

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016**

		The Group		The Bank	
		30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
<b>Assets</b>					
Cash and short term funds	A1	9,442,391	5,644,137	9,442,345	5,644,092
Deposits and placements with banks and other financial institutions	A2	270,498	141,226	270,498	141,226
Financial assets held for trading	A3	1,593,230	2,691,938	1,593,230	2,691,938
Financial investments available-for-sale	A4	1,478,098	1,926,048	1,478,098	1,926,048
Financial investments held-to-maturity	A5	2,499,127	1,664,531	2,499,127	1,664,531
Islamic derivative financial instruments	A23 (i)	457,956	476,278	457,956	476,278
Financing, advances and other financing/loans	A6	42,494,591	40,325,440	42,494,591	40,325,440
Other assets	A7	297,019	169,780	297,019	169,780
Deferred taxation		22,720	30,454	22,720	30,454
Amount due from holding company		484,033	-	484,033	-
Amount due from related companies		557	635	557	635
Statutory deposits with Bank Negara Malaysia		1,359,394	1,257,178	1,359,394	1,257,178
Investment in subsidiaries		-	-	11	11
Property, plant and equipment		11,053	12,595	11,053	12,595
Intangible assets		77,878	82,941	77,878	82,941
Goodwill		136,000	136,000	136,000	136,000
<b>Total assets</b>		<b>60,624,545</b>	<b>54,559,181</b>	<b>60,624,510</b>	<b>54,559,147</b>
<b>Liabilities</b>					
Deposits from customers	A8	46,549,637	44,247,880	46,549,637	44,247,880
Investment accounts of customers	A9	243,200	232,716	243,200	232,716
Deposits and placements of banks and other financial institutions	A10	2,529,930	959,555	2,529,930	959,555
Investment accounts due to designated financial institutions	A11	4,004,752	2,900,982	4,004,752	2,900,982
Financial liabilities designated at fair value	A12	164,216	199,063	164,216	199,063
Islamic derivative financial instruments	A23 (i)	605,806	586,061	605,806	586,061
Amount due to holding company		-	11,043	-	11,043
Amount due to subsidiaries		-	-	-	1
Amount due to related companies		116	2,616	116	2,616
Other liabilities	A13	606,509	414,448	606,509	414,448
Recourse obligation on loans and financing sold to Cagamas		1,353,207	502,368	1,353,207	502,368
Provision for tax and Zakat		63,472	39,348	63,472	39,348
Subordinated Sukuk	A14	606,744	856,983	606,744	856,983
<b>Total liabilities</b>		<b>56,727,589</b>	<b>50,953,063</b>	<b>56,727,589</b>	<b>50,953,064</b>
<b>Equity</b>					
<b>Capital and reserves attributable to equity holder of the Bank</b>					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		2,676,956	2,386,118	2,676,921	2,386,083
		<b>3,676,956</b>	<b>3,386,118</b>	<b>3,676,921</b>	<b>3,386,083</b>
Perpetual preference shares		220,000	220,000	220,000	220,000
<b>Total equity</b>		<b>3,896,956</b>	<b>3,606,118</b>	<b>3,896,921</b>	<b>3,606,083</b>
<b>Total equity and liabilities</b>		<b>60,624,545</b>	<b>54,559,181</b>	<b>60,624,510</b>	<b>54,559,147</b>
<b>Commitments and contingencies</b>	A23 (ii)	<b>43,963,516</b>	<b>29,305,914</b>	<b>43,963,516</b>	<b>29,305,914</b>
Net assets per ordinary share attributable to owners of the Parent (RM)		<b>3.68</b>	<b>3.39</b>	<b>3.68</b>	<b>3.39</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.*

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2016**

		The Group			
		2nd Quarter Ended		6 Months Ended	
		30 June	30 June	30 June	30 June
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A15	564,345	574,417	1,165,928	1,087,644
Income derived from investment of investment account	A16	49,779	-	92,357	-
Income derived from investment of shareholder's funds	A17	83,872	93,994	132,952	213,642
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	A18	(6,659)	(16,144)	6,218	(51,148)
Allowances for impairment losses on other receivables		(148)	(42)	(115)	(67)
<b>Total distributable income</b>		<b>691,189</b>	652,225	<b>1,397,340</b>	1,250,071
Income attributable to depositors	A19	(365,473)	(382,630)	(722,545)	(737,670)
Profit distributed to investment account holder	A20	(36,099)	-	(65,578)	-
<b>Total net income</b>		<b>289,617</b>	269,595	<b>609,217</b>	512,401
Personnel expenses	A21	(9,424)	(20,446)	(18,598)	(40,404)
Other overheads and expenditures	A22	(103,562)	(106,387)	(222,848)	(214,744)
<b>Profit for the the period</b>		<b>176,631</b>	142,762	<b>367,771</b>	257,253
Taxation		(42,510)	(35,458)	(89,549)	(67,673)
<b>Net profit for the period</b>		<b>134,121</b>	107,304	<b>278,222</b>	189,580

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2016**

<b>Profit for the period</b>	<b>134,121</b>	107,304	<b>278,222</b>	189,580
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**Other comprehensive income:**
**Items that may be reclassified subsequently to profit or loss**

Revaluation reserve financial investments available-for-sale

- Net gain from change in fair value

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

- Income tax effects

Other comprehensive income for the period, net of tax

**Total comprehensive income for the period**

5,961	6,655	18,346	22,269
(348)	(1,081)	(1,537)	(1,091)
(1,347)	(968)	(4,034)	(4,869)
4,266	4,606	12,775	16,309
<b>138,387</b>	111,910	<b>290,997</b>	205,889

Earnings per share (sen)	B3	13.41	10.73	27.82	18.96
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**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2016**

		The Bank			
		2nd Quarter Ended		6 Months Ended	
		30 June	30 June	30 June	30 June
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A15	564,345	574,417	1,165,928	1,087,644
Income derived from investment of investment account	A16	49,779	-	92,357	-
Income derived from investment of shareholder's funds	A17	83,872	93,973	132,952	213,621
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	A18	(6,659)	(16,144)	6,218	(51,148)
Allowances for impairment losses on other receivables		(148)	(42)	(115)	(67)
Write-back/(allowances for) impairment on investment in subsidiaries		-	(9)	-	(9)
<b>Total distributable income</b>		<b>691,189</b>	652,195	<b>1,397,340</b>	1,250,041
Income attributable to depositors	A19	(365,473)	(382,630)	(722,545)	(737,670)
Profit distributed to investment account holder	A20	(36,099)	-	(65,578)	-
<b>Total net income</b>		<b>289,617</b>	269,565	<b>609,217</b>	512,371
Personnel costs	A21	(9,424)	(20,446)	(18,598)	(40,404)
Other overheads and expenditures	A22	(103,562)	(106,366)	(222,848)	(214,723)
<b>Profit before taxation</b>		<b>176,631</b>	142,753	<b>367,771</b>	257,244
Taxation		(42,510)	(35,458)	(89,549)	(67,673)
<b>Profit for the financial period</b>		<b>134,121</b>	107,295	<b>278,222</b>	189,571

