-
Profit expense on deposits from customers	-	3,037	-
Profit expense on placement from investment account	115,328	-	-
Profit expense on subordinated sukuk	119	-	-
Shared service costs	355,288	29,634	-
Establishment-Security expenses	-	10	-
Establishment-Outsource expenses	-	520	-
	<u>          </u>	<u>          </u>	<u>          </u>

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****38 Significant related party transactions and balances (Continued)****(b) Related party transactions of the Group and the Bank (Continued)**

In addition to related parties disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions (Continued).

	Immediate and ultimate holding company	Other related companies	Key management personnel
<b>The Group and the Bank 2014</b>	RM'000	RM'000	RM'000
<b>Income</b>			
Fee income	-	455	-
Profit income on deposits and placement with banks and other financial institutions	1,659	4,146	-
<b>Expenditure</b>			
Profit expense on deposits and placements of banks and other financial institutions	127,906	15,532	-
Profit expense on deposits from customers	-	2,423	3
Profit expense on subordinated sukuk	56	-	-
Shared service costs	283,499	78,054	-
Establishment-Security expenses	-	35	-
Establishment-Outsource expenses	-	39	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****38 Significant related party transactions and balances (Continued)****(b) Related party transactions of the Group and the Bank (Continued)**Key management compensation

	<b>The Group and the Bank</b>	
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
Salaries and other employee benefits	<u><b>2,158</b></u>	<u>2,182</u>

	<b>The Group and the Bank</b>	
	<b>2015</b>	2014
	<b>Unit</b>	Unit
Shares of the ultimate holding company	<u><b>31,236</b></u>	<u>59,366</u>

There were no financing, advances and other financing/loans granted to the Directors of the Bank. Financing made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group. No individual impairment allowances/specific allowances were required in 2015 and 2014 for financing, advances and other financing/loans made to the key management personnel.

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****38 Significant related party transactions and balances (Continued)****(c) Related party balances**

	Immediate and ultimate holding company	Other related companies	Key management personnel
	RM'000	RM'000	RM'000
<b>The Group and the Bank 2015</b>			
<b>Amounts due from</b>			
Current accounts, deposits and placements with banks and other financial institutions	646,950	2,219	-
Profit income on deposits and placements with banks and other financial institutions	1,178	-	-
Financing, advances and other financing/loans	-	-	2,219
Derivatives	168,202	-	-
<b>Amounts due to</b>			
Deposit from customers	-	152,216	1,691
Deposits and placements of banks and other financial institutions	472,346	177,269	-
Placement from Investment Account	2,894,994	-	-
Profit expense on deposits from customers	-	69	-
Profit expense on deposits and placements of banks and other financial institutions	1,099	15	-
Profit expense on Placement from Investment Account	5,988	-	-
Subordinated sukuk	1,066	-	-
Derivatives	<u>443,903</u>	<u>-</u>	<u>-</u>
<b>Commitment and contingencies</b>			
Foreign exchange related contracts	4,499,042	-	-
Equity related contracts	116,332	-	-
Profit rate related contracts	8,460,669	-	-
Credit related contract	<u>27,150</u>	<u>-</u>	<u>-</u>

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****38 Significant related party transactions and balances (Continued)****(c) Related party balances (Continued)**

	Immediate and ultimate holding company	Other related companies	Key management personnel
<b>The Group and the Bank</b>	RM'000	RM'000	RM'000
<b>2014</b>			
<b>Amounts due from</b>			
Current accounts, deposits and placements with banks and other financial institutions	437,409	88,941	-
Profit income on deposits and placements with banks and other financial institutions	1,095	174	-
Derivatives	156,457	-	-
<b>Amounts due to</b>			
Deposit from customers	-	149,938	1,808
Deposits and placements of banks and other financial institutions	3,381,404	209,402	-
Profit expense on deposits from customers	-	24	-
Profit expense on deposits and placements of banks and other financial institutions	12,416	522	-
Subordinated sukuk	4,611	-	-
Derivatives	219,077	-	-
	<u>219,077</u>	<u>-</u>	<u>-</u>
<b>Commitment and contingencies</b>			
Foreign exchange related contracts	2,780,292	-	-
Equity related contracts	116,893	-	-
Profit rate related contracts	11,742,690	-	-
Credit related contract	27,430	-	-
	<u>27,430</u>	<u>-</u>	<u>-</u>



# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 38 Significant related party transactions and balances (Continued)

#### (d) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised the 'Guidelines on Credit Transactions and Exposures with Connected Parties' which became effective in 2008 are as follows:

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	31 December 2014 RM'000
Outstanding credit exposures with connected parties	<b>1,717,545</b>	657,062
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>3.1%</b>	1.3%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<b>0.0%</b>	0.0%

#### (e) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 29.7% of the issued capital of the ultimate holding company (2014: 29.3%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 – "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

Apart from the individually significant transactions as disclosed in Note 38(b) to the Financial Statements, the Group and the Bank have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Financing to government-related entities
- Deposit placing with and deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's and the Bank's business on commercial rates and consistently applied in accordance with the Group's and the Bank's internal policies and processes. These rates do not depend on whether the counterparties are government-related entities or not.

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 38 Significant related party transactions and balances (Continued)

#### (f) Equity Ownership Plan (“EOP”)

The EOP was introduced in 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group to selected employees of the Bank. Under the EOP, earmarked portions of variable remuneration of selected employees of the Bank will be utilised to purchase ordinary shares of CIMB Group from the market. The purchased shares will be released progressively to the eligible employees at various dates after the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will cease to be transferable to the employee and will be disposed accordingly. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM 591,474 (2014: RM 687,175)

The weighted average fair value of shares awarded under EOP was RM5.94 per ordinary share (2014: RM7.15), based on market price during the period in which they were purchased.

Movements in the number of CIMB Group’s ordinary shares awarded are as follows:

	<b>The Group and the Bank</b>	
	<b>2015</b>	2014
	<b>Unit</b>	Unit
	<b>'000</b>	'000
Shares :		
At 1 January	<b>672</b>	618
- Awarded	<b>242</b>	440
- Released	<b>(532)</b>	(386)
- At 31 December	<b><u>382</u></b>	<u>672</u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****39 Capital commitments**

Capital expenditure approved by Directors but not provided for in the Financial Statements are as follows:

	<b>The Group and the Bank</b>	
	<b>31 December</b>	31 December
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
Capital expenditure:		
- authorised and contracted for	1,451	2,359
- authorised but not contracted for	<u>737</u>	<u>1,028</u>
	<u><b>2,188</b></u>	<u><b>3,387</b></u>

Analysed as follows:

	<b>The Group and the Bank</b>	
	<b>31 December</b>	31 December
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
Property, plant and equipment	2,169	3,306
Computer software	<u>19</u>	<u>81</u>
	<u><b>2,188</b></u>	<u><b>3,387</b></u>

**40 Lease commitments**

The Group and the Bank have lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments is as follows:

	<b>The Group and the Bank</b>	
	<b>31 December</b>	31 December
	<b>2015</b>	2014
	<b>RM'000</b>	RM'000
Within one year	2,227	772
One year to five years	4,065	2,481
Five years and more	<u>-</u>	<u>263</u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****41 Commitments and contingencies**

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions and hence, they are not provided for in the financial statements.

These commitments and contingencies are not secured over the assets of the Group and the Bank, except for certain financial assets held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in “Derivative Financial Instruments” Assets and Liabilities respectively.

The notional/principal amount of the commitments and contingencies constitute the following:

	<b>The Group and the Bank</b>	
	<b>31 December 2015</b>	31 December 2014
	<b>Principal amount RM'000</b>	Principal amount RM'000
<b><u>Credit-related</u></b>		
Direct credit substitutes	<b>173,278</b>	129,163
Transaction-related contingent items	<b>522,411</b>	366,786
Short-term self-liquidating trade-related contingencies	<b>148,476</b>	76,602
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	<b>4,069,440</b>	3,408,649
- maturity exceeding one year	<b>2,463,321</b>	2,325,983
Miscellaneous commitments and contingencies	<b>150,640</b>	54,503
Total credit-related commitments and contingencies	<b>7,527,566</b>	6,361,686

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****41 Commitments and contingencies (Continued)**

	<b>The Group and the Bank</b>	
	<b>31 December 2015</b>	31 December 2014
	<b>Principal amount RM'000</b>	Principal amount RM'000
<b><u>Treasury-related</u></b>		
Foreign exchange related contracts:		
- up to one year	<b>6,397,964</b>	3,316,404
- more than one year to 5 years	<b>929,753</b>	510,204
- more than five years	<b>1,265,234</b>	892,025
Profit rate related contracts:		
- up to one year	<b>710,000</b>	857,750
- more than one year to 5 years	<b>11,558,816</b>	12,079,018
- more than five years	<b>349,520</b>	3,527,511
Equity related contracts:		
- up to one year	-	103,011
- more than one year to 5 years	<b>134,139</b>	144,287
- more than five years	<b>328,402</b>	332,863
Credit related contracts:		
- more than five years	<b>104,520</b>	113,800
Total treasury-related commitments and contingencies	<b>21,778,348</b>	21,876,873
	<b>29,305,914</b>	28,238,559

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **42 Segment reporting**

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.

Segment information is presented in respect of the Group's business segment and geographical segment.

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

As a result of an internal reorganisation, there is a change in business segment reporting. The Group has been re-organised into five major operation divisions. The divisions 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 CIMB Islamic Bank's online business banking platform, which allows customers to conduct their commercial banking transactions over the internet.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **42 Segment reporting (Continued)**

#### **Business segment reporting (Continued)**

##### *Wholesale Banking*

Wholesale Banking comprises 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 both conventional and 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 loans, 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.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **42 Segment reporting (Continued)**

#### **Business segment reporting (Continued)**

##### *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.



# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 42 Segment reporting (Continued)

#### Business segment reporting (Continued)

31 December 2015 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and others RM'000	Total RM'000
Net income:						
- external	173,868	975,830	(250,937)	99,253	-	998,014
- inter-segment	(59,184)	(354,308)	400,809	12,683	-	-
	114,684	621,522	149,872	111,936	-	998,014
Other income	14,886	101,432	34,816	(3,523)	-	147,611
Operating income	129,570	722,954	184,688	108,413	-	1,145,625
Overhead expenses	(51,156)	(385,175)	(58,376)	(7,269)	(7,675)	(509,651)
Consist of :						
Depreciation of property,	-	(3,695)	(141)	7	-	(3,829)
Amortisation of intangible	-	(10,146)	(126)	-	-	(10,272)
Profit/(loss) before allowances	78,414	337,779	126,312	101,144	(7,675)	635,974
Allowances for losses on financing, advances and other financing/loans	3,348	(93,641)	(4,152)	-	-	(94,445)
Allowances for impairment losses on other receivables	-	-	(20)	-	(36)	(56)
Segment results	81,762	244,138	122,140	101,144	(7,711)	541,473
Taxation						(137,448)
<b>Net profit for the financial year</b>						<b>404,025</b>
Segment assets	4,826,615	22,475,239	27,003,196	-	-	54,305,050
Unallocated assets						254,131
<b>Total assets</b>						<b>54,559,181</b>
Segment liabilities	2,819,463	13,245,560	33,558,419	862,166	-	50,485,608
Unallocated liabilities						467,455
<b>Total liabilities</b>						<b>50,953,063</b>
<b>Other segment items</b>						
Capital expenditure	-	6,683	202	2,010	-	8,895

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****42 Business segment reporting (Continued)**

31 December 2014 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	Investments RM'000	Support and others RM'000	Total RM'000
Net income:						
- external	145,052	1,047,779	(239,405)	50,241	-	1,003,667
- inter-segment	(45,710)	(446,891)	460,400	32,201	-	-
	99,342	600,888	220,995	82,442	-	1,003,667
Other income	10,180	88,356	680	10,664	-	109,880
Operating income	109,522	689,244	221,675	93,106	-	1,113,547
Overhead expenses	(36,308)	(399,072)	(46,976)	(3,212)	(1,832)	(487,400)
Consist of :						
Depreciation of property, plant and equipment	-	(3,444)	(133)	188	-	(3,389)
Amortisation of intangible assets	-	(10,052)	(54)	-	-	(10,106)
	73,214	290,172	174,699	89,894	(1,832)	626,147
Profit/(loss) before allowances						
Allowances for losses on financing, advances and other financing/loans	8,777	(90,062)	(19,021)	-	-	(100,306)
Allowances for impairment losses on other receivables	-	-	323	-	-	323
Segment results	81,991	200,110	156,001	89,894	(1,832)	526,164
Taxation						(134,816)
<b>Net profit for the financial year</b>						<b>391,348</b>
Segment assets	3,816,025	20,788,256	24,960,418	-	-	49,564,699
Unallocated assets						299,099
<b>Total assets</b>						<b>49,863,798</b>
Segment liabilities	1,974,791	9,471,656	34,006,217	856,151	-	46,308,815
Unallocated liabilities						343,513
<b>Total liabilities</b>						<b>46,652,328</b>
<b>Other segment items</b>						
Capital expenditure	1	93,025	2,595	-	-	95,621

*Basis of pricing for inter-segment transfers:*

Intersegmental charges are computed on the profit-bearing assets and liabilities of each business segment with rates applied based on the profit yield curve according to the term structure of maturity.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **43 Significant event during the financial year**

On 15 May 2015, CIMB Group Holdings Berhad, announced that they have offered employees in Malaysia and Indonesia a Mutual Separation Scheme (“MSS”). The MSS exercise is fully voluntary and is aimed at enhancing the Group's efficiency levels across the board.

### **44 Capital adequacy**

The key driving principles of the Group's and the Bank's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group and the Bank, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the CIMB Group EXCO who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

The components of eligible regulatory capital of the Group and the Bank are based on the Capital Adequacy Framework (Capital Components). The risk-weighted assets of the Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). 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.

On 13 October 2015, BNM issued revised guidelines on the Capital Adequacy Framework (Capital Components), of which will take effect beginning 1 January 2016 and 1 January 2019 for banking institutions and financial holding company respectively. BNM also issued updated guidelines on the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) which is applicable to all banking institutions with immediate effect and all financial holding companies with effect from 1 January 2019.

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 44 Capital adequacy (Continued)

#### *Capital Structure and Adequacy*

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2015. The Group and the Bank issued various capital instruments pursuant to the respective regulatory guidelines that qualify as capital pursuant to the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM.

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

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Common equity tier 1 ratio	12.718%	11.448%	12.718%	11.448%
Tier 1 ratio	13.558%	12.346%	13.557%	12.345%
Total capital ratio	<u>16.273%</u>	<u>15.493%</u>	<u>16.273%</u>	<u>15.493%</u>

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

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Credit risk	21,088,246	20,438,939	21,088,362	20,439,165
Market risk	532,642	498,080	532,642	498,080
Operational risk	2,080,787	2,011,791	2,080,723	2,011,728
Total risk-weighted assets	<u>23,701,675</u>	<u>22,948,810</u>	<u>23,701,727</u>	<u>22,948,973</u>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****44 Capital adequacy (Continued)**

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

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
<b>Common Equity Tier I capital</b>				
Ordinary shares	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	2,386,118	1,991,470	2,386,083	1,991,444
Common Equity Tier I capital before regulatory adjustments	3,386,118	2,991,470	3,386,083	2,991,444
Less: Regulatory adjustments				
Goodwill	(136,000)	(136,000)	(136,000)	(136,000)
Intangible assets	(82,210)	(89,744)	(82,210)	(89,744)
Deferred tax assets	(31,184)	(22,855)	(31,184)	(22,855)
Others	(122,352)	(115,688)	(122,352)	(115,689)
Common Equity Tier I capital after regulatory adjustments	3,014,372	2,627,183	3,014,337	2,627,156
<b>Additional Tier I capital</b>				
Perpetual preference shares	199,000	206,000	199,000	206,000
Additional Tier I capital before regulatory adjustments	199,000	206,000	199,000	206,000
Less: Regulatory adjustments	-	-	-	-
Additional Tier I capital after regulatory adjustments	199,000	206,000	199,000	206,000
<b>Total Tier I capital</b>	<b>3,213,372</b>	<b>2,833,183</b>	<b>3,213,337</b>	<b>2,833,156</b>
<b>Tier II capital</b>				
Subordinated notes	595,000	680,000	595,000	680,000
Portfolio impairment allowance and regulatory reserves ^	48,697	42,231	48,698	42,233
Tier II capital before regulatory adjustments	643,697	722,231	643,698	722,233
Less: Regulatory adjustments	-	-	-	-
<b>Total Tier II capital</b>	<b>643,697</b>	<b>722,231</b>	<b>643,698</b>	<b>722,233</b>
<b>Total capital</b>	<b>3,857,069</b>	<b>3,555,414</b>	<b>3,857,035</b>	<b>3,555,389</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 44 Capital adequacy (Continued)

^ The capital base of the Group and the Bank as at 31 December 2015 have excluded portfolio impairment allowance on impaired financings restricted from Tier II capital of RM21.8 million (2014: RM24.5 million ) respectively.

In accordance with BNM's guidelines on the recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks on the assets funded by the PSIA are excluded from Total Capital Ratio calculation.

As at 31 December 2015, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM2,733 million (2014: RM2,099 million).