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2016**

<b>Profit for the period</b>	<b>134,121</b>	<b>107,295</b>	<b>278,222</b>	<b>189,571</b>
<b>Other comprehensive income/(expenses):</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Revaluation reserve of financial investments available-for-sale				
- Net gain from change in fair value	5,961	6,655	18,346	22,269
- Realised gain transferred to statement of income on disposal and impairment	(348)	(1,081)	(1,537)	(1,091)
- Income tax effects	(1,347)	(968)	(4,034)	(4,869)
Other comprehensive income for the period, net of tax	4,266	4,606	12,775	16,309
<b>Total comprehensive income for the period</b>	<b>138,387</b>	<b>111,901</b>	<b>290,997</b>	<b>205,880</b>

Earnings per share -basis (sen)	B3	13.41	10.73	27.82	18.96
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The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

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 Attributable to owners of the Parent

The Group	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
<b>At 1 January 2016</b>	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,980	3,386,118	220,000	3,606,118
Net profit for the financial period	-	-	-	-	-	-	-	278,222	278,222	-	278,222
Other comprehensive income (net of tax)	-	-	12,775	-	-	-	-	-	12,775	-	12,775
- Financial investments available-for-sale	-	-	12,775	-	-	-	-	278,222	290,997	-	290,997
Total comprehensive income for the period	-	-	-	-	-	-	241	-	241	-	241
Share-based payment expense	-	-	-	-	-	-	-	(69,556)	-	-	-
Transfer to statutory reserve	-	69,556	-	-	-	-	-	(73,015)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	73,015	-	-	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(400)	-	(400)	-	(400)
<b>At 30 June 2016</b>	<b>1,000,000</b>	<b>1,014,709</b>	<b>(13,745)</b>	<b>(2,457)</b>	<b>458</b>	<b>133,972</b>	<b>388</b>	<b>1,543,631</b>	<b>3,676,956</b>	<b>220,000</b>	<b>3,896,956</b>

30 June 2015

<b>At 1 January 2015</b>	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 period	-	-	-	-	-	-	-	189,580	189,580	-	189,580
Other comprehensive income (net of tax)	-	-	16,309	-	-	-	-	-	16,309	-	16,309
- Financial investments available-for-sale	-	-	16,309	-	-	-	-	189,580	205,889	-	205,889
Total comprehensive income for the period	-	-	-	-	-	-	274	-	274	-	274
Share-based payment expense	-	-	-	-	-	-	-	(47,593)	-	-	-
Transfer to statutory reserve	-	47,393	-	-	-	-	-	(49,730)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	49,730	-	-	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(475)	-	(475)	-	(475)
<b>At 30 June 2015</b>	<b>1,000,000</b>	<b>891,542</b>	<b>(961)</b>	<b>(2,457)</b>	<b>458</b>	<b>49,730</b>	<b>473</b>	<b>1,258,373</b>	<b>3,197,158</b>	<b>220,000</b>	<b>3,417,158</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

The Bank	Non-distributable <span style="float: right;">Distributable</span>										
	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
<b>30 June 2016</b>											
<b>At 1 January 2016</b>	1,000,000	945,153	(26,520)	(2,457)	458	60,957	547	1,407,945	3,386,083	220,000	3,606,083
Net profit for the financial period	-	-	-	-	-	-	-	278,222	278,222	-	278,222
Other comprehensive income (net of tax)	-	-	12,775	-	-	-	-	-	12,775	-	12,775
- Financial investments available-for-sale	-	-	12,775	-	-	-	-	278,222	290,997	-	290,997
Total comprehensive income for the period	-	-	-	-	-	-	241	(69,556)	241	-	241
Share-based payment expense	-	69,556	-	-	-	-	-	(73,015)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	73,015	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	(400)	-	(400)	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	388	1,543,596	3,676,921	220,000	3,896,921
<b>At 30 June 2016</b>	<b>1,000,000</b>	<b>1,014,709</b>	<b>(13,745)</b>	<b>(2,457)</b>	<b>458</b>	<b>133,972</b>	<b>388</b>	<b>1,543,596</b>	<b>3,676,921</b>	<b>220,000</b>	<b>3,896,921</b>
<b>30 June 2015</b>											
<b>At 1 January 2015</b>	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 period	-	-	-	-	-	-	-	189,571	189,571	-	189,571
Other comprehensive income (net of tax)	-	-	16,309	-	-	-	-	-	16,309	-	16,309
- Financial investments available-for-sale	-	-	16,309	-	-	-	-	189,571	205,880	-	205,880
Total comprehensive income for the period	-	-	-	-	-	-	274	(47,393)	274	-	274
Share-based payment expense	-	47,393	-	-	-	-	-	(49,730)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	49,730	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	(475)	-	(475)	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	473	1,258,338	3,197,123	220,000	3,417,123
<b>At 30 June 2015</b>	<b>1,000,000</b>	<b>891,542</b>	<b>(961)</b>	<b>(2,457)</b>	<b>458</b>	<b>49,730</b>	<b>473</b>	<b>1,258,338</b>	<b>3,197,123</b>	<b>220,000</b>	<b>3,417,123</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2016**

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
Profit before taxation	367,771	257,253	367,771	257,244
Adjustments for non-cash items	<u>(93,274)</u>	<u>45,357</u>	<u>(93,274)</u>	<u>45,366</u>
Operating profit before changes in working capital	274,497	302,610	274,497	302,610
Net changes in operating assets	<b>(1,858,618)</b>	(2,319,064)	<b>(1,858,618)</b>	(2,319,064)
Net changes in operating liabilities	<b>5,157,236</b>	4,784,456	<b>5,157,235</b>	4,784,492
Tax paid	<u>(61,725)</u>	<u>(60,005)</u>	<u>(61,725)</u>	<u>(60,005)</u>
<b>Net cash generated from operating activities</b>	<b>3,511,390</b>	2,707,997	<b>3,511,389</b>	2,708,033
Net cash flows used in investing activities	<b>(293,173)</b>	(866,033)	<b>(293,173)</b>	(866,033)
Net cash flows generated from/(used in) financing activities	<u><b>580,037</b></u>	<u>(20,562)</u>	<u><b>580,037</b></u>	<u>(20,562)</u>
<b>Net change in cash and cash equivalents</b>	<b>3,798,254</b>	1,821,402	<b>3,798,253</b>	1,821,438
Cash and cash equivalents at beginning of the financial period	<u><b>5,644,137</b></u>	<u>5,134,659</u>	<u><b>5,644,092</b></u>	<u>5,134,612</u>
Cash and cash equivalents at end of the financial period	<u><b>9,442,391</b></u>	<u>6,956,061</u>	<u><b>9,442,345</b></u>	<u>6,956,050</u>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.*

## **PART A - EXPLANATORY NOTES**

### **A. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the financial period ended 30 June 2016 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale, derivative financial instruments and financial liabilities designated at fair value, that have been measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements.