### 45 Sources and uses of charity funds

Earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

	<b>The Group and the Bank</b>	
	<b>31 December 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
<b>Sources of charity funds</b>		
Balance as at 1 January	41	633
Shariah non-compliance income	-	1
Total sources of charity funds during the year	<u>41</u>	<u>634</u>
<b>Uses of charity funds</b>		
Contribution to non-profit organisation	-	343
Contribution to government agencies	41	250
Total uses of charity funds during the year	<u>41</u>	<u>593</u>
Undistributed charity funds as at 31 December	<u>-</u>	<u>41</u>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 46 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) *Impairment of available-for-sale equity investments*

The Group and the Bank determine that available-for-sale equity investments are impaired when there has been a significant and prolonged decline in the fair value below its costs. This determination of what is significant and prolonged requires judgement. The Group and the Bank evaluate, among other factors, the duration and extent to which the fair value of the investment is less than cost; and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(b) *Impairment losses on financing, advances and other financing/loans*

The Group and the Bank make allowance for losses on financing, advances and other financing/loans based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and time of the cash flows in allowance for impairment of financing, advances and other financing/loans. Among the factors considered are the Group's and the Bank's aggregate exposure to the customers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service their obligations and the aggregate amount and ranking of all other creditor claims.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **46 Critical accounting estimates and judgements in applying accounting policies (Continued)**

#### *(c) Goodwill impairment*

The Group and the Bank test annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note K(a) of the Summary of Significant Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various cash-generating-units ("CGU"). The goodwill is then allocated to these various CGU. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation.

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 18 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

Value-in-use does not reflect future cash outflows or related cost savings (for example reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an entity is not yet committed.



# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **46 Critical accounting estimates and judgements in applying accounting policies (Continued)**

#### *(d) Fair value of financial instruments*

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 47.4.

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management

#### (a) Financial risk management objectives and policies

The Group embraces risk management as an integral component of the Group’s business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions and thus enable risk to be priced appropriately in relation to the return.

The objectives of the CIMB Group’s risk management activities are to:

- Identify the various risk exposures and risk capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholder value through proper allocation of capital and facilitate development of new businesses.

#### (b) Enterprise Wide Risk Management Framework (EWRM)

CIMB Group employs an EWRM framework as a standardised approach to manage its risk and opportunity effectively. The EWRM framework provides the Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, operating and regulatory environment and functional activities.

The key components of the Group’s EWRM framework are represented in the diagram below:



# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)**

The design of the EWRM framework involves a complementary ‘top-down strategic’ and ‘bottom-up tactical’ risk management approach with formal policies and procedures addressing all areas of significant risks for the Group.

##### **a) Governance & Organisation**

A strong governance structure is important to ensure an effective and consistent implementation of the Group’s EWRM framework. The Board is ultimately responsible for the Group’s risk management activities, sets the strategic directions, risk appetite and relevant frameworks for the Group. The Board is assisted by various risk committees and control functions in ensuring that the Group’s risk management framework is carried out effectively.

##### **b) Risk Appetite Statement**

It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

The Group has a dedicated team that facilitates the risk appetite setting process including reviewing, monitoring and reporting. Board Risk Committee (BRC) and Group Risk Committee (GRC) receive monthly reports on compliance with the risk appetite.

##### **c) Risk Management Process**

- **Business Planning:** Risk is central to the business planning process, including setting risk appetite, risk posture and new product/ new business activities.
- **Risk Identification:** Risks are systematically identified through the robust application of the Group’s risk frameworks, policies and procedures.
- **Measure and Assess:** Risks are measured and aggregated using Group wide methodologies across each of the risk types, including stress testing.
- **Manage and Control:** Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)**

##### **c) Risk Management Process (Continued)**

- **Monitor and Report:** Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within risk appetite. Risk adjusted performance is monitored.

##### **d) Risk Management Infrastructure**

- **Risk Policies, Procedures and Methodologies:** Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Procedures provide guidance for day-to-day risk taking activities. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy.
- **People:** Attracting the right talent and skills are keys to ensuring a well-functioning EWRM Framework. The organization continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment. Performance measurement and compensation are aligned to the strategy plan and risk appetite.
- **Technology and Data:** Appropriate technology and sound data management are enablers to support risk management activities.

##### **e) Risk Culture**

The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **(c) Risk Governance**

At the apex of the governance structure are the respective Boards, which decides on the entity's Risk Appetite corresponding to its business strategies. In accordance to the Group's risk management structure, the BRC reports directly into each Board and assumes responsibility on behalf of the Board for the supervision of risk management and control activities. The BRC determines the Group's risk strategies, policies and methodologies, keeping them aligned with the principles within the Risk Appetite Statement. The BRC also oversees the implementation of the EWRM framework and provides strategic guidance and reviews the decisions of the GRC.

In order to facilitate the effective implementation of the EWRM framework, the BRC has established various risk committees within the Group with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference. The composition of the committees includes senior management and individuals from business divisions as well as divisions which are independent from the business units.

The responsibility of the supervision of the risk management functions is delegated to the GRC, which reports directly to the BRC. The GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. The GRC is further supported by specialised risk committees, namely Group Credit Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, with each committee providing oversight and responsibility for specific risk areas namely, credit risk, market risk, operational risk, liquidity risk and capital risk.

Similar risk committees are set-up in each of the Group's overseas subsidiaries in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group also strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities in the Group.

# CIMB Islamic Bank Berhad

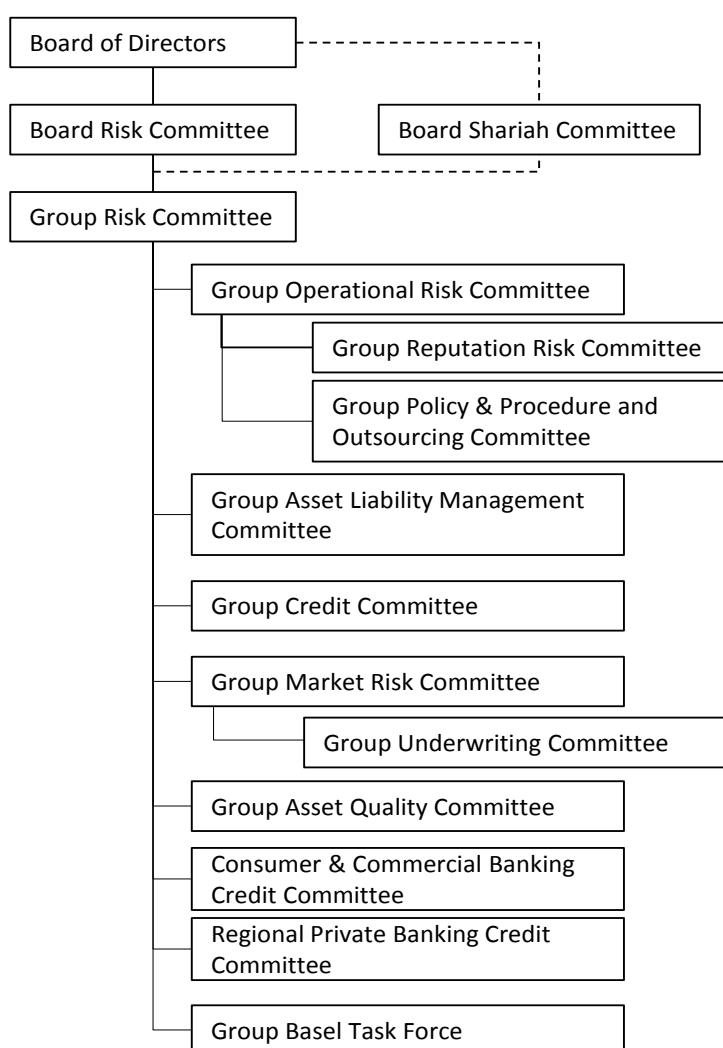
(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### (c) Risk Governance (Continued)

The Group's risk management governance and reporting structure is depicted as follows:



# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### *Three-Lines of Defence*

The Group's risk management approach is based on the three-lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management, including all business units and units which undertake client facing activities, are primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight functions, performs independent monitoring of business activities and reports to management to ensure that the Group is conducting business and operating within the approved appetite and in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance to the Boards that the internal controls and risk management activities are functioning effectively.

#### *The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD)*

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and various risk committees in the monitoring and controlling of the Group's risk exposures.

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence. GRD is headed by the Group Chief Risk Officer who is appointed by the Board to spearhead risk management functions and implementation of the Enterprise-Wide Risk Management. The CRO:

- a) Actively engages the Board and senior management on risk management issues and initiatives.
- b) Maintains an oversight on risk management functions across all entities within the Group. In each country of operations, there is a local Chief Risk Officer or a Country Risk Lead Officer, whose main function is to assess and manage the enterprise risk and regulators in the respective country.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **(d) Risk Governance (Continued)**

##### *The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)*

The GRD teams are organised into several Risk Centres of Excellence in order to facilitate the implementation of the Group's EWRM framework. The Risk Centres of Excellence consisting of Risk Analytics & Infrastructure, Market Risk, Operational Risk, Asset Liability Management, Credit Risk and Shariah Risk Management Centres of Excellence are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

##### a) Risk Analytics & Infrastructure Centre of Excellence

Risk Analytics & Infrastructure Centre of Excellence designs, builds and implements standardised infrastructure used to measure, monitor and manage risk across the region.

##### b) Market Risk Centre of Excellence

In propagating and ensuring compliance to the market risk framework, the Market Risk Centre of Excellence reviews treasury trading strategies, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market valuation.

##### c) Operational Risk Centre of Excellence

The Operational Risk Centre of Excellence provides the methodology, tools and processes for the identification, assessment, reporting, mitigation and control of operational risks by the respective risk owners across the Group. It provides challenge and oversight over the execution of this framework by the first line of defence. Management of operational risks is present in the Group's products, services, activities, processes and systems.



# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **(c) Risk Governance (Continued)**

##### *The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)*

##### d) Asset Liability Management Centre of Excellence

It is primarily responsible for the independent monitoring and assessment of the Group's asset and liability management process governing liquidity risk and profit rate risk in the banking book/ rate of return in the banking book as well as recommending policies and methodologies to manage the said risks. It conducts regular stress testing of the liquidity risk profile, ensuring the Group's adherence and compliance with internal and regulatory requirements, and maintains the early warning system indicators and Contingency Funding Plan (CFP).

##### e) Credit Risk Centre of Excellence

The Credit Risk Centre of Excellence is dedicated to the assessment, measurement, management and monitoring of credit risk of the Group. It ensures a homogenous and consistent approach to:

- Credit Risk Policies and Procedures;
- Credit Risk Models;
- Credit Risk Methodologies; and
- Portfolio Analytics,

as well as a holistic and integrated approach to identification, assessment, decision-making and reporting of credit risk of the Group.

##### f) Shariah Risk Management Centre of Excellence

The Shariah Risk Management Centre of Excellence (SRM CoE) facilitates the process of identifying, measuring, controlling and monitoring Shariah Non Compliance (SNC) risks inherent in the Group's Islamic businesses and services. SRM COE formulates, recommends and implements appropriate SRM policies & guidelines; and develops and implements processes for SNC risk awareness.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **(c) Risk Governance (Continued)**

##### *The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)*

##### **g) Shariah Risk Management Centre of Excellence**

The Shariah Risk Management Centre of Excellence (SRM CoE) formulates Shariah Risk Management Framework (SRMF) and provides guidance and training on the SNC Risk Management (SRM) to enable the first line of defence to identify, assess, monitor and control SNC risk in their Islamic business operations and activities.

In addition to the above Risk Centres of Excellence, Regional Risk was established with the objective of overseeing the risk management functions of the regional offices as well as the Group's unit trust and securities businesses. Regional Risk also houses the validation team.

The regional offices and the respective teams in risk management units within the unit trust business and Non-Malaysian securities businesses identify, analyse, monitor, review and report the relevant material risk exposures of each individual country and/or businesses.

The Regional Risk Validation Team is independent from the risk taking units and model development team. The function of this unit is to perform validation, as guided by regulatory guidelines and industry best practices on Basel related risk models and components comprising credit risk, traded risk, non traded risk and other Basel related risk models. The unit provides recommendations to the modelling team and the business users and reports to Regional Risk. The findings and recommendations will be reported to GRC and BRC.

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without any risk management department, all risk management activities will be centralised at relevant Risk Centres of Excellence. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to respective Risk Centres of Excellence.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **Strategies and Processes for Various Risk Management**

These information are available in later sections for each Credit Risk, Market Risk and Liquidity Risk.

#### **47.1 Credit Risk**

Credit risk, is defined as the possibility of losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

It arises primarily from traditional financing activities through conventional financing, financing facilities, trade finance as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts. In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms. Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

#### **Credit Risk Management**

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital and to ensure the returns commensurate with risk.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, our Group implemented the Risk-based Delegated Authority Framework. This Framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with GRD as a function independent from the business units as the second line of defence. This enhances the collaboration between GRD and the business units.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.1 Credit Risk (Continued)**

##### **Credit Risk Management (Continued)**

The Framework encompass the Joint Delegated Authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals. Our Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GRD, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate and commercial financing, credit applications are independently evaluated by the Credit Risk Centre of Excellence team prior to submission to the relevant committees for approval. For retail financing, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with exceptions approved at Consumer and Commercial Banking Credit Committee (CBCC).

The GRC with the support of Group Credit Committee, Group Asset Quality Committee, Consumer and Commercial Banking Credit Committee, Regional Private Banking Credit Committee and GRD is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy review. It is also responsible for articulating key credit risks and mitigating controls.

Approaches or mitigating controls adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual include adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral.

Adherence to established credit limits is monitored daily by GRD, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty. For retail products, portfolio limits are monitored monthly by GRD.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.1 Credit Risk (Continued)**

##### **Credit Risk Management (Continued)**

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the credit exposures on at least an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GCPRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs Value at Risk (VaR) to measure credit concentration risk. The Group adopts the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.1 Credit Risk (Continued)**

##### **Credit Risk Mitigation**

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten.

##### **i) Collaterals/Securities**

All extension of secured credit facilities as deemed prudent, should be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

##### **ii) Collateral Valuation and Management**

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.1 Credit Risk (Continued)**

##### iii) Netting

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

##### iv) Portfolio diversification for better clarity

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

### **Off-Balance Sheet Exposures and Counterparty Credit Risk (“CCR”)**

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM’s guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

##### i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### Off-Balance Sheet Exposures and Counterparty Credit Risk (“CCR”) (Continued)

##### ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2015, there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken

#### 47.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	<b>The Group and the Bank</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial guarantees	171,312	121,166
Credit related commitments and contingencies	<b>6,833,843</b>	5,873,733
	<b><u>7,005,155</u></b>	<b><u>5,994,899</u></b>

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans for the Group and the Bank is 76.4% (2014: 71.6%) while the financial effect of collateral for derivatives for the Group and the Bank is 41.7% (2014: 72.7%). The financial effects of collateral held for the remaining financial assets are insignificant.



**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.2 Offsetting financial assets and financial liabilities****(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements - by type**

	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Financial collaterals RM'000	
<b>The Group and the Bank</b>						
<b>31 December 2015</b>						
<b>Financial assets</b>						
Derivative assets	476,278	-	476,278	(198,584)	-	277,694
Share purchase financing	4,100	-	4,100	-	(3,217)	883
<b>Total</b>	<b>480,378</b>	<b>-</b>	<b>480,378</b>	<b>(198,584) -</b>	<b>3,217</b>	<b>278,577</b>
<b>31 December 2014</b>						
<b>Financial assets</b>						
Derivative assets	263,865	-	263,865	(191,846)	-	72,019
Share purchase financing	9,453	-	9,453	-	(8,721)	732
<b>Total</b>	<b>273,318</b>	<b>-</b>	<b>273,318</b>	<b>(191,846) -</b>	<b>8,721</b>	<b>72,751</b>

**(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements - by type**

	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Financial collaterals RM'000	
<b>The Group and the Bank</b>						
<b>31 December 2015</b>						
<b>Financial liabilities</b>						
Derivative liabilities	586,061	-	586,061	(187,568)	(27,906)	370,587
<b>Total</b>	<b>586,061</b>	<b>-</b>	<b>586,061</b>	<b>(187,568)</b>	<b>(27,906)</b>	<b>370,587</b>
<b>31 December 2014</b>						
<b>Financial liabilities</b>						
Derivative liabilities	330,197	-	330,197	(176,458)	(27,979)	125,760
<b>Total</b>	<b>330,197</b>	<b>-</b>	<b>330,197</b>	<b>(176,458)</b>	<b>(27,979)</b>	<b>125,760</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.3 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

#### (a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2015 and 31 December 2014 are as follows:

	The Group 31 December 2015						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Others RM'000	
Cash and short-term funds	5,388,493	855	359	245,972	-	8,458	5,644,137
Deposits and placements with banks and other financial institutions	141,226	-	-	-	-	-	141,226
Financial assets held for trading							
- Money market instruments	2,388,675	-	-	-	-	-	2,388,675
- Unquoted securities	218,039	-	-	-	85,224	-	303,263
Financial investments available-for-sale							
- Money market instruments	317,082	-	-	-	-	-	317,082
- Unquoted securities	1,526,399	-	62,380	-	-	19,612	1,608,391
Financial investments held-to-maturity							
- Money market instruments	478,330	-	-	-	-	-	478,330
- Unquoted securities	1,186,201	-	-	-	-	-	1,186,201
Islamic derivative financial instruments							
- Trading derivatives	463,169	-	-	-	-	12,887	476,056
- Hedging derivatives	222	-	-	-	-	-	222
Financing, advances and other financing/loans							
- Cashline	591,023	-	-	-	-	-	591,023
- Term financing	36,981,428	-	-	-	-	-	36,981,428
- Bills receivable	3,525	-	-	-	-	-	3,525
- Islamic trust receipts	25,401	-	-	-	-	-	25,401
- Claim on customers under Islamic accepted bills	442,926	-	-	-	-	-	442,926
- Share purchase financing	3,888	-	-	-	-	-	3,888
- Credit card receivables	111,132	-	-	-	-	-	111,132
- Revolving credits	2,165,712	-	-	-	-	-	2,165,712
- Ar Rahn	405	-	-	-	-	-	405
Other assets	153,585	-	-	-	-	-	153,585
Amount due from related companies	419	-	-	-	-	216	635
Financial guarantees	171,312	-	-	-	-	-	171,312
Credit related commitments and contingencies	6,747,801	1,596	8,677	2,363	-	73,406	6,833,843
<b>Total credit exposures</b>	<b>59,506,393</b>	<b>2,451</b>	<b>71,416</b>	<b>248,335</b>	<b>85,224</b>	<b>114,579</b>	<b>60,028,398</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