The unaudited condensed interim financial statements should be read in conjunction with the Group's and the Bank's audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2015.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2015, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2016:

- Amendments to MFRS 11, "Joint Arrangements"
- Amendments to MFRS 116, "Property, Plant and Equipment" and MFRS 138 "Intangible Assets"
- Amendments to MFRS 127, "Separate Financial Statements"
  
- Annual improvement to MFRSs 2012 - 2014 Cycle
  - Amendment to MFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"
  - Amendment to MFRS 7, "Financial Instruments: Disclosure-Servicing contracts"
  - Amendment to MFRS 7, "Financial Instruments: Disclosure-Applicability of the amendments to MFRS 7 to condensed interim financial statements"
  - Amendment to MFRS 119, "Employee Benefits"
  - Amendment to MFRS 134, "Interim Financial Reporting"
  
- Amendments to MFRSs 101, "Presentation of financial statements"

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

The preparation of unaudited condensed interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

**B. CHANGES IN ESTIMATES**

There were no material changes to financial estimates made in respect of the current financial period that had previously been announced or disclosed.

**C. ISSUANCE AND REPAYMENT OF DEBT EQUITY SECURITIES**

On 21 April 2016, the Bank has redeemed its RM250 million Basel II Tier-2 Junior Sukuk.

**D. PROPOSED DIVIDEND**

There were no dividends paid or proposed for the period ended 30 June 2016.

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

There were no significant events other than those disclosed under issuance and repayment of debt equity securities that had occurred between 30 June 2016 and the date of this announcement.



PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
<b>A1 Cash and short-term funds</b>				
Cash and balances with banks and other financial institutions	649,717	822,014	649,671	821,969
Money at call and deposit placements maturing within one month	8,792,674	4,822,123	8,792,674	4,822,123
	<b>9,442,391</b>	<b>5,644,137</b>	<b>9,442,345</b>	<b>5,644,092</b>
			<b>The Group and the Bank</b>	
			<b>30 June</b>	<b>31 December</b>
			<b>2016</b>	<b>2015</b>
			<b>RM'000</b>	<b>RM'000</b>
<b>A2 Deposits and placements with banks and other financial institutions</b>				
Licensed Islamic banks			201,591	-
Licensed banks			68,907	99,002
Other financial institutions			-	42,224
			<b>270,498</b>	<b>141,226</b>
<b>A3 Financial assets held for trading</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Malaysian Government treasury bills			-	14,861
Bank Negara monetary notes			-	19,918
Islamic negotiable instruments of deposits			1,373,103	2,230,491
Government Investment Issues			93,907	123,405
			<b>1,467,010</b>	<b>2,388,675</b>
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Islamic private debt securities			46,275	218,039
<u>Outside Malaysia</u>				
Islamic private debt securities			79,945	85,224
			<b>1,593,230</b>	<b>2,691,938</b>
<b>A4 Financial investments available-for-sale</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Government Investment Issues			53,167	229,054
Islamic Cagamas bonds			20,767	23,671
Malaysian Government Sukuk			28,054	44,168
Khazanah bonds			-	20,189
			<b>101,988</b>	<b>317,082</b>
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Islamic private debt securities			1,299,165	1,526,399
Placement with IBFIM			575	575
<u>Outside Malaysia</u>				
Islamic private debt securities			76,370	81,992
			<b>1,478,098</b>	<b>1,926,048</b>
<b>A5 Financial investments held-to-maturity</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Government Investment Issues			636,955	433,885
Islamic Cagamas bonds			30,941	30,724
Khazanah bonds			12,662	12,662
			<b>680,558</b>	<b>477,271</b>
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Islamic private debt securities			1,817,080	1,186,380
Amortisation of premium less accretion of discount			1,489	880
			<b>2,499,127</b>	<b>1,664,531</b>

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

**A6 Financing, advances and other financing/loans**

**(i) Financing by types and Shariah contracts**

**At amortised cost:**

	<b>The Group and the Bank</b>				<b>Total</b>
	<b>Bai'</b>	<b>Ijarah</b>	<b>Qard</b>	<b>Others</b>	
<b>30 June 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash line <sup>^</sup>	649,438	-	3,342	-	652,780
Term financing					
- House financing	9,995,801	1,474,364	-	-	11,470,165
- Syndicated financing	2,210,079	135,437	-	-	2,345,516
- Hire purchase receivables	-	3,948,907	-	-	3,948,907
- Other term financing	21,047,661	57,731	-	-	21,105,392
Bills receivable	31,908	-	326	-	32,234
Islamic trust receipts	18,910	-	-	-	18,910
Claims on customer under Islamic accepted bills	376,473	-	-	-	376,473
Credit card receivables	-	-	-	114,568	114,568
Revolving credits	2,590,909	-	-	-	2,590,909
Share purchase financing	2,258	-	-	-	2,258
Ar Rahnū	-	-	-	6	6
Gross financing, advances and other financing/loans	<u>36,923,437</u>	<u>5,616,439</u>	<u>3,668</u>	<u>114,574</u>	<u>42,658,118</u>
Fair value changes arising from fair value hedges					147,439
Less : Allowance for impairment losses					
- Individual impairment allowance					(52,115)
- Portfolio impairment allowance					(258,851)
Total net financing, advances and other financing/loans					<u><u>42,494,591</u></u>

**31 December 2015**

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	<u>34,531,544</u>	<u>5,910,737</u>	<u>17,267</u>	<u>115,623</u>	<u>40,575,171</u>
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><u>40,325,440</u></u>

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

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

**A6 Financing, advances and other financing/loans (continued)**

(a) The Group and the Bank have undertaken fair value hedges on the profit rate risk of financing, advances and other financing/loans of RM3,575 million (2015: RM3,575 million) using Islamic profit rate swaps.