###### (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2015 and 31 December 2014 are as follows (Continued):

	The Group						Total RM'000
	31 December 2014						
	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Others RM'000	
Cash and short-term funds	5,090,502	1,751	2,360	37,401	-	2,645	5,134,659
Deposits and placements with banks and other financial institutions	-	-	164,298	-	-	54,636	218,934
Financial assets held for trading							
- Money market instruments	3,255,826	-	-	-	-	-	3,255,826
- Unquoted securities	210,789	-	-	-	70,035	-	280,824
Financial investments available-for-sale							
- Money market instruments	414,365	-	-	-	-	-	414,365
- Unquoted securities	1,525,393	-	64,934	-	-	18,655	1,608,982
Financial investments held-to-maturity							
- Money market instruments	20,629	-	-	-	-	-	20,629
- Unquoted securities	600,363	-	-	-	-	-	600,363
Islamic derivative financial instruments							
- Trading derivatives	234,392	-	-	-	-	-	234,392
- Hedging derivatives	29,473	-	-	-	-	-	29,473
Financing, advances and other financing/loans							
- Cashline	552,594	-	-	-	-	-	552,594
- Term financing	32,837,369	-	-	-	-	-	32,837,369
- Bills receivable	2,933	-	-	-	-	-	2,933
- Islamic trust receipts	18,256	-	-	-	-	-	18,256
- Claim on customers under Islamic accepted bills	387,838	-	-	-	-	-	387,838
- Share purchase financing	9,239	-	-	-	-	-	9,239
- Credit card receivables	108,571	-	-	-	-	-	108,571
- Revolving credits	2,381,190	-	-	-	-	-	2,381,190
- Ar Rahn	1,590	-	-	-	-	-	1,590
Other assets	92,710	-	-	-	-	-	92,710
Amount due from holding company	106,783	-	-	-	-	-	106,783
Amount due from related companies	662	-	-	-	-	-	662
Financial guarantees	121,166	-	-	-	-	-	121,166
Credit related commitments and contingencies	5,786,766	142	11,696	-	210	74,919	5,873,733
<b>Total credit exposures</b>	<b>53,789,399</b>	<b>1,893</b>	<b>243,288</b>	<b>37,401</b>	<b>70,245</b>	<b>150,855</b>	<b>54,293,081</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

###### (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2015 and 31 December 2014 are as follows (Continued):

31 December 2015	The Bank 31 December 2015					Others RM'000	Total RM'000
	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000		
Cash and short-term funds	5,388,448	855	359	245,972	-	8,458	5,644,092
Deposits and placements with banks and other financial institutions	141,226	-	-	-	-	-	141,226
Financial assets held for trading							
- Money market instruments	2,388,675	-	-	-	-	-	2,388,675
- Unquoted securities	218,039	-	-	-	85,224	-	303,263
Financial investments available-for-sale							
- Money market instruments	317,082	-	-	-	-	-	317,082
- Unquoted securities	1,526,399	-	62,380	-	-	19,612	1,608,391
Financial investments held-to-maturity							
- Money market instruments	478,330	-	-	-	-	-	478,330
- Unquoted securities	1,186,201	-	-	-	-	-	1,186,201
Islamic derivative financial instruments							
- Trading derivatives	463,169	-	-	-	-	12,887	476,056
- Hedging derivatives	222	-	-	-	-	-	222
Financing, advances and other financing/loans							
- Cashline	591,023	-	-	-	-	-	591,023
- Term financing	36,981,428	-	-	-	-	-	36,981,428
- Bills receivable	3,525	-	-	-	-	-	3,525
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Other assets	153,585	-	-	-	-	-	153,585
Amount due from related companies	419	-	-	-	-	216	635
Financial guarantees	171,312	-	-	-	-	-	171,312
Credit related commitments and contingencies	6,747,801	1,596	8,677	2,363	-	73,406	6,833,843
<b>Total credit exposures</b>	<b>59,506,348</b>	<b>2,451</b>	<b>71,416</b>	<b>248,335</b>	<b>85,224</b>	<b>114,579</b>	<b>60,028,353</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

#### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

##### (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2015 and 31 December 2014 are as follows (Continued):

	The Bank 31 December 2014						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Others RM'000	
Cash and short-term funds	5,090,455	1,751	2,360	37,401	-	2,645	5,134,612
Deposits and placements with banks and other financial institutions	-	-	164,298	-	-	54,636	218,934
Financial assets held for trading							
- Money market instruments	3,255,826	-	-	-	-	-	3,255,826
- Unquoted securities	210,789	-	-	-	70,035	-	280,824
Financial investments available-for-sale							
- Money market instruments	414,365	-	-	-	-	-	414,365
- Unquoted securities	1,525,393	-	64,934	-	-	18,655	1,608,982
Financial investments held-to-maturity							
- Money market instruments	20,629	-	-	-	-	-	20,629
- Unquoted securities	600,363	-	-	-	-	-	600,363
Islamic derivative financial instruments							
- Trading derivatives	234,392	-	-	-	-	-	234,392
- Hedging derivatives	29,473	-	-	-	-	-	29,473
Financing, advances and other financing/loans							
- Cashline	552,594	-	-	-	-	-	552,594
- Term financing	32,837,369	-	-	-	-	-	32,837,369
- Bills receivable	2,933	-	-	-	-	-	2,933
- Islamic trust receipts	18,256	-	-	-	-	-	18,256
- Claim on customers under Islamic accepted bills	387,838	-	-	-	-	-	387,838
- Share purchase financing	9,239	-	-	-	-	-	9,239
- Credit card receivables	108,571	-	-	-	-	-	108,571
- Revolving credits	2,381,190	-	-	-	-	-	2,381,190
- Ar Rahn	1,590	-	-	-	-	-	1,590
Other assets	92,710	-	-	-	-	-	92,710
Amount due from holding company	106,783	-	-	-	-	-	106,783
Amount due from related companies	662	-	-	-	-	-	662
Financial guarantees	121,166	-	-	-	-	-	121,166
Credit related commitments and contingencies	5,786,766	142	11,696	-	210	74,919	5,873,733
<b>Total credit exposures</b>	<b>53,789,352</b>	<b>1,893</b>	<b>243,288</b>	<b>37,401</b>	<b>70,245</b>	<b>150,855</b>	<b>54,293,034</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

#### (b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2015 and 31 December 2014 based on the industry sectors of the counterparty are as follows:

	The Group 31 December 2015									
	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets held for trading (i) RM'000	Financial investments available-for-sale (i) RM'000	Financial investments held-to-maturity (i) RM'000	Islamic derivative financial instruments		Other financial assets <sup>*</sup> RM'000	Financing, advances and other financing/loans (ii) RM'000	Total credit exposures RM'000
						Trading derivatives RM'000	Hedging derivatives RM'000			
Primary agriculture	-	-	9,499	68,610	25,247	17	-	-	1,139,364	1,242,737
Mining and quarrying	-	-	-	10,124	-	-	-	-	917,925	928,049
Manufacturing	-	-	-	85,204	-	829	-	-	1,141,194	1,227,227
Electricity, gas and water supply	-	-	10,080	148,952	186,731	213	-	-	122,360	468,336
Construction	-	-	-	382,126	30,106	3,295	-	-	1,290,226	1,705,753
Transport, storage and communications	-	-	-	248,792	519,098	75	-	-	1,218,239	1,986,204
Education, health and others	-	-	-	-	-	-	-	-	489,885	489,885
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	1,024,884	1,024,884
Finance, takaful, real estate and business activities	1,441,147	141,226	2,534,093	460,148	290,549	200,887	222	154,220	4,631,053	9,853,545
<i>Others</i>										
Government and government agencies	4,202,990	-	138,266	463,421	612,800	267,381	-	-	6,873,620	12,558,478
Household	-	-	-	-	-	-	-	-	21,402,418	21,402,418
Others	-	-	-	58,096	-	3,359	-	-	74,272	135,727
	<b>5,644,137</b>	<b>141,226</b>	<b>2,691,938</b>	<b>1,925,473</b>	<b>1,664,531</b>	<b>476,056</b>	<b>222</b>	<b>154,220</b>	<b>40,325,440</b>	<b>53,023,243</b>

\*Other financial assets include amount due from holding company, amount due from related companies and other financial assets.

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

#### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

##### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2015 and 31 December 2014 based on the industry sectors of the counterparty are as follows (Continued):

	The Group 31 December 2014									
	Cash and short- term funds	Deposits and placements with banks and other financial institutions	Financial assets held for trading (i)	Financial investments available-for- sale (i)	Financial investments held-to- maturity (i)	Islamic derivative financial instruments		Other financial assets *	Financing, advances and other financing/ loans (ii)	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	Trading derivatives RM'000	Hedging derivatives RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	19,359	71,235	-	-	-	-	816,802	907,396
Mining and quarrying	-	-	-	20,185	-	9	-	-	29,061	49,255
Manufacturing	-	-	-	45,857	-	1,067	-	-	1,057,680	1,104,604
Electricity, gas and water supply	-	-	10,138	109,364	10,410	-	-	-	4,158	134,070
Construction	-	-	15,138	320,646	-	-	-	-	1,642,333	1,978,117
Transport, storage and communications	-	-	86,731	233,456	519,034	7	-	-	614,141	1,453,369
Education, health and others	-	-	-	-	-	-	-	-	612,258	612,258
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	946,601	946,601
Finance, takaful, real estate and business activities	1,123,140	218,934	1,142,037	518,836	40,492	145,831	29,473	200,155	3,853,217	7,272,115
<i>Others</i>										
Government and government agencies	4,011,519	-	2,263,247	655,607	51,056	68,086	-	-	6,823,187	13,872,702
Household	-	-	-	-	-	-	-	-	19,825,435	19,825,435
Others	-	-	-	48,161	-	19,392	-	-	74,707	142,260
	5,134,659	218,934	3,536,650	2,023,347	620,992	234,392	29,473	200,155	36,299,580	48,298,182

\*Other financial assets include amount due from holding company, amount due from related companies and other financial assets.

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

#### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

##### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2015 and 31 December 2014 based on the industry sectors of the counterparty are as follows (Continued):

	The Bank 31 December 2015									
	Cash and short- term funds	Deposits and placements with banks and other financial institutions	Financial assets held for trading (i)	Financial investments available-for- sale (i)	Financial investments held-to- maturity (i)	Islamic derivative financial instruments		Other financial assets *	Financing, advances and other financing/ loans (ii)	Total credit exposures
						Trading derivatives	Hedging derivatives			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	9,499	68,610	25,247	17	-	-	1,139,364	1,242,737
Mining and quarrying	-	-	-	10,124	-	-	-	-	917,925	928,049
Manufacturing	-	-	-	85,204	-	829	-	-	1,141,194	1,227,227
Electricity, gas and water supply	-	-	10,080	148,952	186,731	213	-	-	122,360	468,336
Construction	-	-	-	382,126	30,106	3,295	-	-	1,290,226	1,705,753
Transport, storage and communications	-	-	-	248,792	519,098	75	-	-	1,218,239	1,986,204
Education, health and others	-	-	-	-	-	-	-	-	489,885	489,885
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	1,024,884	1,024,884
Finance, takaful, real estate and business activities	1,441,102	141,226	2,534,093	460,148	290,549	200,887	222	154,220	4,631,053	9,853,500
<i>Others</i>										
Government and government agencies	4,202,990	-	138,266	463,421	612,800	267,381	-	-	6,873,620	12,558,478
Household	-	-	-	-	-	-	-	-	21,402,418	21,402,418
Others	-	-	-	58,096	-	3,359	-	-	74,272	135,727
	5,644,092	141,226	2,691,938	1,925,473	1,664,531	476,056	222	154,220	40,325,440	53,023,198

\* Other financial assets include amount due from holding company, amount due from related companies and other financial assets.



# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

#### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

##### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2015 and 31 December 2014 based on the industry sectors of the counterparty are as follows (Continued):

	The Bank 31 December 2014									
	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Financial investments available-for-sale	Financial investments held-to-maturity	Islamic derivative financial instruments		Other financial assets *	Financing, advances and other financing/loans	Total credit exposures
		RM'000	RM'000	(i) RM'000	(i) RM'000	(i) RM'000	Trading derivatives RM'000	Hedging derivatives RM'000	(ii) RM'000	
Primary agriculture	-	-	19,359	71,235	-	-	-	-	816,802	907,396
Mining and quarrying	-	-	-	20,185	-	9	-	-	29,061	49,255
Manufacturing	-	-	-	45,857	-	1,067	-	-	1,057,680	1,104,604
Electricity, gas and water supply	-	-	10,138	109,364	10,410	-	-	-	4,158	134,070
Construction	-	-	15,138	320,646	-	-	-	-	1,642,333	1,978,117
Transport, storage and communications	-	-	86,731	233,456	519,034	7	-	-	614,141	1,453,369
Education, health and others	-	-	-	-	-	-	-	-	612,258	612,258
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	946,601	946,601
Finance, takaful, real estate and business activities	1,123,093	218,934	1,142,037	518,836	40,492	145,831	29,473	200,155	3,853,217	7,272,068
<i>Others</i>										
Government and government agencies	4,011,519	-	2,263,247	655,607	51,056	68,086	-	-	6,823,187	13,872,702
Household	-	-	-	-	-	-	-	-	19,825,435	19,825,435
Others	-	-	-	48,161	-	19,392	-	-	74,707	142,260
	5,134,612	218,934	3,536,650	2,023,347	620,992	234,392	29,473	200,155	36,299,580	48,298,135

\* Other financial assets include amount due from holding company, amount due from related companies and other financial assets.

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

#### (b) Industry sectors (Continued)

- (i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows:

	The Group and the Bank 31 December 2015						
	Financial assets held for trading		Financial investments available-for-sale		Financial investments held-to-maturity		Total credit exposures RM'000
	Money market instruments RM'000	Unquoted securities RM'000	Money market instruments RM'000	Unquoted securities RM'000	Money market instruments RM'000	Unquoted securities RM'000	
Primary Agriculture	-	9,499	-	68,610	-	25,247	103,356
Mining and quarrying	-	-	-	10,124	-	-	10,124
Manufacturing	-	-	-	85,204	-	-	85,204
Electricity, gas and water supply	-	10,080	-	148,952	-	186,731	345,763
Construction	-	-	-	382,126	-	30,106	412,232
Transport, storage and communications	-	-	-	248,792	-	519,098	767,890
Finance, takaful, real estate and business activities	2,250,409	283,684	67,839	392,309	30,724	259,825	3,284,790
<i>Others</i>							
Government and government agencies	138,266	-	249,243	214,178	447,606	165,194	1,214,487
Others	-	-	-	58,096	-	-	58,096
	<b>2,388,675</b>	<b>303,263</b>	<b>317,082</b>	<b>1,608,391</b>	<b>478,330</b>	<b>1,186,201</b>	<b>6,281,942</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

#### (b) Industry sectors (Continued)

- (i) Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are further analysed by types of securities as follows (Continued):

	The Group and the Bank 31 December 2014						
	Financial assets held for trading		Financial investments available-for-sale		Financial investments held-to-maturity		Total credit exposures RM'000
	Money market instruments RM'000	Unquoted securities RM'000	Money market instruments RM'000	Unquoted securities RM'000	Money market instruments RM'000	Unquoted securities RM'000	
Primary Agriculture	-	19,359	-	71,235	-	-	90,594
Mining and quarrying	-	-	-	20,185	-	-	20,185
Manufacturing	-	-	-	45,857	-	-	45,857
Electricity, gas and water supply	-	10,138	-	109,364	-	10,410	129,912
Construction	-	15,138	-	320,646	-	-	335,784
Transport, storage and communications	-	86,731	-	233,456	-	519,035	839,222
Finance, takaful, real estate and business activities	992,580	149,458	8,504	510,332	-	40,492	1,701,366
<i>Others</i>							
Government and government agencies	2,263,246	-	405,861	249,746	20,629	30,426	2,969,908
Others	-	-	-	48,161	-	-	48,161
	<u>3,255,826</u>	<u>280,824</u>	<u>414,365</u>	<u>1,608,982</u>	<u>20,629</u>	<u>600,363</u>	<u>6,180,989</u>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

#### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

#### (b) Industry sectors (Continued)

(ii) Financing, advances and other financing/loans are further analysed by product types as follows:

	The Group and the Bank 31 December 2015									
	Cashline	Term financing	Bills receivable	Islamic trust receipts	Islamic accepted bills	Credit card receivables	Share purchase financing	Revolving credits	Ar Rahnū	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary Agriculture	110,738	854,460	-	-	10,224	-	-	163,942	-	1,139,364
Mining and quarrying	13,878	904,047	-	-	-	-	-	-	-	917,925
Manufacturing	54,600	890,544	-	11,857	136,666	-	-	47,527	-	1,141,194
Electricity, gas and water supply	-	121,948	-	412	-	-	-	-	-	122,360
Construction	76,381	866,991	-	3,057	10,569	-	-	333,228	-	1,290,226
Transport, storage and communications	22,693	1,176,095	-	787	8,111	-	-	10,553	-	1,218,239
Education, health and others	45,084	351,457	2,697	597	-	-	-	90,050	-	489,885
Wholesale and retail trade, restaurants and hotels	129,453	577,033	-	8,049	239,227	-	-	71,122	-	1,024,884
Finance, takaful, real estate and business activities	114,246	3,027,918	828	642	38,129	-	-	1,449,290	-	4,631,053
<i>Others</i>										
Government and government agencies	1	6,873,619	-	-	-	-	-	-	-	6,873,620
Household	16,145	21,270,848	-	-	-	111,132	3,888	-	405	21,402,418
Others	7,804	66,468	-	-	-	-	-	-	-	74,272
	<b>591,023</b>	<b>36,981,428</b>	<b>3,525</b>	<b>25,401</b>	<b>442,926</b>	<b>111,132</b>	<b>3,888</b>	<b>2,165,712</b>	<b>405</b>	<b>40,325,440</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