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between CIMB Islamic Bank Berhad and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the portfolio and individual impairment for bad and doubtful financing arising thereon.

As at 30 June 2016, the gross exposures to RPSIA financing is RM3,326 million (31 December 2015: RM2,733 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM4.7 million (31 December 2015: RM5.4 million) is recognised in the Financial Statements of CIMB Bank Berhad.

There was no individual impairment provided on this RPSIA financing.

(c) Movement of Qard financing

	<b>The Group and the Bank</b>	
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RM'000</b>	RM'000
As at 1 January 2016/2015	17,267	10,277
New disbursement	1,878	13,522
Repayment	(15,477)	(6,532)
As at 30 June/ 31 December	<u>3,668</u>	<u>17,267</u>
Sources of Qard fund:		
Depositors' fund	3,419	16,122
Shareholders' fund	249	1,145
	<u>3,668</u>	<u>17,267</u>
Uses of Qard fund:		
Personal use	381	337
Business purpose	3,287	16,930
	<u>3,668</u>	<u>17,267</u>

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

**A6 Financing, advances and other financing/loans (continued)**

	<b>The Group and the Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) By geographical distribution:</b>		
Malaysia	<u>42,658,118</u>	<u>40,575,171</u>
	<u>42,658,118</u>	<u>40,575,171</u>
<b>(iii) By type of customer :</b>		
Domestic banking institutions	28,276	-
Domestic non-bank financial institutions	1,658,683	1,657,505
Domestic business enterprises		
- Small medium enterprises	6,796,720	6,233,846
- Others	3,613,197	4,120,572
Government and statutory bodies	7,281,197	6,777,740
Individuals	23,067,415	21,533,091
Other domestic entities	77,536	85,076
Foreign entities	135,094	167,341
	<u>42,658,118</u>	<u>40,575,171</u>
<b>(iv) By profit rate sensitivity :</b>		
Fixed rate		
- House financing	130,551	142,863
- Hire purchase receivables	3,923,685	4,306,661
- Others	10,442,163	10,595,140
Variable rate		
- House financing	11,339,614	10,877,207
- Other financing	16,822,105	14,653,300
	<u>42,658,118</u>	<u>40,575,171</u>
<b>(v) By economic purpose :</b>		
Personal use	2,587,943	2,678,136
Credit card	114,568	115,218
Construction	1,436,918	1,509,395
Residential property	11,740,751	11,275,976
Non-residential property	3,734,366	3,808,146
Purchase of fixed assets other than land and building	154,984	190,870
Merger and acquisition	2,712	593
Purchase of securities	3,766,044	2,254,002
Purchase of transport vehicles	4,203,601	4,571,338
Working capital	10,396,739	9,714,362
Other purpose	4,519,492	4,457,135
	<u>42,658,118</u>	<u>40,575,171</u>
<b>(vi) By residual contractual maturity :</b>		
Within one year	4,077,935	3,673,132
One year to less than three years	3,520,514	3,662,243
Three years to less than five years	5,296,608	6,980,706
Five years and more	29,763,061	26,259,090
	<u>42,658,118</u>	<u>40,575,171</u>

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

**A6 Financing, advances and other financing/loans (continued)**

	<b>The Group and the Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vii) Impaired financing by economic purpose :</b>		
Personal use	25,761	27,423
Credit card	3,780	3,463
Construction	37,247	40,150
Residential property	88,130	93,851
Non-residential property	88,504	40,038
Purchased of fixed assets other than land & building	-	379
Purchase of securities	835	988
Purchase of transport vehicles	105,060	106,316
Working capital	114,407	74,433
Other purpose	55,119	37,343
	<u>518,843</u>	<u>424,384</u>
<b>(viii) Impaired financing by geographical distribution:</b>		
Malaysia	<u>518,843</u>	<u>424,384</u>
	<u>518,843</u>	<u>424,384</u>
<b>(ix) Movement in impaired financing, advances and other financing/loans :</b>		
As at 1 January	424,384	457,861
Classified as impaired during the financial year	343,906	534,355
Reclassified as non-impaired during the period/year	(129,683)	(305,934)
Amount written back in respect of recoveries	(53,288)	(103,317)
Amount written off	(66,476)	(158,581)
As at 30 June/ 31 December	<u>518,843</u>	<u>424,384</u>
Ratio of gross impaired financing to total financing advances, and other financing/loans	<u>1.22%</u>	<u>1.05%</u>
<b>(x) Movements in allowance for impaired financing :</b>		
<b>Individual impairment allowance</b>		
As at 1 January	46,168	39,713
Net allowance made during the period/year	5,947	7,436
Amount written off	-	(981)
As at 30 June/ 31 December	<u>52,115</u>	<u>46,168</u>
<b>Portfolio impairment allowance</b>		
As at 1 January	314,054	346,430
Net allowance made during the period/year	11,322	125,204
Amount written off	(66,525)	(157,580)
As at 30 June/ 31 December	<u>258,851</u>	<u>314,054</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	<u>1.20%</u>	<u>1.20%</u>

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

	<b>The Group and the Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>A7 Other assets</b>		
Deposits and prepayments	4,996	4,176
Sundry debtors	237,234	100,929
Credit Support Annex for derivative transactions	42,105	52,790
Clearing accounts	12,684	11,885
	<u>297,019</u>	<u>169,780</u>
<b>A8 Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Savings deposits	2,893,696	2,584,159
Wadiah	<u>2,893,696</u>	<u>2,584,159</u>
Demand deposits	9,469,718	9,352,520
Wadiah	<u>9,185,493</u>	<u>8,965,736</u>
Qard	<u>284,225</u>	<u>386,784</u>
Term deposits	34,174,276	32,296,512
Commodity Murabahah	33,845,117 *	31,296,088
Islamic negotiable instruments	139,860	742,792
Mudharabah	<u>139,860</u>	<u>344,450</u>
Hybrid (Bai Bithamin Ajil and Bai al-Dayn)	<u>-</u>	<u>398,342</u>
General investment account	31,965	77,997
Mudharabah	<u>31,965</u>	<u>77,997</u>
Specific investment account	157,334	169,209
Mudharabah	<u>157,334</u>	<u>169,209</u>
Other term deposit	-	10,426
Wadiah	<u>-</u>	<u>10,426</u>
Others - Qard	11,947	14,689
	<u>46,549,637</u>	<u>44,247,880</u>
*included Qard contract of RM381,254,000		
<b>(ii) Maturity structures of term deposits</b>		
Due within six months	21,384,501	25,842,307
Six months to less than one year	7,884,248	5,899,386
One year to less than three years	4,385,676	389,910
Three years to less than five years	377,746	885
Five years and more	142,105	164,024
	<u>34,174,276</u>	<u>32,296,512</u>

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

	<b>The Group and the Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A8 Deposits from customers (continued)</b>		
<b>(iii) By type of customer</b>		
Government and statutory bodies	4,000,731	3,459,263
Business enterprises	15,467,799	17,357,522
Individuals	8,528,383	8,414,602
Others	18,552,724	15,016,493
	<u>46,549,637</u>	<u>44,247,880</u>
<b>A9 Investment accounts of customers</b>		
Unrestricted investment accounts		
- without maturity		
Special Mudharabah Investment Account	243,200	232,716
	<u>243,200</u>	<u>232,716</u>
<b>A10 Deposits and placements of banks and other financial institutions</b>		
<u>Non-Mudharabah</u>		
Licensed Islamic banks	380,653	85,901
Licensed investment banks	320	173,345
Licensed banks	1,302,184	473,446
Bank Negara Malaysia	806,579	159,026
Other financial institutions	40,194	67,837
	<u>2,529,930</u>	<u>959,555</u>
The maturity structure of deposits and placements from financial institutions are as follows:		
Due within six months	2,522,586	772,251
Six months to less than one year	6,329	187,304
One year to three years	1,015	-
	<u>2,529,930</u>	<u>959,555</u>
<b>A11 Investment accounts due to designated financial institutions</b>		
Restricted investment accounts		
Mudharabah	4,004,752	2,900,982
	<u>4,004,752</u>	<u>2,900,982</u>
By type of counterparty		
Licensed banks	4,004,752	2,900,982
	<u>4,004,752</u>	<u>2,900,982</u>

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

**The Group and the Bank**  
**30 June**      31 December  
**2016**          2015  
**RM'000**        RM'000

**A12 Financial liabilities designated at fair value**

Deposits from customers - structured investments	<u>164,216</u>	<u>199,063</u>
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The Group and the Bank have issued structured investments, and have designated them at fair value in accordance with MFRS139. The Group and the Bank have the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the Group and the Bank as at 30 June 2016 of financial liabilities designated at fair value were RM476,000 (31 December 2015:RM8,581,000) 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.

**A13 Other liabilities**

Accruals and other payables	<b>283,063</b>	168,708
Clearing accounts	<b>313,944</b>	234,571
Others	<b>9,502</b>	11,169
	<u><b>606,509</b></u>	<u>414,448</u>

**A14 Subordinated sukuk**

**The Group and the Bank**

The RM600 million subordinated Sukuk (“the Sukuk”) is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the Bank is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

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

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

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

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



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

	2nd Quarter Ended		6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>A15 Income derived from investment of depositors' funds and others</b>				
<b>The Group and The Bank</b>				
Income derived from investment of :				
a) General investment deposits	377,152	360,720	785,504	658,387
b) Specific investment deposits	3,670	38,505	8,411	75,171
c) Other deposits	183,523	175,192	372,013	354,086
	<u>564,345</u>	<u>574,417</u>	<u>1,165,928</u>	<u>1,087,644</u>
<b>a) Income derived from investment of general investment deposits</b>				
Financing, advances and other financing/loans				
- Profit income	307,531	284,127	613,204	539,161
- Unwinding income <sup>^</sup>	2,330	1,495	4,332	2,740
Financial assets held for trading	2,917	4,372	6,835	8,229
Financial investments available-for-sale	9,836	16,106	20,761	28,516
Financial investments held-to-maturity	14,986	6,276	27,527	10,811
Money at call and deposit with financial institutions	37,456	49,507	65,579	83,695
	<u>375,056</u>	<u>361,883</u>	<u>738,238</u>	<u>673,152</u>
Accretion of discount less amortisation of premium	8,880	13,048	22,391	27,919
Total finance income and hibah	<u>383,936</u>	<u>374,931</u>	<u>760,629</u>	<u>701,071</u>
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised gain	145	107	1,658	658
- unrealised gain	(566)	1,255	(491)	1,371
- Net gain from sale of financial investments available-for-sale	218	683	974	689
- Net (loss)/gain from foreign exchange transactions	(7,100)	(18,687)	21,493	(48,358)
	<u>(7,303)</u>	<u>(16,642)</u>	<u>23,634</u>	<u>(45,640)</u>
Fee and commission income	519	2,431	1,241	2,956
	<u>377,152</u>	<u>360,720</u>	<u>785,504</u>	<u>658,387</u>
<b>b) Income derived from investment of specific investment deposits</b>				
Financing, advances and other financing/loans				
- Profit income	-	33,254	-	64,472
Money at call and deposit with financial institutions	3,670	5,251	8,411	10,699
	<u>3,670</u>	<u>38,505</u>	<u>8,411</u>	<u>75,171</u>

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

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

2nd Quarter Ended		6 Months Ended	
30 June	30 June	30 June	30 June
2016	2015	2016	2015
RM'000	RM'000	RM'000	RM'000

**A15 Income derived from investment of depositors funds and others (continued)**

**c) Income derived from investment of other deposits**

Financing, advances and other financing/loans				
- Profit income	<b>149,643</b>	137,993	<b>290,739</b>	291,267
- Unwinding income <sup>^</sup>	<b>1,134</b>	726	<b>2,058</b>	1,474
Financial assets held for trading	<b>1,420</b>	2,123	<b>3,228</b>	4,441
Financial investments available-for-sale	<b>4,786</b>	7,822	<b>9,829</b>	15,280
Financial investments held-to-maturity	<b>7,292</b>	3,049	<b>13,081</b>	5,774
Money at call and deposit with financial institutions	<b>18,226</b>	24,045	<b>31,207</b>	44,591
	<b>182,501</b>	175,758	<b>350,142</b>	362,827
Accretion of discount less amortisation of premium	<b>4,321</b>	6,337	<b>10,558</b>	15,274
Total finance income and hibah	<b>186,822</b>	182,095	<b>360,700</b>	378,101
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised gain	<b>71</b>	52	<b>769</b>	383
- unrealised gain	<b>(275)</b>	610	<b>(241)</b>	679
- Net gain from sale of financial investments available-for-sale	<b>106</b>	331	<b>455</b>	335
- Net (loss)/gain from foreign exchange transactions	<b>(3,454)</b>	(9,076)	<b>9,744</b>	(26,908)
	<b>(3,552)</b>	(8,083)	<b>10,727</b>	(25,511)
Fee and commission income	<b>253</b>	1,180	<b>586</b>	1,496
	<b>183,523</b>	175,192	<b>372,013</b>	354,086