#### 47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

#### (b) Industry sectors (Continued)

(ii) Financing, advances and other financing/loans are further analysed by product types as follows (Continued):

	The Group and the Bank 31 December 2014									
			Claim on customers under							
	Cashline	Term financing	Bills	Islamic trust	Islamic accepted	Credit card	Share purchase	Revolving	Ar Rahn	Total credit
	RM'000	RM'000	receivable	receipts	bills	receivables	financing	credits	RM'000	exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary Agriculture	92,188	619,181	-	-	5,638	-	-	99,794	-	816,801
Mining and quarrying	13,296	15,765	-	-	-	-	-	-	-	29,061
Manufacturing	39,879	833,475	-	3,209	126,629	-	-	54,486	-	1,057,678
Electricity, gas and water supply	-	4,167	-	-	-	-	-	-	-	4,167
Construction	74,713	1,017,417	-	1,644	25,312	-	-	523,240	-	1,642,326
Transport, storage and communications	13,044	561,052	-	12,058	568	-	-	39,478	-	626,200
Education, health and others	46,747	487,618	2,933	820	27	-	-	74,113	-	612,258
Wholesale and retail trade, restaurants and hotels	129,301	508,367	-	-	225,665	-	-	71,211	-	934,544
Finance, takaful, real estate and business activities	119,541	2,210,284	-	525	3,999	-	-	1,518,868	-	3,853,217
<i>Others</i>										
Government and government agencies	-	6,823,187	-	-	-	-	-	-	-	6,823,187
Household	18,525	19,687,511	-	-	-	108,571	9,239	-	1,590	19,825,436
Others	5,360	69,345	-	-	-	-	-	-	-	74,705
	552,594	32,837,369	2,933	18,256	387,838	108,571	9,239	2,381,190	1,590	36,299,580

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for financial guarantees and credit related commitments and contingencies, based on the industry sectors of the counterparty are as follows:

31 December 2015	The Group and the Bank			
	31 December 2015		31 December 2014	
	Financial guarantees RM'000	Credit related and contingencies RM'000	Financial guarantees RM'000	Credit related and contingencies RM'000
Primary agriculture	96	291,958	106	138,265
Mining and quarrying	3,162	47,666	700	10,046
Manufacturing	20,413	763,108	11,313	750,046
Electricity, gas and water supply	33,804	174,710	33,223	100,252
Construction	69,131	1,190,918	48,348	1,279,158
Transport, storage and communications	2,662	261,721	2,387	110,818
Education, health and others	2,362	87,069	3,171	143,023
Wholesale and retail trade, and restaurants and hotels	29,747	466,097	15,223	414,713
Finance, takaful, real estate and business activities	9,935	697,408	6,695	650,343
<i>Others</i>				
Household	-	2,688,055	-	2,086,840
Others	-	165,133	-	190,229
	<b>171,312</b>	<b>6,833,843</b>	<b>121,166</b>	<b>5,873,733</b>

**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.4 Credit quality of financial assets**

Financial assets are required under MFRS 7, to be categorised into “neither past due nor impaired”, “past due but not impaired” or “impaired”.

**(i) Financing, advances and other financing/loans**

Financing, advances and other financing/loans are summarised as follows:

	<b>The Group and the Bank 31 December 2015</b>			
	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>	<b>Impaired</b>	<b>Total</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cashline	560,269	21,812	19,963	602,044
Term financing	34,588,796	2,338,284	393,150	37,320,230
Bills receivable	3,526	-	-	3,526
Islamic trust receipts	25,512	-	594	26,106
Claim on customers under Islamic accepted bills	435,517	2,567	6,954	445,038
Share purchase financing	3,907	-	193	4,100
Credit card receivables	104,150	7,601	3,467	115,218
Revolving credits	2,168,995	-	-	2,168,995
Ar Rahnū	342	-	63	405
<b>Total</b>	<b>37,891,014</b>	<b>2,370,264</b>	<b>424,384</b>	<b>40,685,662</b>
Less: Impairment allowances				<b>(360,222)</b> *
<b>Total net amount</b>				<b>40,325,440</b>

\* Impairment allowances include allowances against financial assets that have been impaired and those subjects to portfolio impairment.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.4 Credit quality of financial assets (Continued)****(i) Financing, advances and other financing/loans (Continued)**

Financing, advances and other financing/loans are summarised as follows (Continued):

	<b>The Group and the Bank 31 December 2014</b>			
	<b>Neither past due nor impaired (a)</b>	<b>Past due but not impaired (b)</b>	<b>Impaired (c)</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cashline	537,237	11,166	16,554	564,957
Term financing	30,051,710	2,712,242	429,838	33,193,790
Bills receivable	2,939	-	-	2,939
Islamic trust receipts	18,144	204	870	19,218
Claim on customers under Islamic accepted bills	380,870	3,661	7,452	391,983
Share purchase financing	9,230	-	223	9,453
Credit card receivables	101,722	7,280	2,915	111,917
Revolving credits	2,389,876	-	-	2,389,876
Ar Rahn	1,581	-	9	1,590
<b>Total</b>	<b>33,493,309</b>	<b>2,734,553</b>	<b>457,861</b>	<b>36,685,723</b>
Less: Impairment allowances				(386,143) *
<b>Total net amount</b>				<b>36,299,580</b>

\* Impairment allowances include allowances against financial assets that have been impaired and those subjects to portfolio impairment.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.4 Credit quality of financial assets (Continued)****(i) Financing, advances and other financing/loans (Continued)****(a) Financing, advances and other financing/loans that are “neither past due nor impaired”**

The credit quality of financing, advances and other financing/loans that are “neither past due nor impaired” can be assessed by reference to the internal rating system adopted by the Group and the Bank.

	<b>The Group and the Bank 31 December 2015</b>			
	<b>Good RM'000</b>	<b>Satisfactory RM'000</b>	<b>No rating RM'000</b>	<b>Total RM'000</b>
Cashline	482,624	31,916	45,729	560,269
Term financing				
- House financing	-	-	10,208,356	10,208,356
- Syndicated term financing	2,245,226	-	-	2,245,226
- Other term financing	9,909,176	344,450	8,950,054	19,203,680
- Hire purchase receivables	-	-	2,931,534	2,931,534
Bills receivable	650	-	2,876	3,526
Islamic trust receipts	23,434	-	2,078	25,512
Claim on customers under Islamic accepted bills	372,613	11,677	51,227	435,517
Share purchase financing	-	-	3,907	3,907
Credit card receivables	-	-	104,150	104,150
Revolving credits	2,108,016	51,596	9,383	2,168,995
Ar Rahnū	-	-	342	342
<b>Total</b>	<b>15,141,739</b>	<b>439,639</b>	<b>22,309,636</b>	<b>37,891,014</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.4 Credit quality of financial assets (Continued)****(i) Financing, advances and other financing/loans (Continued)****(a) Financing, advances and other financing/loans that are “neither past due nor impaired” (Continued)**

The credit quality of financing, advances and other financing/loans that are “neither past due nor impaired” can be assessed by reference to the internal rating system adopted by the Group and the Bank (Continued).

	<b>The Group and the Bank 31 December 2014</b>			
	<b>Good</b>	<b>Satisfactory</b>	<b>No rating</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cashline	453,810	23,404	60,023	537,237
Term financing				
- House financing	-	-	8,991,125	8,991,125
- Syndicated term financing	577,068	-	-	577,068
- Other term financing	9,231,957	240,056	7,407,124	16,879,137
- Hire purchase receivables	-	-	3,604,380	3,604,380
Bills receivable	800	-	2,139	2,939
Islamic trust receipts	17,807	-	337	18,144
Claim on customers under Islamic accepted bills	320,558	21,681	38,631	380,870
Share purchase financing	-	-	9,230	9,230
Credit card receivables	-	-	101,722	101,722
Revolving credits	2,387,862	2,014	-	2,389,876
Ar Rahnū	-	-	1,581	1,581
<b>Total</b>	<b>12,989,862</b>	<b>287,155</b>	<b>20,216,292</b>	<b>33,493,309</b>

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.1 Credit risk (Continued)**

##### **47.1.4 Credit quality of financial assets (Continued)**

###### **(i) Financing, advances and other financing/loans (Continued)**

###### **(a) Financing, advances and other financing/loans that are “neither past due nor impaired” (Continued)**

Credit quality descriptions can be summarised as follows:

**Good** - There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Bank.

**Satisfactory** - There is concern over the counterparty’s ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts.

**No rating** - Refers to counterparties that do not satisfy the criteria to be rated internally. These include sovereigns, individuals, schools, non-government organisations, cooperatives and others.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.4 Credit quality of financial assets (Continued)****(i) Financing, advances and other financing/loans (Continued)****(b) Financing, advances and other financing/loans that are “past due but not impaired”**

The Group and the Bank consider an asset is past due when any payment due under strict contractual terms is received late or missed. However, financing, advances and other financing/loans which are less than 90 days past due, are not yet considered to be impaired unless there are impairment triggers available to indicate otherwise.

An age analysis of financing, advances and other financing/loans that are “past due but not impaired” is set out below:

	The Group and the Bank					
	31 December 2015			31 December 2014		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Cashline	19,407	2,405	21,812	10,677	489	11,166
Term financing	2,161,895	176,389	2,338,284	2,491,318	220,924	2,712,242
Islamic trust receipts	-	-	-	204	-	204
Claim on customers under Islamic accepted bills	2,567	-	2,567	1,288	2,373	3,661
Credit card receivables	6,344	1,257	7,601	6,143	1,137	7,280
<b>Total</b>	<b>2,190,213</b>	<b>180,051</b>	<b>2,370,264</b>	<b>2,509,630</b>	<b>224,923</b>	<b>2,734,553</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.4 Credit quality of financial assets (Continued)

##### (i) Financing, advances and other financing/loans (Continued)

##### (c) Impaired financing, advances and other financing/loans

	The Group and the Bank	
	31 December 2015 RM'000	31 December 2014 RM'000
Total gross impaired financing, advances and other financing/loans	424,384	457,861
Less: Impairment allowances	(186,012)	(191,562)
Total net impaired financing, advances and other financing/loans	<u>238,372</u>	<u>266,299</u>

Refer to Note 8(vii) for analysis of “impaired” financing, advances and other financing/loans by economic purpose.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.4 Credit quality of financial assets (Continued)****(ii) Financial assets held for trading and financial investments**

- (a)** Financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity are summarised as follows:

	<b>The Group and the Bank</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>Neither past due nor impaired</b>	<b>Neither past due nor impaired</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial assets held for trading		
- Money market instruments	<b>2,388,675</b>	3,255,826
- Unquoted securities	<b>303,263</b>	280,824
Financial investments available-for-sale		
- Money market instruments	<b>317,082</b>	414,365
- Unquoted securities	<b>1,608,391</b>	1,608,982
Financial investments held-to-maturity		
- Money market instruments	<b>478,330</b>	20,629
- Unquoted securities	<b>1,186,201</b>	600,363
<b>Total</b>	<b><u>6,281,942</u></b>	<b><u>6,180,989</u></b>

There were no financial assets held for trading, financial investments available-for-sale and financial investments held-to-maturity that are “past due but not impaired” or “impaired” as at 31 December 2015 and 31 December 2014 for the Group and the Bank.

# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.4 Credit quality of financial assets (Continued)

##### (ii) Financial assets held for trading and financial investments (Continued)

##### (b) Financial assets held for trading and financial investments that are “neither past due nor impaired”

The table below presents an analysis of financial assets held for trading and financial investments that are “neither past due nor impaired” based on ratings by major credit rating agencies:

	The Group and the Bank 31 December 2015			Total RM'000
	Sovereign	Investment grade (AAA to BBB-)	Others (no rating)	
	RM'000	RM'000	RM'000	
Financial assets held for trading				
- Money market instruments	158,184	2,230,491	-	2,388,675
- Unquoted securities	-	144,406	158,857	303,263
Financial investments available-for-sale				
- Money market instruments	293,411	23,671	-	317,082
- Unquoted securities	273,868	1,334,523	-	1,608,391
Financial investments held-to-maturity				
- Money market instruments	447,606	30,724	-	478,330
- Unquoted securities	530,307	146,990	508,904	1,186,201
<b>Total</b>	<b>1,703,376</b>	<b>3,910,805</b>	<b>667,761</b>	<b>6,281,942</b>

	The Group and the Bank 31 December 2014			Total RM'000
	Sovereign	Investment grade (AAA to BBB-)	Others (no rating)	
	RM'000	RM'000	RM'000	
Financial assets held for trading				
- Money market instruments	2,263,246	992,580	-	3,255,826
- Unquoted securities	-	280,824	-	280,824
Financial investments available-for-sale				
- Money market instruments	405,861	8,504	-	414,365
- Unquoted securities	488,151	1,120,831	-	1,608,982
Financial investments held-to-maturity				
- Money market instruments	20,629	-	-	20,629
- Unquoted securities	30,426	61,101	508,836	600,363
<b>Total</b>	<b>3,208,313</b>	<b>2,463,840</b>	<b>508,836</b>	<b>6,180,989</b>

Securities with no rating mainly consist of private debt securities.

# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.4 Credit quality of financial assets (Continued)

##### (iii) Credit risk of other financial assets

(a) Other financial assets are summarised as follows:

	The Group 31 December 2015			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	(a)	(b)	(c)	
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	5,644,137	-	-	5,644,137
Deposits and placements with banks and other financial institutions	141,226	-	-	141,226
Islamic derivative financial instruments	476,278	-	-	476,278
Other assets	153,552	-	208	153,760
Amount due from related companies	635	-	-	635
<b>Total</b>	<b>6,415,828</b>	<b>-</b>	<b>208</b>	<b>6,416,036</b>
Less: Impairment allowances				(175) *
<b>Total net amount</b>				<b>6,415,861</b>

	The Group 31 December 2014			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	(a)	(b)	(c)	
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	5,134,659	-	-	5,134,659
Deposits and placements with banks and other financial institutions	218,934	-	-	218,934
Islamic derivative financial instruments	263,865	-	-	263,865
Other assets	92,572	138	272	92,982
Amount due from holding company	106,783	-	-	106,783
Amount due from related companies	662	-	-	662
<b>Total</b>	<b>5,817,475</b>	<b>138</b>	<b>272</b>	<b>5,817,885</b>
Less: Impairment allowances				(272) *
<b>Total net amount</b>				<b>5,817,613</b>

\* Impairment allowance represents allowance made against financial assets that have been impaired.



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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.4 Credit quality of financial assets (Continued)****(iii) Credit risk of other financial assets****(a) Other financial assets are summarised as follows: (Continued)**

	<b>The Bank 31 December 2015</b>			
	<b>Neither past due nor impaired (a)</b>	<b>Past due but not impaired (b)</b>	<b>Impaired (c)</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short term funds	5,644,092	-	-	5,644,092
Deposits and placements with banks and other financial institutions	141,226	-	-	141,226
Islamic derivative financial instruments	476,278	-	-	476,278
Other assets	153,552	-	208	153,760
Amount due from related companies	635	-	-	635
<b>Total</b>	<b>6,415,783</b>	<b>-</b>	<b>208</b>	<b>6,415,991</b>
Less: Impairment allowances				(175) *
<b>Total net amount</b>				<b>6,415,816</b>

	<b>The Bank 31 December 2014</b>			
	<b>Neither past due nor impaired (a)</b>	<b>Past due but not impaired (b)</b>	<b>Impaired (c)</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short term funds	5,134,612	-	-	5,134,612
Deposits and placements with banks and other financial institutions	218,934	-	-	218,934
Islamic derivative financial instruments	263,865	-	-	263,865
Other assets	92,572	138	272	92,982
Amount due from holding company	106,783	-	-	106,783
Amount due from related companies	662	-	-	662
<b>Total</b>	<b>5,817,428</b>	<b>138</b>	<b>272</b>	<b>5,817,838</b>
Less: Impairment allowances				(272) *
<b>Total net amount</b>				<b>5,817,566</b>

\* Impairment allowance represents allowance made against financial assets that have been impaired.

# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.4 Credit quality of financial assets (Continued)

###### (iii) Credit risk of other financial assets

- (b) An analysis of the credit quality of the Group's and the Bank's other financial assets that are "neither past due nor impaired" is summarised below:

	The Group 31 December 2015				Total
	Sovereign	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	
	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	4,203,009	1,437,201	-	3,927	5,644,137
Deposits and placements with banks and other financial institutions	-	141,226	-	-	141,226
Other assets	-	27,680	-	125,872	153,552
Islamic derivative financial instruments	-	406,837	1,401	68,040	476,278
Amount due from related companies	-	-	-	635	635
<b>Total</b>	<b>4,203,009</b>	<b>2,012,944</b>	<b>1,401</b>	<b>198,474</b>	<b>6,415,828</b>

	The Group 31 December 2014				Total
	Sovereign	Investment Grade (AAA to BBB-)	Non Investment Grade (BB+ and below)	Others (no rating)	
	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	4,011,566	1,119,975	840	2,278	5,134,659
Deposits and placements with banks and other financial institutions	-	-	-	218,934	218,934
Other assets	-	27,715	-	64,857	92,572
Islamic derivative financial instruments	-	203,968	29,984	29,913	263,865
Amount due from holding company	-	106,783	-	-	106,783
Amount due from related companies	-	25	-	637	662
<b>Total</b>	<b>4,011,566</b>	<b>1,458,466</b>	<b>30,824</b>	<b>316,619</b>	<b>5,817,475</b>

# CIMB Islamic Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.1 Credit risk (Continued)

##### 47.1.4 Credit quality of financial assets (Continued)

##### (iii) Credit risk of other financial assets (Continued)

- (b) An analysis of the credit quality of the Group's and the Bank's other financial assets that are "neither past due nor impaired" is summarised below (Continued):

	The Bank				Total
	31 December 2015				
	Sovereign	Investment Grade	Non Investment Grade	Others (no rating)	
	(AAA to BBB-)	(BB+ and below)			
RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	4,203,009	1,437,201	-	3,882	5,644,092
Deposits and placements with banks and other financial institutions	-	141,226	-	-	141,226
Other assets	-	27,680	-	125,872	153,552
Islamic derivative financial instruments	-	406,837	1,401	68,040	476,278
Amount due from related companies	-	-	-	635	635
<b>Total</b>	<b>4,203,009</b>	<b>2,012,944</b>	<b>1,401</b>	<b>198,429</b>	<b>6,415,783</b>

	The Bank				Total
	31 December 2014				
	Sovereign	Investment Grade	Non Investment Grade	Others (no rating)	
	(AAA to BBB-)	(BB+ and below)			
RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	4,011,519	1,119,975	840	2,278	5,134,612
Deposits and placements with banks and other financial institutions	-	-	-	218,934	218,934
Other assets	-	27,715	-	64,857	92,572
Islamic derivative financial instruments	-	203,968	29,984	29,913	263,865
Amount due from holding company	-	106,783	-	-	106,783
Amount due from related companies	-	25	-	637	662
<b>Total</b>	<b>4,011,519</b>	<b>1,458,466</b>	<b>30,824</b>	<b>316,619</b>	<b>5,817,428</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.1 Credit risk (Continued)****47.1.4 Credit quality of financial assets (Continued)****(iii) Credit risk of other financial assets (Continued)**

- (c) An age analysis of the other financial assets of the Group and the Bank's that are "past due but not impaired" as at 31 December 2015 and 31 December 2014 are set out as below:

	The Group and the Bank					
	31 December 2015			31 December 2014		
	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Other assets	-	-	-	109	29	138
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>29</b>	<b>138</b>

**47.1.5 Repossessed collateral**

The Group and the Bank has not taken possession of any collateral held as security.

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.2 Market risk**

Market risk is defined as any fluctuation in the market value of a trading or investment exposure arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

Market risk is inherent in the business activities of an institution that trades and invests in securities, derivatives and other structured financial products. Market risk may arise from the trading book and investment activities in the banking book. For the trading book, it can arise from customer-related businesses or from the Group's proprietary positions. As for investment activities in the banking book, the Group holds the investment portfolio to meet liquidity and statutory reserves requirement and for investment purposes.

#### **Market Risk Management (MRM)**

Market risk is evaluated by considering the risk/reward relationship and market exposures across a variety of dimensions such as volatility, concentration/diversification and maturity. The GRC with the support of Group Market Risk Committee (GMRC) and Group Underwriting Committee (GUC) ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC, supported by the Market Risk Centre of Excellence in GRD is responsible to measure and control market risk of the Group through robust measurement and the setting of limits while facilitating business growth within a controlled and transparent risk management framework.

CIMB Group employs the VaR framework to measure market risk where VaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute VaR. This approach assesses potential loss in portfolio value based on the last 500 daily historical movements of relevant market parameters and 99% confidence level at 1-day holding period.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.2 Market risk (Continued)**

##### **Market Risk Management (MRM) (Continued)**

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to Group Market Risk Committee, GRC and BRC for its perusal. The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2015 is shown in table 47.2.1.

Although historical simulation provides a reasonable estimate of market risk, this approach relies heavily on historical daily price movements of the market parameter of profit. Hence, the resulting market VaR is exposed to the danger that price and rate changes over the stipulated time horizon might not be typical. Example, if the past 500 daily price movements were observed over a period of exceptionally low volatility, then the VaR computed would understate the risk of the portfolio and vice versa.

In order to ensure historical simulation gives an adequate estimation of market VaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day VaR against the hypothetical change in portfolio value assuming end-of-day positions in the portfolio were to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

The Group also complements VaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute VaR. Stress testing exercise at the group-wide level involves assessing potential losses to the Group's market risk exposures under pre-specified scenarios. This type of scenario analysis is performed twice yearly. Scenarios are designed in collaboration with the Regional Research Team to reflect extreme and yet plausible stress scenarios. Stress test results are presented to the Group Market Risk Committee and GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

In addition to the above, the Market Risk Centre of Excellence undertakes the monitoring and oversight process at Treasury & Markets trading floors, which include reviewing treasury trading strategy, analysing positions and activities vis-à-vis changes in the financial markets, monitoring limits usage, assessing limits adequacy and verifying transaction prices.

# **CIMB Islamic Bank Berhad**

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.2 Market risk (Continued)**

##### **Market Risk Management (MRM) (Continued)**

The Market Risk Centre of Excellence also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on all positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met.

All valuation methods and models used are documented and validated by the quantitative analysts to assess its applicability to market conditions. The process includes verification of rate sources, parameters, assumptions in modelling approach and its implementation. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions.

##### *Capital Treatment for Market Risk*

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on Capital Adequacy Framework (CAF) (Basel II – Risk Weighted Assets) and Capital Adequacy Framework for Islamic Banks (CAFIB) (Risk-Weighted Assets).

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.1 VaR**

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures are set out below:

	The Group		The Bank	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
<b>VaR</b>				
Foreign exchange risk	1,457	331	1,457	331
Profit rate risk	309	771	309	771
<b>Total</b>	<b>1,766</b>	<b>1,102</b>	<b>1,766</b>	<b>1,102</b>
Total shareholder's funds	3,606,118	3,211,470	3,606,083	3,211,444
Percentage over shareholder's funds	0.05%	0.03%	0.05%	0.03%

**47.2.2 Profit rate risk**

Profit rate risk relates to the potential adverse impact on the net profit income arising from the changes in market rates. One of the primary sources of profit rate risk is the repricing mismatches between profit earning assets and profit bearing liabilities. Profit rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk (EaR).



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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

###### (a) Profit rate risk

The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates:

	The Group 31 December 2015								Total RM'000
	←	Non-trading book						→	
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
<b>Financial assets</b>									
Cash and short-term funds	5,236,556	-	-	-	-	-	407,581	-	5,644,137
Deposits and placements with banks and other financial institutions	-	140,955	-	-	-	-	271	-	141,226
Financial assets held for trading	-	-	-	-	-	-	-	2,691,938	2,691,938
Financial investments available-for-sale	-	-	-	73,585	991,681	840,636	20,146	-	1,926,048
Financial investments held-to-maturity	-	-	-	25,032	470,147	1,148,381	20,971	-	1,664,531
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	476,056	476,056
- Hedging derivatives	-	-	222	-	-	-	-	-	222
Financing, advances and other financing/loans	22,728,171	588,620	225,202	363,646	9,010,701	7,409,100	-	-	40,325,440
Other assets	-	-	-	-	-	-	153,585	-	153,585
Amount due from related companies	-	-	-	-	-	-	635	-	635
<b>Total financial assets</b>	<b>27,964,727</b>	<b>729,575</b>	<b>225,424</b>	<b>462,263</b>	<b>10,472,529</b>	<b>9,398,117</b>	<b>603,189</b>	<b>3,167,994</b>	<b>53,023,818</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

##### (a) Profit rate risk (Continued)

The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

	The Group 31 December 2015							Trading book RM'000	Total RM'000
	←	Non-trading book					→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
<b>Financial liabilities</b>									
Deposits from customers	24,899,275	8,000,859	4,717,179	5,855,968	388,880	163,933	221,786	-	44,247,880
Placements from investment accounts	2,779,560	348,150	-	-	-	-	5,988	-	3,133,698
Deposits and placements of banks and other financial institutions	552,898	216,435	3,220	185,437	-	-	1,565	-	959,555
Financial liabilities designated at fair value	-	-	-	-	206,321	-	1,323	(8,581)	199,063
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	457,528	457,528
- Hedging derivatives	-	-	-	-	128,014	519	-	-	128,533
Other liabilities	-	-	-	-	-	-	179,574	-	179,574
Amount due to holding company	-	-	-	-	-	-	11,043	-	11,043
Amount due to related companies	-	-	-	-	-	-	2,616	-	2,616
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	500,000	-	2,368	-	502,368
Subordinated sukuk	-	-	250,097	-	300,000	296,634	10,252	-	856,983
<b>Total financial liabilities</b>	<b>28,231,733</b>	<b>8,565,444</b>	<b>4,970,496</b>	<b>6,041,405</b>	<b>1,523,215</b>	<b>461,086</b>	<b>436,515</b>	<b>448,947</b>	<b>50,678,841</b>
<b>Net profit sensitivity gap</b>	<b>(267,006)</b>	<b>(7,835,869)</b>	<b>(4,745,072)</b>	<b>(5,579,142)</b>	<b>8,949,314</b>	<b>8,937,031</b>		<b>2,719,047</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	171,312	-	171,312
Credit related commitments and contingencies	-	-	-	-	-	-	6,833,843	-	6,833,843
Treasury related commitments and contingencies	-	-	250,000	-	3,875,000	19,812	-	-	4,144,812
<b>Net profit sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>3,875,000</b>	<b>19,812</b>	<b>7,005,155</b>	<b>-</b>	<b>11,149,967</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

###### (a) Profit rate risk (Continued)

The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

	The Group 31 December 2014								Total RM'000	
	←			Non-trading book				→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
<b>Financial assets</b>										
Cash and short-term funds	4,959,559	-	-	-	-	-	175,100	-	5,134,659	
Deposits and placements with banks and other financial institutions	-	92,874	52,447	73,077	-	-	536	-	218,934	
Financial assets held for trading	-	-	-	-	-	-	-	3,536,650	3,536,650	
Financial investments available-for-sale	-	19,990	-	19,959	863,281	1,100,384	20,308	-	2,023,922	
Financial investments held-to-maturity	-	-	-	-	43,061	567,818	10,113	-	620,992	
Islamic derivative financial instruments:										
- Trading derivatives	-	-	-	-	-	-	-	234,392	234,392	
- Hedging derivatives	-	-	-	-	23,834	5,639	-	-	29,473	
Financing, advances and other financing/loans	23,163,159	387,212	425,558	89,289	3,808,227	8,426,135	-	-	36,299,580	
Other assets	-	-	-	-	-	-	92,710	-	92,710	
Amount due from holding company	-	-	-	-	-	-	106,783	-	106,783	
Amount due from related companies	-	-	-	-	-	-	662	-	662	
<b>Total financial assets</b>	<b>28,122,718</b>	<b>500,076</b>	<b>478,005</b>	<b>182,325</b>	<b>4,738,403</b>	<b>10,099,976</b>	<b>406,212</b>	<b>3,771,042</b>	<b>48,298,757</b>	

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

##### (a) Profit rate risk (Continued)

The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

	The Group 31 December 2014								Total RM'000
	←	Non-trading book				→		Trading book RM'000	
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
<b>Financial liabilities</b>									
Deposits from customers	29,402,508	8,511,194	1,751,272	981,334	379,109	168,580	134,047	-	41,328,044
Deposits and placements of banks and other financial institutions	2,309,273	1,318,463	2,843	874	-	-	13,260	-	3,644,713
Financial liabilities designated at fair value	-	-	-	-	158,386	-	-	(8,551)	149,835
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	213,118	213,118
- Hedging derivatives	-	-	-	-	61,167	55,912	-	-	117,079
Other liabilities	-	-	-	-	-	-	74,187	-	74,187
Amount due to related company	-	-	-	-	-	-	16,538	-	16,538
Subordinated sukuk	-	-	-	-	550,644	295,073	10,309	-	856,026
<b>Total financial liabilities</b>	<b>31,711,781</b>	<b>9,829,657</b>	<b>1,754,115</b>	<b>982,208</b>	<b>1,149,306</b>	<b>519,565</b>	<b>248,341</b>	<b>204,567</b>	<b>46,399,540</b>
<b>Net profit sensitivity gap</b>	<b>(3,589,063)</b>	<b>(9,329,581)</b>	<b>(1,276,110)</b>	<b>(799,883)</b>	<b>3,589,097</b>	<b>9,580,411</b>		<b>3,566,475</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	121,166	-	121,166
Credit related commitments and contingencies	-	-	-	-	-	-	5,873,733	-	5,873,733
Treasury related commitments and contingencies	-	-	-	-	3,900,000	3,016,136	-	-	6,916,136
<b>Net profit sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,900,000</b>	<b>3,016,136</b>	<b>5,994,899</b>	<b>-</b>	<b>12,911,035</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

##### (a) Profit rate risk (Continued)

The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

	The Bank 31 December 2015						Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
	←	Non-trading book				→			
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
<b>Financial assets</b>									
Cash and short-term funds	5,236,556	-	-	-	-	-	407,536	-	5,644,092
Deposits and placements with banks and other financial institutions	-	140,955	-	-	-	-	271	-	141,226
Financial assets held for trading	-	-	-	-	-	-	-	2,691,938	2,691,938
Financial investments available-for-sale	-	-	-	73,585	991,681	840,636	20,146	-	1,926,048
Financial investments held-to-maturity	-	-	-	25,032	470,147	1,148,381	20,971	-	1,664,531
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	476,056	476,056
- Hedging derivatives	-	-	222	-	-	-	-	-	222
Financing, advances and other financing/loans	22,728,171	588,620	225,202	363,646	9,010,701	7,409,100	-	-	40,325,440
Other assets	-	-	-	-	-	-	153,585	-	153,585
Amount due from related companies	-	-	-	-	-	-	635	-	635
<b>Total financial assets</b>	<b>27,964,727</b>	<b>729,575</b>	<b>225,424</b>	<b>462,263</b>	<b>10,472,529</b>	<b>9,398,117</b>	<b>603,144</b>	<b>3,167,994</b>	<b>53,023,773</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

##### (a) Profit rate risk (Continued)

The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

	The Bank 31 December 2015							Trading book RM'000	Total RM'000
	←	Non-trading book					→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
<b>Financial liabilities</b>									
Deposits from customers	24,899,275	8,000,859	4,717,179	5,855,968	388,880	163,933	221,786	-	44,247,880
Placements from investment accounts	2,779,560	348,150	-	-	-	-	5,988	-	3,133,698
Deposits and placements of banks and other financial institutions	552,898	216,435	3,220	185,437	-	-	1,565	-	959,555
Financial liabilities designated at fair value	-	-	-	-	206,321	-	1,323	(8,581)	199,063
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	457,528	457,528
- Hedging derivatives	-	-	-	-	128,014	519	-	-	128,533
Other liabilities	-	-	-	-	-	-	179,574	-	179,574
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	500,000	-	2,368	-	502,368
Amount due to holding company	-	-	-	-	-	-	11,043	-	11,043
Amount due to related company	-	-	-	-	-	-	2,616	-	2,616
Amount due to subsidiaries	-	-	-	-	-	-	1	-	1
Subordinated sukuk	-	-	250,097	-	300,000	296,634	10,252	-	856,983
<b>Total financial liabilities</b>	<b>28,231,733</b>	<b>8,565,444</b>	<b>4,970,496</b>	<b>6,041,405</b>	<b>1,523,215</b>	<b>461,086</b>	<b>436,516</b>	<b>448,947</b>	<b>50,678,842</b>
<b>Net profit sensitivity gap</b>	<b>(267,006)</b>	<b>(7,835,869)</b>	<b>(4,745,072)</b>	<b>(5,579,142)</b>	<b>8,949,314</b>	<b>8,937,031</b>		<b>2,719,047</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	171,312	-	171,312
Credit related commitments and contingencies	-	-	-	-	-	-	6,833,843	-	6,833,843
Treasury related commitments and contingencies	-	-	250,000	-	3,875,000	19,812	-	-	4,144,812
<b>Net profit sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>3,875,000</b>	<b>19,812</b>	<b>7,005,155</b>	<b>-</b>	<b>11,149,967</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

##### (a) Profit rate risk (Continued)

The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

	The Bank 31 December 2014							Trading book RM'000	Total RM'000
	Non-trading book								
	← Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
<b>Financial assets</b>									
Cash and short-term funds	4,959,559	-	-	-	-	-	175,053	-	5,134,612
Deposits and placements with banks and other financial institutions	-	92,874	52,447	73,077	-	-	536	-	218,934
Financial assets held for trading	-	-	-	-	-	-	-	3,536,650	3,536,650
Financial investments available-for-sale	-	19,990	-	19,959	863,281	1,100,384	20,308	-	2,023,922
Financial investments held-to-maturity	-	-	-	-	43,061	567,818	10,113	-	620,992
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	234,392	234,392
- Hedging derivatives	-	-	-	-	23,834	5,639	-	-	29,473
Financing, advances and other financing/loans	23,163,159	387,212	425,558	89,289	3,808,227	8,426,135	-	-	36,299,580
Other assets	-	-	-	-	-	-	92,710	-	92,710
Amount due from holding company	-	-	-	-	-	-	106,783	-	106,783
Amount due from related companies	-	-	-	-	-	-	662	-	662
<b>Total financial assets</b>	<b>28,122,718</b>	<b>500,076</b>	<b>478,005</b>	<b>182,325</b>	<b>4,738,403</b>	<b>10,099,976</b>	<b>406,165</b>	<b>3,771,042</b>	<b>48,298,710</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