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

**A16 Income derived from investment of investment account**

**The Group and The Bank**

Financing, advances and other financing/loans				
- Profit income	<b>45,533</b>	-	<b>86,243</b>	-
- Unwinding income <sup>^</sup>	<b>40</b>	-	<b>48</b>	-
Money at call and deposit with financial institutions	<b>4,206</b>	-	<b>6,066</b>	-
	<b>49,779</b>	-	<b>92,357</b>	-

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

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>A17 Income derived from investment of shareholder's funds</b>				
<b>The Group</b>				
Financing, advances and other financing/loans				
- Profit income	33,277	27,421	67,390	55,197
- Unwinding income <sup>^</sup>	253	144	476	280
Financial assets held for trading	316	422	753	842
Financial investments available-for-sale	1,065	1,554	2,284	2,906
Financial investments held-to-maturity	1,621	606	3,021	1,100
Money at call and deposit with financial institutions	4,053	4,778	7,192	8,501
	<b>40,585</b>	<b>34,925</b>	<b>81,116</b>	<b>68,826</b>
Accretion of discount less amortisation of premium	961	1,259	2,469	2,879
Total finance income and hibah	<b>41,546</b>	<b>36,184</b>	<b>83,585</b>	<b>71,705</b>
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised gain	16	10	185	70
- unrealised (loss)/gain	(61)	121	(53)	134
- Net gain from sale of financial investments available-for-sale	24	66	108	67
- Net (loss)/gain from foreign exchange transactions	(768)	(1,805)	2,423	(5,037)
- Net loss arising from hedging activities	(295)	26	(764)	(2,310)
-Net gain/(loss) arising from financial liabilities designated at fair value				
- realised loss	(762)	(356)	(1,224)	(918)
- unrealised (loss)/gain	(1,002)	1,224	(8,105)	(3,538)
-Net gain/(loss) arising from derivative financial instrument				
- realised (loss)/gain	(24,186)	52,308	6,444	109,170
- unrealised gain/(loss)	45,176	(21,407)	(962)	(14,381)
	<b>18,142</b>	<b>30,187</b>	<b>(1,948)</b>	<b>83,257</b>
Fee and commission income	22,676	27,244	48,128	58,067
Less : fee and commission expense	(776)	(1,155)	(1,618)	(2,288)
Net fee and commission income	<b>21,900</b>	<b>26,089</b>	<b>46,510</b>	<b>55,779</b>
Other income				
- Sundry income	2,284	1,534	4,805	2,901
	<b>83,872</b>	<b>93,994</b>	<b>132,952</b>	<b>213,642</b>

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

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>A17 Income derived from investment of shareholder's funds (cont'd.)</b>				
<b>The Bank</b>				
Financing, advances and other financing/loans				
- Profit income	33,277	27,421	67,390	55,197
- Unwinding income <sup>^</sup>	253	144	476	280
Financial assets held for trading	316	422	753	842
Financial investments available-for-sale	1,065	1,554	2,284	2,906
Financial investments held-to-maturity	1,621	606	3,021	1,100
Money at call and deposit with financial institutions	4,053	4,778	7,192	8,501
	<u>40,585</u>	<u>34,925</u>	<u>81,116</u>	<u>68,826</u>
Accretion of discount less amortisation of premium	961	1,259	2,469	2,879
Total finance income and hibah	<u>41,546</u>	<u>36,184</u>	<u>83,585</u>	<u>71,705</u>
Other operating income				
- Net gain/(loss) from sale of financial investments held for trading				
- realised gain/(loss)	16	10	185	70
- unrealised (loss)/gain	(61)	121	(53)	134
- Net gain from sale of financial investments available-for-sale	24	66	108	67
- Net (loss)/gain from foreign exchange transactions	(768)	(1,805)	2,423	(5,037)
- Net (loss)/gain arising from hedging activities	(295)	26	(764)	(2,310)
Net gain/(loss) arising from financial liabilities designated at fair value				
- realised loss	(762)	(356)	(1,224)	(918)
- unrealised (loss)/gain	(1,002)	1,224	(8,105)	(3,538)
- Net gain/(loss) arising from derivative financial instrument				
- realised (loss)/gain	(24,186)	52,308	6,444	109,170
- unrealised gain/(loss)	45,176	(21,407)	(962)	(14,381)
	<u>18,142</u>	<u>30,187</u>	<u>(1,948)</u>	<u>83,257</u>
Fee and commission income	22,676	27,244	48,128	58,067
Less : fee and commission expense	(776)	(1,155)	(1,618)	(2,288)
Net fee and commission income	<u>21,900</u>	<u>26,089</u>	<u>46,510</u>	<u>55,779</u>
Other income				
- Sundry income	2,284	1,513	4,805	2,880
	<u>83,872</u>	<u>93,973</u>	<u>132,952</u>	<u>213,621</u>

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

**A18 Allowance for impairment losses on financing, advances and other financing/loans**

**The Group and The Bank**

Individual impairment allowance				
- Made/(written-back) during the period	5,276	(1,007)	5,947	12,699
Portfolio impairment allowance				
- Made during the period	9,957	25,988	11,322	55,895
Impaired financing :				
- recovered	(9,378)	(10,706)	(24,998)	(21,382)
- written off	804	1,869	1,511	3,936
	<u>6,659</u>	<u>16,144</u>	<u>(6,218)</u>	<u>51,148</u>

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

	<b>2nd Quarter Ended</b>		<b>6 Months Ended</b>	
	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
<b>A19 Income attributable to depositors</b>				
<b>The Group and The Bank</b>				
<b>Deposits from customers</b>				
- Mudharabah	4,558	37,855	6,563	52,594
- Non-Mudharabah	331,651	294,054	660,228	581,626
- Financial liabilities designated at fair value	1,562	1,851	3,404	3,378
<b>Deposits and placements of banks and other financial institutions</b>				
- Mudharabah	-	32,703	-	63,691
- Non-Mudharabah	5,079	5,934	9,744	15,994
Subordinated Sukuk Cagamas	8,297 14,326	10,233 -	18,603 24,003	20,387 -
	<b>365,473</b>	<b>382,630</b>	<b>722,545</b>	<b>737,670</b>
<b>A20 Profit distributed to investment account holder</b>				
<b>The Group and The Bank</b>				
-Restricted	35,951	-	65,303	-
-Unrestricted	148	-	275	-
	<b>36,099</b>	<b>-</b>	<b>65,578</b>	<b>-</b>
<b>A21 Personnel expenses</b>				
<b>The Group and The Bank</b>				
Salaries, allowances and bonuses	6,392	15,706	13,499	33,568
Pension costs (defined contribution plan)	1,006	951	1,938	1,783
Staff incentives and other staff payments	1,351	361	2,084	1,207
Mutual Separation Scheme	-	2,586	-	2,586
Medical expenses	218	242	485	428
Others	457	600	592	832
	<b>9,424</b>	<b>20,446</b>	<b>18,598</b>	<b>40,404</b>