##### (a) Profit rate risk (Continued)

The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates (Continued):

	The Bank 31 December 2014							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	Non-trading book		Over 5 years RM'000	Non-profit sensitive RM'000		
			> 6 – 12 months RM'000	> 1 – 5 years RM'000					
<b>Financial liabilities</b>									
Deposits from customers	29,402,508	8,511,194	1,751,272	981,334	379,109	168,580	134,047	-	41,328,044
Deposits and placements of banks and other financial institutions	2,309,273	1,318,463	2,843	874	-	-	13,260	-	3,644,713
Financial liabilities designated at fair value	-	-	-	-	158,386	-	-	(8,551)	149,835
Islamic derivative financial instruments:									
- Trading derivatives	-	-	-	-	-	-	-	213,118	213,118
- Hedging derivatives	-	-	-	-	61,167	55,912	-	-	117,079
Other liabilities	-	-	-	-	-	-	74,187	-	74,187
Amount due to related company	-	-	-	-	-	-	16,537	-	16,537
Subordinated sukuk	-	-	-	-	550,644	295,073	10,309	-	856,026
<b>Total financial liabilities</b>	<b>31,711,781</b>	<b>9,829,657</b>	<b>1,754,115</b>	<b>982,208</b>	<b>1,149,306</b>	<b>519,565</b>	<b>248,340</b>	<b>204,567</b>	<b>46,399,539</b>
<b>Net profit sensitivity gap</b>	<b>(3,589,063)</b>	<b>(9,329,581)</b>	<b>(1,276,110)</b>	<b>(799,883)</b>	<b>3,589,097</b>	<b>9,580,411</b>		<b>3,566,475</b>	
<b>Financial guarantees and commitments and contingencies</b>									
Financial guarantees	-	-	-	-	-	-	121,166	-	121,166
Credit related commitments and contingencies	-	-	-	-	-	-	5,873,733	-	5,873,733
Treasury related commitments and contingencies	-	-	-	-	3,900,000	3,016,136	-	-	6,916,136
<b>Net profit sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,900,000</b>	<b>3,016,136</b>	<b>5,994,899</b>	<b>-</b>	<b>12,911,035</b>



**CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.2 Profit rate risk (Continued)****(a) Profit rate risk (Continued)**

The profit rate risk for financial investments available-for-sale, financial investments held-to-maturity and financing, advances and other financing/loans of the Group and the Bank are further analysed by classes of financial assets as follows:

	The Group and the Bank 31 December 2015						Non-profit sensitive RM'000	Total RM'000
	←	Non-trading book				→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000		
Financial investments available-for-sale:								
- Money market instruments	-	-	-	-	117,803	195,947	3,332	317,082
- Unquoted securities	-	-	-	73,585	873,879	644,689	16,813	1,608,966
Financial investments held-to-maturity:								
- Money market instruments	-	-	-	-	174,216	298,755	5,359	478,330
- Unquoted securities	-	-	-	25,032	295,932	849,625	15,612	1,186,201
Financing, advances and other financing/loans:								
- Cashline	591,023	-	-	-	-	-	-	591,023
- Term financing	20,316,595	3,619	13,009	244,573	8,994,532	7,409,100	-	36,981,428
- Bills receivable	3,525	-	-	-	-	-	-	3,525
- Trust receipts	5,463	15,850	4,088	-	-	-	-	25,401
- Claim on customers under Islamic accepted bills	139,314	264,592	39,020	-	-	-	-	442,926
- Share purchase financing	3,888	-	-	-	-	-	-	3,888
- Credit card receivables	111,132	-	-	-	-	-	-	111,132
- Revolving credits	1,556,827	304,557	169,086	119,073	16,169	-	-	2,165,712
- Ar Rahn	405	-	-	-	-	-	-	405
<b>Total</b>	<b>22,728,172</b>	<b>588,618</b>	<b>225,203</b>	<b>462,263</b>	<b>10,472,531</b>	<b>9,398,116</b>	<b>41,116</b>	<b>43,916,019</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.2 Market risk (Continued)

##### 47.2.2 Profit rate risk (Continued)

##### (a) Profit rate risk (Continued)

The profit rate risk for financial investments available-for-sale, financial investments held-to-maturity and financing, advances and other financing/loans of the Group and the Bank are further analysed by classes of financial assets as follows (Continued):

	The Group and the Bank 31 December 2014						Non-profit sensitive RM'000	Total RM'000
	← Up to 1 month RM'000	> 1 – 3 months RM'000	Non-trading book		> 1 – 5 years RM'000	Over 5 years RM'000		
		> 3 – 6 months RM'000	> 6 – 12 months RM'000					
Financial investments available-for-sale:								
- Money market instruments	-	-	-	19,959	69,210	322,307	2,889	414,365
- Unquoted securities	-	19,990	-	-	794,071	778,076	17,420	1,609,557
Financial investments held-to-maturity:								
- Money market instruments	-	-	-	-	13,060	7,492	77	20,629
- Unquoted securities	-	-	-	-	30,000	560,327	10,036	600,363
Financing, advances and other financing/loans:								
- Cashline	552,594	-	-	-	-	-	-	552,594
- Term financing	20,861,632	3,902	21,388	69,545	3,457,402	8,423,500	-	32,837,369
- Bills receivable	2,933	-	-	-	-	-	-	2,933
- Trust receipts	2,617	12,733	2,906	-	-	-	-	18,256
- Claim on customers under Islamic accepted bills	181,500	175,770	30,568	-	-	-	-	387,838
- Share purchase financing	9,239	-	-	-	-	-	-	9,239
- Credit card receivables	108,571	-	-	-	-	-	-	108,571
- Revolving credits	1,443,860	194,268	369,859	19,743	350,824	2,636	-	2,381,190
- Ar Rahnu	215	540	835	-	-	-	-	1,590
<b>Total</b>	<b>23,163,161</b>	<b>407,203</b>	<b>425,556</b>	<b>109,247</b>	<b>4,714,567</b>	<b>10,094,338</b>	<b>30,422</b>	<b>38,944,494</b>

**CIMB Islamic Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.2 Profit rate risk (Continued)****(b) Sensitivity of profit and reserves****(i) Sensitivity of profit**

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

	The Group and the Bank			
	31 December 2015		31 December 2014	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	(83,168)	83,168	(90,828)	90,828

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.2 Profit rate risk (Continued)****(b) Sensitivity of profit and reserves (Continued)****(ii) Sensitivity of reserves**

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

	<b>The Group and the Bank</b>			
	<b>31 December 2015</b>		<b>31 December 2014</b>	
	<b>Increase/(Decrease)</b>		<b>Increase/(Decrease)</b>	
	<b>+ 100 basis points</b>	<b>- 100 basis points</b>	<b>+ 100 basis points</b>	<b>- 100 basis points</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impact to revaluation reserve - financial investments available-for-sale	(87,367)	87,367	(110,372)	110,372

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group and the Bank would take to mitigate the impact of this profit rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective profit movements.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk**

The Group and the Bank are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Bank take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

**(a) Foreign exchange risk**

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank:

	The Group 31 December 2015					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b>Financial assets</b>						
Cash and short-term funds	4,839,367	538,255	359	266,156	804,770	5,644,137
Deposits and placements with banks and other financial institutions	-	99,002	-	42,224	141,226	141,226
Financial assets held for trading:						
- Money market instruments	2,388,675	-	-	-	-	2,388,675
- Unquoted securities	59,182	244,081	-	-	244,081	303,263
Financial investments available-for-sale:						
- Money market instruments	293,398	23,684	-	-	23,684	317,082
- Unquoted securities	1,604,551	4,415	-	-	4,415	1,608,966
Financial investments held-to-maturity:						
- Money market instruments	478,330	-	-	-	-	478,330
- Unquoted securities	1,186,201	-	-	-	-	1,186,201
Islamic derivative financial instruments:						
- Trading derivatives	40,054	432,150	-	3,852	436,002	476,056
- Hedging derivatives	222	-	-	-	-	222
Financing, advances and other financing/loans:						
- Cashline	591,023	-	-	-	-	591,023
- Term financing	36,981,428	-	-	-	-	36,981,428
- Bills receivable	3,525	-	-	-	-	3,525
- Islamic trust receipts	25,401	-	-	-	-	25,401
- Claim on customers under Islamic accepted bills	442,926	-	-	-	-	442,926
- Share purchase financing	3,888	-	-	-	-	3,888
- Credit card receivables	111,132	-	-	-	-	111,132
- Revolving credit	2,165,712	-	-	-	-	2,165,712
- Ar Rahn	405	-	-	-	-	405
Other assets	153,585	-	-	-	-	153,585
Amount due from related companies	419	-	-	216	216	635
	<b>51,369,424</b>	<b>1,341,587</b>	<b>359</b>	<b>312,448</b>	<b>1,654,394</b>	<b>53,023,818</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk (Continued)****(a) Foreign exchange risk (Continued)**

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

	The Group 31 December 2015					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b><u>Financial liabilities</u></b>						
Deposits from customers	43,061,774	907,066	2,655	276,385	1,186,106	44,247,880
Placements from investment accounts	3,133,698	-	-	-	-	3,133,698
Deposits and placements of banks and other financial institutions	173,345	584,546	-	201,664	786,210	959,555
Financial liabilities designated at fair value	199,063	-	-	-	-	199,063
Islamic derivative financial instruments:						
- Trading derivatives	43,865	409,853	1	3,809	413,663	457,528
- Hedging derivatives	128,014	519	-	-	519	128,533
Amount due to holding company	11,043	-	-	-	-	11,043
Amount due to related companies	2,608	-	8	-	8	2,616
Other liabilities	179,574	-	-	-	-	179,574
Recourse obligation on loans and financing sold to Cagamas	502,368	-	-	-	-	502,368
Subordinated sukuk	856,983	-	-	-	-	856,983
	<b>48,292,335</b>	<b>1,901,984</b>	<b>2,664</b>	<b>481,858</b>	<b>2,386,506</b>	<b>50,678,841</b>
Financial guarantees	170,037	1,073	-	202	1,275	171,312
Credit related commitments and contingencies	6,537,348	291,848	-	4,647	296,495	6,833,843
	<b>6,707,385</b>	<b>292,921</b>	<b>-</b>	<b>4,849</b>	<b>297,770</b>	<b>7,005,155</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk (Continued)****(a) Foreign exchange risk (Continued)**

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

	The Group 31 December 2014					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b><u>Financial assets</u></b>						
Cash and short-term funds	4,870,933	37,401	2,360	223,965	263,726	5,134,659
Deposits and placements with banks and other financial institutions	-	164,298	-	54,636	218,934	218,934
Financial assets held for trading:						
- Money market instruments	3,255,826	-	-	-	-	3,255,826
- Unquoted securities	181,418	99,406	-	-	99,406	280,824
Financial investments available-for-sale:						
- Money market instruments	394,615	19,750	-	-	19,750	414,365
- Unquoted securities	1,605,875	3,682	-	-	3,682	1,609,557
Financial investments held-to-maturity:						
- Money market instruments	20,629	-	-	-	-	20,629
- Unquoted securities	600,363	-	-	-	-	600,363
Islamic derivative financial instruments:						
- Trading derivatives	74,194	151,821	1	8,376	160,198	234,392
- Hedging derivatives	29,473	-	-	-	-	29,473
Financing, advances and other financing/loans:						
- Cashline	552,594	-	-	-	-	552,594
- Term financing	32,837,369	-	-	-	-	32,837,369
- Bills receivable	2,933	-	-	-	-	2,933
- Islamic trust receipts	14,737	3,519	-	-	3,519	18,256
- Claim on customers under Islamic accepted bills	387,838	-	-	-	-	387,838
- Share purchase financing	9,239	-	-	-	-	9,239
- Credit card receivables	108,571	-	-	-	-	108,571
- Revolving credit	2,381,190	-	-	-	-	2,381,190
- Ar Rahn	1,590	-	-	-	-	1,590
Other assets	92,710	-	-	-	-	92,710
Amount due from holding company	106,783	-	-	-	-	106,783
Amount due from related companies	662	-	-	-	-	662
	47,529,542	479,877	2,361	286,977	769,215	48,298,757

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk (Continued)****(a) Foreign exchange risk (Continued)**

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

The Group 31 December 2014						
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b><u>Financial liabilities</u></b>						
Deposits from customers	40,614,278	619,380	3,477	90,909	713,766	41,328,044
Deposits and placements of banks and other financial institutions	3,420,961	223,752	-	-	223,752	3,644,713
Financial liabilities designated at fair value	149,835	-	-	-	-	149,835
Islamic derivative financial instruments:						
- Trading derivatives	72,478	132,305	1	8,335	140,641	213,119
- Hedging derivatives	116,787	292	-	-	292	117,079
Amount due to related companies	16,538	-	-	-	-	16,538
Other liabilities	74,187	-	-	-	-	74,187
Subordinated sukuk	856,026	-	-	-	-	856,026
	45,321,090	975,729	3,478	99,244	1,078,451	46,399,541
Financial guarantees	121,166	-	-	-	-	121,166
Credit related commitments and contingencies	5,741,291	76,933	186	55,323	132,442	5,873,733
	5,862,457	76,933	186	55,323	132,442	5,994,899



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for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk (Continued)****(a) Foreign exchange risk (Continued)**

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

	The Bank 31 December 2015					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b>Financial assets</b>						
Cash and short-term funds	4,839,322	538,254	359	266,157	804,770	5,644,092
Deposits and placements with banks and other financial institutions	-	99,002	-	42,224	141,226	141,226
Financial assets held for trading:						
- Money market instruments	2,388,675	-	-	-	-	2,388,675
- Unquoted securities	59,182	244,081	-	-	244,081	303,263
Financial investments available-for-sale:						
- Money market instruments	293,398	23,684	-	-	23,684	317,082
- Unquoted securities	1,604,551	4,415	-	-	4,415	1,608,966
Financial investments held-to-maturity:						
- Money market instruments	478,330	-	-	-	-	478,330
- Unquoted securities	1,186,201	-	-	-	-	1,186,201
Islamic derivative financial instruments:						
- Trading derivatives	40,054	432,150	-	3,852	436,002	476,056
- Hedging derivatives	222	-	-	-	-	222
Financing, advances and other financing/loans:						
- Cashline	591,023	-	-	-	-	591,023
- Term financing	36,981,428	-	-	-	-	36,981,428
- Bills receivable	3,525	-	-	-	-	3,525
- Islamic trust receipts	25,401	-	-	-	-	25,401
- Claim on customers under Islamic accepted bills	442,926	-	-	-	-	442,926
- Share purchase financing	3,888	-	-	-	-	3,888
- Credit card receivables	111,132	-	-	-	-	111,132
- Revolving credit	2,165,712	-	-	-	-	2,165,712
- Ar Rahnu	405	-	-	-	-	405
Other assets	153,585	-	-	-	-	153,585
Amount due from related companies	419	-	-	216	216	635
	<b>51,369,379</b>	<b>1,341,586</b>	<b>359</b>	<b>312,449</b>	<b>1,654,394</b>	<b>53,023,773</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk (Continued)****(a) Foreign exchange risk (Continued)**

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

	The Bank 31 December 2015					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b><u>Financial liabilities</u></b>						
Deposits from customers	43,061,774	907,066	2,655	276,385	1,186,106	44,247,880
Placements from investment accounts	3,133,698	-	-	-	-	3,133,698
Deposits and placements of banks and other financial institutions	173,345	584,546	-	201,664	786,210	959,555
Financial liabilities designated at fair value	199,063	-	-	-	-	199,063
Islamic derivative financial instruments:						
- Trading derivatives	43,865	409,853	1	3,809	413,663	457,528
- Hedging derivatives	128,014	519	-	-	519	128,533
Amount due to holding company	11,043	-	-	-	-	11,043
Amount due to subsidiaries	1	-	-	-	-	1
Amount due to related companies	2,608	-	8	-	8	2,616
Other liabilities	179,574	-	-	-	-	179,574
Recourse obligation on loans and financing sold to Cagamas	502,368	-	-	-	-	502,368
Subordinated sukuk	856,983	-	-	-	-	856,983
	<b>48,292,336</b>	<b>1,901,984</b>	<b>2,664</b>	<b>481,858</b>	<b>2,386,506</b>	<b>50,678,842</b>
Financial guarantees	170,037	1,073	-	202	1,275	171,312
Credit related commitments and contingencies	6,537,348	291,848	-	4,647	296,495	6,833,843
	<b>6,707,385</b>	<b>292,921</b>	<b>-</b>	<b>4,849</b>	<b>297,770</b>	<b>7,005,155</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk (Continued)****(a) Foreign exchange risk (Continued)**

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

	The Bank 31 December 2014					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b>Financial assets</b>						
Cash and short-term funds	4,870,886	37,401	2,360	223,965	263,726	5,134,612
Deposits and placements with banks and other financial institutions	-	164,298	-	54,636	218,934	218,934
Financial assets held for trading:						
- Money market instruments	3,255,826	-	-	-	-	3,255,826
- Unquoted securities	181,418	99,406	-	-	99,406	280,824
Financial investments available-for-sale:						
- Money market instruments	394,615	19,750	-	-	19,750	414,365
- Unquoted securities	1,605,875	3,682	-	-	3,682	1,609,557
Financial investments held-to-maturity:						
- Money market instruments	20,629	-	-	-	-	20,629
- Unquoted securities	600,363	-	-	-	-	600,363
Islamic derivative financial instruments:						
- Trading derivatives	74,194	151,821	1	8,376	160,198	234,392
- Hedging derivatives	29,473	-	-	-	-	29,473
Financing, advances and other financing/loans:						
- Cashline	552,594	-	-	-	-	552,594
- Term financing	32,837,369	-	-	-	-	32,837,369
- Bills receivable	2,933	-	-	-	-	2,933
- Islamic trust receipts	14,737	3,519	-	-	3,519	18,256
- Claim on customers under Islamic accepted bills	387,838	-	-	-	-	387,838
- Share purchase financing	9,239	-	-	-	-	9,239
- Credit card receivables	108,571	-	-	-	-	108,571
- Revolving credit	2,381,190	-	-	-	-	2,381,190
- Ar Rahnu	1,590	-	-	-	-	1,590
Other assets	92,710	-	-	-	-	92,710
Amount due from holding company	106,783	-	-	-	-	106,783
Amount due from related companies	662	-	-	-	-	662
	47,529,495	479,877	2,361	286,977	769,215	48,298,710

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk (Continued)****(a) Foreign exchange risk (Continued)**

The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank (Continued):

	The Bank 31 December 2014					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<b><u>Financial liabilities</u></b>						
Deposits from customers	40,614,278	619,380	3,477	90,909	713,766	41,328,044
Deposits and placements of banks and other financial institutions	3,420,961	223,752	-	-	223,752	3,644,713
Financial liabilities designated at fair value	149,835	-	-	-	-	149,835
Islamic derivative financial instruments:						
- Trading derivatives	72,478	132,305	1	8,335	140,641	213,119
- Hedging derivatives	116,787	292	-	-	292	117,079
Amount due to related companies	16,537	-	-	-	-	16,537
Other liabilities	74,187	-	-	-	-	74,187
Subordinated sukuk	856,026	-	-	-	-	856,026
	45,321,089	975,729	3,478	99,244	1,078,451	46,399,540
Financial guarantees	121,166	-	-	-	-	121,166
Credit related commitments and contingencies	5,741,291	76,933	186	55,323	132,442	5,873,733
	5,862,457	76,933	186	55,323	132,442	5,994,899

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.2 Market risk (Continued)****47.2.3 Foreign exchange risk (Continued)****(b) Sensitivity of profit**

The table below shows the sensitivity of the Group's and the Bank's profit to movement in foreign exchange rates:

	The Group and the Bank			
	31 December 2015		31 December 2014	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease) RM'000	Increase/(decrease) RM'000	Increase/(decrease) RM'000	Increase/(decrease) RM'000
Impact to profit (after tax)	(649)	649	233	(233)

The impact on profit arises from transactional exposures from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.3 Liquidity risk**

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and term deposits. This provides the Group a stable large funding base.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee (Country ALCO) which subsequently report to Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs. To take account of the differences in market and regulatory environments, each entity measures and forecasts its respective cash flows arising from the maturity profiles of assets, liabilities, off balance sheet commitments and derivatives over a variety of time horizons under normal business and stress conditions on a regular basis.

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk appetite and thresholds. Limits and Management Action triggers (MATs) have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Framework is subjected to regular review; assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk.

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.3 Liquidity risk (Continued)**

The Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The plan consists of two key components: an early warning system and a funding crisis management team. The early warning system is designed to alert the Group's management whenever the Group's liquidity position may be at risk. It provides the Group with the analytical framework to detect a likely liquidity problem and to evaluate the Group's funding needs and strategies in advance of a liquidity crisis. The early warning system is made up of a set of indicators (monitored against pre-determined thresholds) that can reliably signal the financial strength and stability of the Group.

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio (LCR) which took effect from June 2015 in Malaysia. The purpose of the LCR is to promote short term liquidity risk resilience by ensuring that the Group has sufficient unencumbered high quality liquid assets to meet its liquidity needs for a 30-day combined liquidity crisis scenario. In addition, the Group also performs a consolidated stress test, including liquidity stress test, a semi-annual basis to identify vulnerable areas in its portfolio, gauge the financial impact and enable management to take pre-emptive actions. Two scenarios, namely bank specific crisis and systemic crisis, are modelled. The assumptions used, including run-off rates on deposits, draw down rates on undrawn commitments, and hair cuts for marketable securities, are documented. The LCR and stress test results are submitted to the Country and Group ALCOs, the Group Risk Committee, and the Board Risk Committees / Board of Directors of the Group. The LCR and stress test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under stated stress test conditions.

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.1 Contractual maturity of assets and liabilities

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines:

	The Group 31 December 2015							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>Assets</b>								
Cash and short-term funds	5,644,137	-	-	-	-	-	-	5,644,137
Deposits and placements with banks and other financial institutions	271	140,955	-	-	-	-	-	141,226
Financial assets held for trading	494,745	960,683	995,590	-	225,502	15,418	-	2,691,938
Financial investments available-for-sale	19,571	-	-	73,585	991,681	840,636	575	1,926,048
Financial investments held-to-maturity	20,971	-	-	25,032	470,147	1,148,381	-	1,664,531
Islamic derivative financial instruments	30,141	60,999	46,780	19,556	94,756	224,046	-	476,278
Financing , advances and other financing/loans	2,452,841	589,417	226,196	465,136	10,478,393	26,113,457	-	40,325,440
Other assets	169,780	-	-	-	-	-	-	169,780
Deferred taxation	-	-	-	-	-	-	30,454	30,454
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,257,178	1,257,178
Amount due from related companies	635	-	-	-	-	-	-	635
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	82,941	82,941
Property, plant and equipment	-	-	-	-	-	-	12,595	12,595
<b>Total assets</b>	<b>8,833,092</b>	<b>1,752,054</b>	<b>1,268,566</b>	<b>583,309</b>	<b>12,260,479</b>	<b>28,341,938</b>	<b>1,519,743</b>	<b>54,559,181</b>



# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Group							Total RM'000
	31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>Liabilities</b>								
Deposits from customers	25,121,061	8,000,859	4,717,179	5,855,968	388,880	163,933	-	44,247,880
Placements from investment accounts	2,785,548	348,150	-	-	-	-	-	3,133,698
Deposits and placements of banks and other financial institutions	554,463	216,435	3,220	185,437	-	-	-	959,555
Subordinated sukuk	10,252	-	250,097	-	300,000	296,634	-	856,983
Other liabilities	414,448	-	-	-	-	-	-	414,448
Financial liabilities designated at fair value	-	-	-	-	199,063	-	-	199,063
Recourse obligation on loans and financing sold to Cagamas	2,368	-	-	-	500,000	-	-	502,368
Islamic derivative financial instruments	18,073	64,770	46,404	19,437	229,170	208,207	-	586,061
Provision for taxation and zakat	39,348	-	-	-	-	-	-	39,348
Amount due to holding company	11,043	-	-	-	-	-	-	11,043
Amount due to related companies	2,616	-	-	-	-	-	-	2,616
<b>Total liabilities</b>	<b>28,959,220</b>	<b>8,630,214</b>	<b>5,016,900</b>	<b>6,060,842</b>	<b>1,617,113</b>	<b>668,774</b>	<b>-</b>	<b>50,953,063</b>
<b>Net liquidity gap</b>	<b>(20,126,128)</b>	<b>(6,878,160)</b>	<b>(3,748,334)</b>	<b>(5,477,533)</b>	<b>10,643,366</b>	<b>27,673,164</b>	<b>1,519,743</b>	

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Group							Total
	31 December 2014							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>								
Cash and short-term funds	5,134,659	-	-	-	-	-	-	5,134,659
Deposits and placements with banks and other financial institutions	536	92,873	52,448	73,077	-	-	-	218,934
Financial assets held for trading	801,156	1,183,664	1,236,241	53,832	205,343	56,414	-	3,536,650
Financial investments available-for-sale	19,734	19,990	-	19,959	863,281	1,100,383	575	2,023,922
Financial investments held-to-maturity	10,113	-	-	-	43,061	567,818	-	620,992
Islamic derivative financial instruments	13,918	17,943	10,116	18,256	112,662	90,970	-	263,865
Financing , advances and other financing/loans	2,314,059	388,014	426,729	104,870	8,672,343	24,393,565	-	36,299,580
Other assets	101,374	-	-	-	-	-	-	101,374
Deferred taxation	-	-	-	-	-	-	21,503	21,503
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,297,654	1,297,654
Amount due from holding company	106,783	-	-	-	-	-	-	106,783
Amount due from related companies	662	-	-	-	-	-	-	662
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	91,096	91,096
Property, plant and equipment	-	-	-	-	-	-	10,124	10,124
<b>Total assets</b>	<b>8,502,994</b>	<b>1,702,484</b>	<b>1,725,534</b>	<b>269,994</b>	<b>9,896,690</b>	<b>26,209,150</b>	<b>1,556,952</b>	<b>49,863,798</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Group							Total RM'000
	31 December 2014							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>Liabilities</b>								
Deposits from customers	29,536,555	8,511,194	1,751,272	981,334	379,109	168,580	-	41,328,044
Deposits and placements of banks and other financial institutions	2,315,846	1,325,146	2,847	874	-	-	-	3,644,713
Subordinated sukuk	10,309	-	-	-	550,644	295,073	-	856,026
Other liabilities	297,254	-	-	-	-	-	-	297,254
Financial liabilities designated at fair value	-	-	-	-	149,835	-	-	149,835
Islamic derivative financial instruments	3,451	18,941	10,558	18,198	155,486	123,563	-	330,197
Provision for taxation and zakat	29,721	-	-	-	-	-	-	29,721
Amount due to related companies	16,538	-	-	-	-	-	-	16,538
<b>Total liabilities</b>	<b>32,209,674</b>	<b>9,855,281</b>	<b>1,764,677</b>	<b>1,000,406</b>	<b>1,235,074</b>	<b>587,216</b>	<b>-</b>	<b>46,652,328</b>
<b>Net liquidity gap</b>	<b>(23,706,680)</b>	<b>(8,152,797)</b>	<b>(39,143)</b>	<b>(730,412)</b>	<b>8,661,616</b>	<b>25,621,934</b>	<b>1,556,952</b>	

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Bank							Total
	31 December 2015							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>								
Cash and short-term funds	5,644,092	-	-	-	-	-	-	5,644,092
Deposits and placements with banks and other financial institutions	271	140,955	-	-	-	-	-	141,226
Financial assets held for trading	494,745	960,683	995,590	-	225,502	15,418	-	2,691,938
Financial investments available-for-sale	19,571	-	-	73,585	991,681	840,636	575	1,926,048
Financial investments held-to-maturity	20,971	-	-	25,032	470,147	1,148,381	-	1,664,531
Islamic derivative financial instruments	30,141	60,999	46,780	19,556	94,756	224,046	-	476,278
Financing , advances and other financing/loans	2,452,841	589,417	226,196	465,136	10,478,393	26,113,457	-	40,325,440
Other assets	169,780	-	-	-	-	-	-	169,780
Deferred taxation	-	-	-	-	-	-	30,454	30,454
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,257,178	1,257,178
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from related companies	635	-	-	-	-	-	-	635
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	82,941	82,941
Property, plant and equipment	-	-	-	-	-	-	12,595	12,595
<b>Total assets</b>	<b>8,833,047</b>	<b>1,752,054</b>	<b>1,268,566</b>	<b>583,309</b>	<b>12,260,479</b>	<b>28,341,938</b>	<b>1,519,754</b>	<b>54,559,147</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Bank							Total RM'000
	31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
<b>Liabilities</b>								
Deposits from customers	25,121,061	8,000,859	4,717,179	5,855,968	388,880	163,933	-	44,247,880
Placements from investment accounts	2,785,548	348,150	-	-	-	-	-	3,133,698
Deposits and placements of banks and other financial institutions	554,463	216,435	3,220	185,437	-	-	-	959,555
Subordinated sukuk	10,252	-	250,097	-	300,000	296,634	-	856,983
Other liabilities	414,448	-	-	-	-	-	-	414,448
Financial liabilities designated at fair value	-	-	-	-	199,063	-	-	199,063
Recourse obligation on loans and financing sold to Cagamas	2,368	-	-	-	500,000	-	-	502,368
Islamic derivative financial instruments	18,073	64,770	46,404	19,437	229,170	208,207	-	586,061
Provision for taxation and zakat	39,348	-	-	-	-	-	-	39,348
Amount due to holding company	11,043	-	-	-	-	-	-	11,043
Amount due to related companies	2,616	-	-	-	-	-	-	2,616
Amount due to subsidiaries	1	-	-	-	-	-	-	1
<b>Total liabilities</b>	<b>28,959,221</b>	<b>8,630,214</b>	<b>5,016,900</b>	<b>6,060,842</b>	<b>1,617,113</b>	<b>668,774</b>	<b>-</b>	<b>50,953,064</b>
<b>Net liquidity gap</b>	<b>(20,126,174)</b>	<b>(6,878,160)</b>	<b>(3,748,334)</b>	<b>(5,477,533)</b>	<b>10,643,366</b>	<b>27,673,164</b>	<b>1,519,754</b>	

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	The Bank							Total
	31 December 2014							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>								
Cash and short-term funds	5,134,612	-	-	-	-	-	-	5,134,612
Deposits and placements with banks and other financial institutions	536	92,873	52,448	73,077	-	-	-	218,934
Financial assets held for trading	801,156	1,183,664	1,236,241	53,832	205,343	56,414	-	3,536,650
Financial investments available-for-sale	19,734	19,990	-	19,959	863,281	1,100,383	575	2,023,922
Financial investments held-to-maturity	10,113	-	-	-	43,061	567,818	-	620,992
Islamic derivative financial instruments	13,918	17,943	10,116	18,256	112,662	90,970	-	263,865
Financing, advances and other financing/loans	2,314,059	388,014	426,729	104,870	8,672,343	24,393,565	-	36,299,580
Other assets	101,374	-	-	-	-	-	-	101,374
Deferred taxation	-	-	-	-	-	-	21,503	21,503
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,297,654	1,297,654
Investment in subsidiaries	-	-	-	-	-	-	20	20
Amount due from holding company	106,783	-	-	-	-	-	-	106,783
Amount due from related companies	662	-	-	-	-	-	-	662
Goodwill	-	-	-	-	-	-	136,000	136,000
Intangible assets	-	-	-	-	-	-	91,096	91,096
Property, plant and equipment	-	-	-	-	-	-	10,124	10,124
<b>Total assets</b>	<b>8,502,947</b>	<b>1,702,484</b>	<b>1,725,534</b>	<b>269,994</b>	<b>9,896,690</b>	<b>26,209,150</b>	<b>1,556,972</b>	<b>49,863,771</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines (Continued):

	<b>The Bank</b>							<b>Total</b>
	<b>31 December 2014</b>							
	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No-specific maturity RM'000</b>	<b>RM'000</b>
<b>Liabilities</b>								
Deposits from customers	29,536,555	8,511,194	1,751,272	981,334	379,109	168,580	-	41,328,044
Deposits and placements of banks and other financial institutions	2,315,846	1,325,146	2,847	874	-	-	-	3,644,713
Subordinated sukuk	10,309	-	-	-	550,644	295,073	-	856,026
Other liabilities	297,254	-	-	-	-	-	-	297,254
Financial liabilities designated at fair value	-	-	-	-	149,835	-	-	149,835
Islamic derivative financial instruments	3,451	18,941	10,558	18,198	155,486	123,563	-	330,197
Provision for taxation and zakat	29,721	-	-	-	-	-	-	29,721
Amount due to related companies	16,537	-	-	-	-	-	-	16,537
<b>Total liabilities</b>	<b>32,209,673</b>	<b>9,855,281</b>	<b>1,764,677</b>	<b>1,000,406</b>	<b>1,235,074</b>	<b>587,216</b>	<b>-</b>	<b>46,652,327</b>
<b>Net liquidity gap</b>	<b>(23,706,726)</b>	<b>(8,152,797)</b>	<b>(39,143)</b>	<b>(730,412)</b>	<b>8,661,616</b>	<b>25,621,934</b>	<b>1,556,972</b>	

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.2 Contractual maturity of financial liabilities on an undiscounted basis

##### Non-derivative financial liabilities

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

	The Group 31 December 2015							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	
<b>Non-derivative financial liabilities</b>								
Deposits from customers	25,137,584	8,053,739	4,794,113	6,034,584	407,881	202,379	-	44,630,280
Placements from investment accounts	2,788,416	351,413	-	-	-	-	-	3,139,829
Deposits and placements of banks and other financial institutions	554,581	216,674	3,233	186,776	-	-	-	961,264
Financial liabilities designated at fair value	1,200	1,094	2,175	3,934	212,310	-	-	220,713
Recourse obligation on loans and financing sold to Cagamas	2,368	-	9,282	11,650	593,200	-	-	616,500
Amount due to holding company	11,043	-	-	-	-	-	-	11,043
Amount due to related companies	2,616	-	-	-	-	-	-	2,616
Other liabilities	179,574	-	-	-	-	-	-	179,574
Subordinated sukuk	10,252	6,588	253,281	14,775	400,650	320,634	-	1,006,180
	<b>28,687,634</b>	<b>8,629,508</b>	<b>5,062,084</b>	<b>6,251,719</b>	<b>1,614,041</b>	<b>523,013</b>	<b>-</b>	<b>50,767,999</b>
Financial guarantees	171,312	-	-	-	-	-	-	171,312
Credit related commitments and contingencies	4,232,169	13,424	5,265	4,989	214,257	2,363,739	-	6,833,843
	<b>4,403,481</b>	<b>13,424</b>	<b>5,265</b>	<b>4,989</b>	<b>214,257</b>	<b>2,363,739</b>	<b>-</b>	<b>7,005,155</b>



# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

#### Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued).