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>A22 Other overheads and expenditures</b>				
<b>The Group</b>				
<b>Establishment</b>				
Depreciation of property, plant equipment	1,227	985	2,328	1,988
Rental	621	268	1,573	568
Repairs and maintenance	397	670	961	1,172
Outsourcing expenses	114	(174)	289	408
Security expenses	11	-	11	9
Utility expenses	29	-	46	73
Others	(722)	(266)	314	(17)
	<b>1,677</b>	<b>1,483</b>	<b>5,522</b>	<b>4,201</b>
<b>Marketing</b>				
Advertisement and publicity	777	2,902	2,089	4,065
Others	309	387	712	1,182
	<b>1,086</b>	<b>3,289</b>	<b>2,801</b>	<b>5,247</b>
<b>General expenses</b>				
Communication	14	60	26	152
Consultancy and professional fees	146	328	146	189
Legal expenses	(52)	27	127	195
Stationery	180	207	389	337
Amortisation of intangible assets	2,775	2,531	5,589	5,062
Postages	1,355	401	2,581	1,386
Donation	542	598	1,568	2,039
Incidental expenses on banking operations	1,661	143	2,770	241
Takaful	1,828	1,615	4,146	3,214
Others	2,667	2,983	4,404	4,750
	<b>11,116</b>	<b>8,893</b>	<b>21,746</b>	<b>17,565</b>
Total other overheads and expenditures	<b>13,879</b>	<b>13,665</b>	<b>30,069</b>	<b>27,013</b>
Shared service costs paid/payable to CIMB Bank/CIMB Investment Bank	<b>89,683</b>	<b>92,722</b>	<b>192,779</b>	<b>187,731</b>
	<b>103,562</b>	<b>106,387</b>	<b>222,848</b>	<b>214,744</b>

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

	2nd Quarter Ended		6 Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>A22 Other overheads and expenditures (continued)</b>				
<b>The Bank</b>				
<b>Establishment</b>				
Depreciation of property, plant equipment	1,227	985	2,328	1,988
Rental	621	268	1,573	568
Repairs and maintenance	397	670	961	1,172
Outsourcing expenses	114	(174)	289	408
Security expenses	11	-	11	9
Utility expenses	29	-	46	73
Others	(722)	(266)	314	(17)
	1,677	1,483	5,522	4,201
<b>Marketing</b>				
Advertisement and publicity	777	2,902	2,089	4,065
Others	309	387	712	1,182
	1,086	3,289	2,801	5,247
<b>General expenses</b>				
Communication	14	60	26	152
Consultancy and professional fees	146	328	146	189
Legal expenses	(52)	27	127	195
Stationery	180	207	389	337
Amortisation of intangible assets	2,775	2,531	5,589	5,062
Postages	1,355	401	2,581	1,386
Donation	542	598	1,568	2,039
Incidental expenses on banking operations	1,661	143	2,770	241
	1,828	1,615	4,146	3,214
Others	2,667	2,962	4,404	4,729
	11,116	8,872	21,746	17,544
Total other overheads and expenditures	13,879	13,644	30,069	26,992
Shared service costs paid/payable to CIMB Bank/CIMB Investment Bank	89,683	92,722	192,779	187,731
	103,562	106,366	222,848	214,723

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

**A23 Islamic derivative financial instruments, commitments and contingencies**

**(i) Islamic derivative financial instruments**

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

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

The Group and the Bank	30 June 2016			31 December 2015		
	Principal Amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000	Principal amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency forwards	4,662,609	107,951	(163,718)	2,312,595	171,455	(97,623)
- Less than one year	3,930,192	23,797	(88,794)	1,653,599	73,423	(8,541)
- One year to three years	70,437	1,040	(916)	3,690	504	(436)
- More than three years	661,980	83,114	(74,008)	655,306	97,528	(88,646)
Currency swaps	9,469,562	122,474	(60,741)	4,750,561	86,890	(143,226)
- Less than one year	9,471,136	122,474	(60,741)	4,725,222	83,595	(139,931)
- More than three years	(1,574)	-	-	25,339	3,295	(3,295)
Currency spots	120,174	154	(83)	6,938	2	(3)
- Less than one year	120,174	154	(83)	6,938	2	(3)
Currency options	217,068	2,344	(2,343)	12,206	19	(19)
- Less than one year	217,068	2,344	(2,343)	12,206	19	(19)
Cross currency profit rate swaps	2,949,123	153,669	(149,369)	1,510,651	169,734	(165,935)
- Less than one year	891,000	6,394	(6,341)	-	-	-
- One year to three years	296,160	14,976	(14,807)	-	-	-
- More than three years	1,761,963	132,299	(128,221)	1,510,651	169,734	(165,935)
	17,418,536	386,592	(376,254)	8,592,951	428,100	(406,806)
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	13,488,552	65,473	(58,172)	8,473,524	41,342	(44,108)
- Less than one year	2,291,056	2,263	(2,093)	460,000	215	(192)
- One year to three years	4,027,330	9,919	(8,486)	5,386,121	20,631	(22,804)
- More than three years	7,170,166	53,291	(47,593)	2,627,403	20,496	(21,112)
<u>Equity related derivatives</u>						
Equity options	443,614	4,665	(4,665)	462,541	6,011	(6,011)
- Less than one year	85,198	1,248	(1,248)	-	-	-
- One year to three years	37,097	1,180	(1,180)	92,700	2,971	(2,971)
- More than three years	321,319	2,237	(2,237)	369,841	3,040	(3,040)
<u>Credit related contracts</u>						
Total return swaps	83,150	1,226	(1,226)	104,520	603	(603)
- More than three years	83,150	1,226	(1,226)	104,520	603	(603)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,893,598	-	(165,489)	4,144,812	222	(128,533)
- Less than one year	-	-	-	250,000	222	-
- One year to three years	600,000	-	(5,558)	600,000	-	(5,021)
- More than three years	3,293,598	-	(159,931)	3,294,812	-	(123,512)
<b>Total derivative assets/(liabilities)</b>	<b>35,327,450</b>	<b>457,956</b>	<b>(605,806)</b>	<b>21,778,348</b>	<b>476,278</b>	<b>(586,061)</b>



## PART A - EXPLANATORY NOTES (CONTINUED)

### A23 Islamic derivative financial instruments, commitments and contingencies (continued)

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

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

##### Market Risk

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

##### Credit Risk

Credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfil their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 30 June 2016, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM458 million respectively (31 December 2015: RM476 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

##### Liquidity Risk

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

##### Cash requirements of the derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 June 2016, the Group has posted cash collateral of RM42 million (31 December 2015: RM53 million) on their derivative contracts.