	The Bank							Total RM'000
	31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	
<b>Non-derivative financial liabilities</b>								
Deposits from customers	25,137,584	8,053,739	4,794,113	6,034,584	407,881	202,379	-	44,630,280
Placements from investment accounts	2,788,416	351,413	-	-	-	-	-	3,139,829
Deposits and placements of banks and other financial institutions	554,581	216,674	3,233	186,776	-	-	-	961,264
Financial liabilities designated at fair value	1,200	1,094	2,175	3,934	212,310	-	-	220,713
Recourse obligation on loans and financing sold to Cagamas	2,368	-	9,282	11,650	593,200	-	-	616,500
Amount due to holding company	11,043	-	-	-	-	-	-	11,043
Amount due to related companies	2,616	-	-	-	-	-	-	2,616
Amount due to subsidiaries	1	-	-	-	-	-	-	1
Other liabilities	179,574	-	-	-	-	-	-	179,574
Subordinated sukuk	10,252	6,588	253,281	14,775	400,650	320,634	-	1,006,180
	<b>28,687,635</b>	<b>8,629,508</b>	<b>5,062,084</b>	<b>6,251,719</b>	<b>1,614,041</b>	<b>523,013</b>	<b>-</b>	<b>50,768,000</b>
Financial guarantees	171,312	-	-	-	-	-	-	171,312
Credit related commitments and contingencies	4,232,169	13,424	5,265	4,989	214,257	2,363,739	-	6,833,843
	<b>4,403,481</b>	<b>13,424</b>	<b>5,265</b>	<b>4,989</b>	<b>214,257</b>	<b>2,363,739</b>	<b>-</b>	<b>7,005,155</b>

# CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.3 Liquidity risk (Continued)

##### 47.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

##### Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued).

	The Group							Total
	31 December 2014							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-derivative financial liabilities</b>								
Deposits from customers	29,508,458	8,598,370	1,783,124	1,012,570	412,693	174,318	-	41,489,533
Deposits and placements of banks and other financial institutions	2,322,533	1,318,463	2,843	874	-	-	-	3,644,713
Financial liabilities designated at fair value	1,532	768	1,722	2,844	163,050	-	-	169,916
Amount due to related companies	16,538	-	-	-	-	-	-	16,538
Other liabilities	74,187	-	-	-	-	-	-	74,187
Subordinated sukuk	10,309	14,775	5,250	20,025	674,094	331,073	-	1,055,526
	<b>31,933,557</b>	<b>9,932,376</b>	<b>1,792,939</b>	<b>1,036,313</b>	<b>1,249,837</b>	<b>505,391</b>	<b>-</b>	<b>46,450,413</b>
Financial guarantees	121,166	-	-	-	-	-	-	121,166
Credit related commitments and contingencies	3,515,297	17,130	48,834	25,745	141,511	2,125,216	-	5,873,733
	<b>3,636,463</b>	<b>17,130</b>	<b>48,834</b>	<b>25,745</b>	<b>141,511</b>	<b>2,125,216</b>	<b>-</b>	<b>5,994,899</b>

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The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued).

	<b>The Bank</b>							<b>Total</b>
	<b>31 December 2014</b>							
	<b>Up to 1 month RM'000</b>	<b>&gt; 1 – 3 months RM'000</b>	<b>&gt; 3 – 6 months RM'000</b>	<b>&gt; 6 – 12 months RM'000</b>	<b>&gt; 1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No specific maturity RM'000</b>	<b>RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	29,508,458	8,598,370	1,783,124	1,012,570	412,693	174,318	-	41,489,533
Deposits and placements of banks and other financial institutions	2,322,533	1,318,463	2,843	874	-	-	-	3,644,713
Financial liabilities designated at fair value	1,532	768	1,722	2,844	163,050	-	-	169,916
Amount due to related companies	16,537	-	-	-	-	-	-	16,537
Other liabilities	74,187	-	-	-	-	-	-	74,187
Subordinated sukuk	10,309	14,775	5,250	20,025	674,094	331,073	-	1,055,526
	<b>31,933,556</b>	<b>9,932,376</b>	<b>1,792,939</b>	<b>1,036,313</b>	<b>1,249,837</b>	<b>505,391</b>	-	<b>46,450,412</b>
Financial guarantees	121,166	-	-	-	-	-	-	121,166
Credit related commitments and contingencies	3,515,297	17,130	48,834	25,745	141,511	2,125,216	-	5,873,733
	<b>3,636,463</b>	<b>17,130</b>	<b>48,834</b>	<b>25,745</b>	<b>141,511</b>	<b>2,125,216</b>	-	<b>5,994,899</b>

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.3 Liquidity risk (Continued)**

##### **47.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)**

###### **Derivative financial liabilities**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities.

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.3 Liquidity risk (Continued)****47.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis:

	The Group and the Bank							Total
	31 December 2015							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	
<b>Derivative financial liabilities</b>								
<b>Derivatives held for trading:</b>								
- Profit rate derivatives	(44,108)	-	-	-	-	-	-	(44,108)
- Equity related derivatives	(6,011)	-	-	-	-	-	-	(6,011)
- Credit related contracts	(603)	-	-	-	-	-	-	(603)
<b>Hedging derivatives:</b>								
- Profit rate derivatives	(5,831)	19,230	(32,888)	(19,227)	(101,401)	(57)	-	(140,174)
	<b>(56,553)</b>	<b>19,230</b>	<b>(32,888)</b>	<b>(19,227)</b>	<b>(101,401)</b>	<b>(57)</b>	<b>-</b>	<b>(190,896)</b>

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for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.3 Liquidity risk (Continued)****47.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis (Continued):

	The Group and the Bank							Total
	31 December 2014							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Derivative financial liabilities</b>								
<b>Derivatives held for trading:</b>								
- Profit rate derivatives	(67,567)	-	-	-	-	-	-	(67,567)
- Equity related derivatives	(13,611)	-	-	-	-	-	-	(13,611)
- Credit related contracts	(752)	-	-	-	-	-	-	(752)
<b>Hedging derivatives:</b>								
- Profit rate derivatives	(5,448)	21,910	(32,322)	(16,488)	(88,392)	(9,352)	-	(130,092)
	(87,378)	21,910	(32,322)	(16,488)	(88,392)	(9,352)	-	(212,022)

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for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.3 Liquidity risk (Continued)****47.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The Group's and the Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options, cross currency profit rate swaps.

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis.

	The Group and the Bank 31 December 2015							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	
<b>Derivative financial liabilities</b>								
<b>Derivatives held for trading</b>								
Foreign exchange derivatives:	(406,806)	-	-	-	-	-	-	(406,806)
	(406,806)	-	-	-	-	-	-	(406,806)

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for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.3 Liquidity risk (Continued)****47.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis (Continued).

	The Group and the Bank							Total
	31 December 2014							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Derivative financial liabilities</b>								
<b>Trading derivatives:</b>								
Foreign exchange derivatives	(131,188)	-	-	-	-	-	-	(131,188)
	<u>(131,188)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,188)</u>



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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.4 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.

##### **47.4.1 Determination of fair value and fair value hierarchy**

###### **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 Group 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 methodology. 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;
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets liabilities are recorded at fair value.

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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.4 Fair value estimation (Continued)**

##### **47.4.1 Determination of fair value and fair value hierarchy (Continued)**

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: <ul style="list-style-type: none"><li>• Quoted prices for similar assets and liabilities in active markets; or</li><li>• Quoted prices for identical or similar assets and liabilities in non-active markets; or</li><li>• Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.</li></ul> |
| 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.

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.4 Fair value estimation (Continued)

##### 47.4.1 Determination of fair value and fair value hierarchy (Continued)

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.

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

	The Group and the Bank Fair Value			
	Carrying amount RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
<b>31 December 2015</b>				
<i>Recurring fair value measurements</i>				
<u>Financial assets</u>				
Financial assets held for trading:				
-Money market instruments	2,388,675	2,388,675	-	2,388,675
-Unquoted securities	303,263	303,263	-	303,263
Financial investments available-for-sale:				
-Money market instruments	317,082	317,082	-	317,082
-Unquoted securities	1,608,966	1,608,391	575	1,608,966
Derivative financial instruments:				
-Trading derivatives	476,056	476,056	-	476,056
-Hedging derivatives	222	222	-	222
<b>Total</b>	<b>5,094,264</b>	<b>5,093,689</b>	<b>575</b>	<b>5,094,264</b>
<i>Recurring fair value measurements</i>				
<u>Financial liabilities</u>				
Derivative financial instruments:				
-Trading derivatives	457,528	457,528	-	457,528
-Hedging derivatives	128,533	128,533	-	128,533
Financial liabilities designated at fair value	199,063	199,063	-	199,063
<b>Total</b>	<b>785,124</b>	<b>785,124</b>	<b>-</b>	<b>785,124</b>

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## Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)

### 47 Financial Risk Management (Continued)

#### 47.4 Fair value estimation (Continued)

##### 47.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

	The Group and the Bank			Total RM'000
	Fair Value			
Carrying amount RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000		
<b>31 December 2014</b>				
<i>Recurring fair value measurements</i>				
<b><u>Financial assets</u></b>				
Financial assets held for trading:				
-Money market instruments	3,255,826	3,255,826	-	3,255,826
-Unquoted securities	280,824	280,824	-	280,824
Financial investments available-for-sale:				
-Money market instruments	414,365	414,365	-	414,365
-Unquoted securities	1,609,557	1,608,982	575	1,609,557
Derivative financial instruments:				
-Trading derivatives	234,392	234,392	-	234,392
-Hedging derivatives	29,473	29,473	-	29,473
<b>Total</b>	<b>5,824,437</b>	<b>5,823,862</b>	<b>575</b>	<b>5,824,437</b>
<i>Recurring fair value measurements</i>				
<b><u>Financial liabilities</u></b>				
Derivative financial instruments:				
-Trading derivatives	213,118	213,118	-	213,118
-Hedging derivatives	117,079	117,079	-	117,079
Financial liabilities designated at fair value	149,835	149,835	-	149,835
<b>Total</b>	<b>480,032</b>	<b>480,032</b>	<b>-</b>	<b>480,032</b>

There are no movements in Level 3 instruments for the financial year ended 31 December 2015 and 31 December 2014 for the Group and the Bank.

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**Notes to the Financial Statements  
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The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed:

	The Group			Total
	Fair Value			
Carrying value	Quoted market prices (Level 1)	Observable inputs (Level 2)		
RM'000	RM'000	RM'000	RM'000	
<b>31 December 2015</b>				
<b>Assets</b>				
Cash and short-term funds	5,644,137	5,644,137	-	5,644,137
Deposits and placements with banks and other financial institutions	141,226	-	141,226	141,226
Financial investments held-to-maturity	1,664,531	-	1,665,319	1,665,319
Financing, advances and other financing/loans	40,325,440	-	37,656,260	37,656,260
Other assets	169,780	-	169,780	169,780
Amount due from related companies	635	-	635	635
Statutory deposits with Bank Negara Malaysia	1,257,178	1,257,178	-	1,257,178
<b>Total</b>	<b>49,202,927</b>	<b>6,901,315</b>	<b>39,633,220</b>	<b>46,534,535</b>
<b>Liabilities</b>				
Deposits from customers	44,247,880	-	44,237,222	44,237,222
Placements from investment accounts	3,133,698	-	3,133,698	3,133,698
Deposits and placements of banks and other financial institutions	959,555	-	956,575	956,575
Recourse obligation on loans and financing sold to Cagamas	502,368	-	520,284	520,284
Subordinated Sukuk	856,983	-	880,319	880,319
Other liabilities	414,448	-	414,448	414,448
Amount due to holding company	11,043	-	11,043	11,043
Amount due to related companies	2,616	-	2,616	2,616
<b>Total</b>	<b>50,128,591</b>	<b>-</b>	<b>50,156,205</b>	<b>50,156,205</b>

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**Notes to the Financial Statements  
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The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed (Continued):

	<b>The Group Fair Value</b>			<b>Total RM'000</b>
	<b>Carrying value RM'000</b>	<b>Quoted market prices (Level 1) RM'000</b>	<b>Observable inputs (Level 2) RM'000</b>	
<b>31 December 2014</b>				
<b>Assets</b>				
Cash and short-term funds	5,134,659	5,134,659	-	5,134,659
Deposits and placements with banks and other financial institutions	218,934	-	218,851	218,851
Financial investments held-to-maturity	620,992	-	622,142	622,142
Financing, advances and other financing/loans	36,299,580	-	35,218,535	35,218,535
Other assets	101,374	-	101,374	101,374
Amount due from holding company	106,783	-	106,783	106,783
Amount due from related companies	662	-	662	662
Statutory deposits with Bank Negara Malaysia	1,297,654	1,297,654	-	1,297,654
<b>Total</b>	<b>43,780,638</b>	<b>6,432,313</b>	<b>36,268,347</b>	<b>42,700,660</b>
<b>Liabilities</b>				
Deposits from customers	41,328,044	-	41,299,908	41,299,908
Deposits and placements of banks and other financial institutions	3,644,713	-	3,644,712	3,644,712
Subordinated Sukuk	856,026	-	873,397	873,397
Other liabilities	297,254	-	297,254	297,254
Amount due to related companies	16,538	-	16,538	16,538
<b>Total</b>	<b>46,142,575</b>	<b>-</b>	<b>46,131,809</b>	<b>46,131,809</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2015 (Continued)****47 Financial Risk Management (Continued)****47.4 Fair value estimation (Continued)****47.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed (Continued):

	The Bank Fair Value			Total RM'000
	Carrying value RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	
<b>31 December 2015</b>				
<b>Assets</b>				
Cash and short-term funds	5,644,092	5,644,092	-	5,644,092
Deposits and placements with banks and other financial institutions	141,226	-	141,226	141,226
Financial investments held-to-maturity	1,664,531	-	1,665,319	1,665,319
Financing, advances and other financing/loans	40,325,440	-	37,656,260	37,656,260
Other assets	169,780	-	169,780	169,780
Amount due from related companies	635	-	635	635
Statutory deposits with Bank Negara Malaysia	1,257,178	1,257,178	-	1,257,178
<b>Total</b>	<b>49,202,882</b>	<b>6,901,270</b>	<b>39,633,220</b>	<b>46,534,490</b>
<b>Liabilities</b>				
Deposits from customers	44,247,880	-	44,237,222	44,237,222
Placements from investment accounts	3,133,698	-	3,133,698	3,133,698
Deposits and placements of banks and other financial institutions	959,555	-	956,575	956,575
Recourse obligation on loans and financing sold to Cagamas	502,368	-	520,284	520,284
Subordinated Sukuk	856,983	-	880,319	880,319
Other liabilities	414,448	-	414,448	414,448
Amount due to holding company	11,043	-	11,043	11,043
Amount due to subsidiaries	1	-	1	1
Amount due to related companies	2,616	-	2,616	2,616
<b>Total</b>	<b>50,128,592</b>	<b>-</b>	<b>50,156,206</b>	<b>50,156,206</b>

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The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2015 and 31 December 2014 but for which fair value is disclosed (Continued):

	<b>The Bank Fair Value</b>			<b>Total RM'000</b>
	<b>Carrying value RM'000</b>	<b>Quoted market prices (Level 1) RM'000</b>	<b>Observable inputs (Level 2) RM'000</b>	
<b>31 December 2014</b>				
<b>Assets</b>				
Cash and short-term funds	5,134,612	5,134,612	-	5,134,612
Deposits and placements with banks and other financial institutions	218,934	-	218,851	218,851
Financial investments held-to-maturity	620,992	-	622,142	622,142
Financing, advances and other financing/loans	36,299,580	-	35,218,535	35,218,535
Other assets	101,374	-	101,374	101,374
Amount due from holding company	106,783	-	106,783	106,783
Amount due from related companies	662	-	662	662
Statutory deposits with Bank Negara Malaysia	1,297,654	1,297,654	-	1,297,654
<b>Total</b>	<b>43,780,591</b>	<b>6,432,266</b>	<b>36,268,347</b>	<b>42,700,613</b>
<b>Liabilities</b>				
Deposits from customers	41,328,044	-	41,299,908	41,299,908
Deposits and placements of banks and other financial institutions	3,644,713	-	3,644,712	3,644,712
Subordinated Sukuk	856,026	-	873,397	873,397
Other liabilities	297,254	-	297,254	297,254
Amount due to related companies	16,537	-	16,537	16,537
<b>Total</b>	<b>46,142,574</b>	<b>-</b>	<b>46,131,808</b>	<b>46,131,808</b>



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## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.4 Fair value estimation (Continued)**

##### **47.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The fair values are based on the following methodologies and assumptions:

##### **Short-term funds and placements with financial institutions**

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

##### **Financial investments held-to-maturity**

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

##### **Other assets**

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

##### **Financing, advances and other financing/loans**

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

The fair values of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.4 Fair value estimation (Continued)**

##### **47.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

###### **Amount due (to)/from subsidiaries and related companies**

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar financing.

###### **Amount due (to)/from holding company and ultimate holding company**

The estimated fair value of the amount due from holding company approximates the carrying value as the balances are payable on demand.

###### **Deposits from customers**

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

###### **Placements from investment accounts**

The estimated fair values of placements from investment accounts with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

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

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

# **CIMB Islamic Bank Berhad**

(Incorporated in Malaysia)

## **Notes to the Financial Statements for the financial year ended 31 December 2015 (Continued)**

### **47 Financial Risk Management (Continued)**

#### **47.4 Fair value estimation (Continued)**

##### **47.4.2 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

###### **Other liabilities**

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

###### **Subordinated Sukuk**

The fair values for the quoted subordinated Sukuk are obtained from quoted market prices while the fair values for unquoted subordinated Sukuk are estimated based on discounted cash flow models.

###### **Credit related commitment and contingencies**

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

### **48 Change in comparatives**

Certain comparatives were restated to conform to the current financial year's presentation. There was no significant impact to the financial performance and ratios in relation to the financial year ended 31 December 2015.

### **49 Authorisation for issue of Financial Statements**

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 8 March 2016.