There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are disclosed in the audited annual financial statements for the financial year ended 31 December 2015.

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

**A23 Islamic derivative financial instruments, commitments and contingencies (continued)**

**(ii) Commitments and contingencies**

	<b>30 June 2016 Principal amount</b>	31 December 2015 Principal amount
<b>The Group and the Bank</b>	<b>RM'000</b>	RM'000
<u>Credit-related</u>		
Direct credit substitutes	<b>159,850</b>	173,278
Certain transaction-related contingent items	<b>506,333</b>	522,411
Short-term self-liquidating trade-related contingencies	<b>135,331</b>	148,476
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	<b>4,455,861</b>	4,069,440
- maturity exceeding one year	<b>3,196,022</b>	2,463,321
Miscellaneous commitments and contingencies	<b>182,669</b>	150,640
Total credit-related commitments and contingencies	<b>8,636,066</b>	7,527,566
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	<b>14,629,570</b>	6,397,964
- one year to five years	<b>1,582,847</b>	929,753
- more than five years	<b>1,206,120</b>	1,265,234
Profit rate related contracts :		
- less than one year	<b>2,291,056</b>	710,000
- one year to five years	<b>14,795,865</b>	11,558,816
- more than five years	<b>295,228</b>	349,520
Equity related contracts :		
- less than one year	<b>85,198</b>	-
- one year to five years	<b>74,193</b>	134,139
- more than five years	<b>284,223</b>	328,402
Credit related contracts:		
- more than five years	<b>83,150</b>	104,520
Total treasury-related commitments and contingencies	<b>35,327,450</b>	21,778,348
	<b>43,963,516</b>	29,305,914

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

**A24 Capital Adequacy**

The capital adequacy framework applicable is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which was revised on 13 October 2015. The revised guideline took effect for all banking institutions on 1 January 2016 and will take effect for all financial holding companies on 1 January 2019. The revised guideline sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The IRB Approach is applied for the major credit exposures with retail exposures on Advanced IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach.

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>30 June 2016</b>	31 December 2015	<b>30 June 2016</b>	31 December 2015
Common equity tier 1 ratio	<b>13.594%</b>	12.718%	<b>13.594%</b>	12.718%
Tier 1 ratio	<b>14.399%</b>	13.558%	<b>14.399%</b>	13.557%
Total capital ratio	<b>16.782%</b>	16.273%	<b>16.781%</b>	16.273%

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

	<b>30 June 2016</b>		<b>30 June 2016</b>	
	<b>RM'000</b>	31 December 2015 RM'000	<b>RM'000</b>	31 December 2015 RM'000
Credit risk	<b>21,232,424</b>	21,088,246	<b>21,232,539</b>	21,088,362
Market risk	<b>478,033</b>	532,642	<b>478,033</b>	532,642
Operational risk	<b>2,133,996</b>	2,080,787	<b>2,133,932</b>	2,080,723
Total risk-weighted assets	<b>23,844,453</b>	23,701,675	<b>23,844,504</b>	23,701,727

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

	<b>30 June 2016</b>		<b>30 June 2016</b>	
	<b>RM'000</b>	31 December 2015 RM'000	<b>RM'000</b>	31 December 2015 RM'000
<b>Common Equity Tier I capital</b>				
Ordinary shares	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Other reserves	<b>2,676,956</b>	2,386,118	<b>2,676,921</b>	2,386,083
Common Equity Tier I capital before regulatory adjustments	<b>3,676,956</b>	3,386,118	<b>3,676,921</b>	3,386,083
<u>Less: Regulatory adjustments</u>				
Goodwill	<b>(136,000)</b>	(136,000)	<b>(136,000)</b>	(136,000)
Intangible assets	<b>(77,482)</b>	(82,210)	<b>(77,482)</b>	(82,210)
Deferred tax assets	<b>(23,116)</b>	(31,184)	<b>(23,116)</b>	(31,184)
Others	<b>(198,920)</b>	(122,352)	<b>(198,921)</b>	(122,352)
Common Equity Tier I capital after regulatory adjustments	<b>3,241,438</b>	3,014,372	<b>3,241,402</b>	3,014,337
<b>Additional Tier I capital</b>				
Perpetual preference shares	<b>192,000</b>	199,000	<b>192,000</b>	199,000
Additional Tier I capital before regulatory adjustments	<b>192,000</b>	199,000	<b>192,000</b>	199,000
<u>Less: Regulatory adjustments</u>				
Investment in capital instruments of unconsolidated financial and takaful entities	-	-	-	-
Additional Tier I capital after regulatory adjustments	<b>192,000</b>	199,000	<b>192,000</b>	199,000
<b>Total Tier I capital</b>	<b>3,433,438</b>	3,213,372	<b>3,433,402</b>	3,213,337
<b>Tier II capital</b>				
Subordinated notes	<b>510,000</b>	595,000	<b>510,000</b>	595,000
Portfolio impairment allowance and regulatory reserves ^	<b>58,047</b>	48,697	<b>58,048</b>	48,698
<b>Total Tier II capital</b>	<b>568,047</b>	643,697	<b>568,048</b>	643,698
<b>Total capital</b>	<b>4,001,485</b>	3,857,069	<b>4,001,450</b>	3,857,035

^ The capital base of the Group and the Bank as at 30 June 2016 have excluded portfolio impairment allowance on impaired financings restricted from Tier II capital of RM22.1 million (31 December 2015: RM21.8 million) respectively.

## PART A - EXPLANATORY NOTES (CONTINUED)

### A25 Segmental reporting

#### Definition of segments

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

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

#### Business segment reporting

##### Definition of segments:

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

#### **Consumer Banking**

Consumer Banking provides everyday banking solutions to individual customers covering Islamic financial products and services such as residential property financing, non-residential property financing, personal financing, hire purchase financing, share 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.

#### **Wholesale Banking**

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

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

Corporate Banking offers a broad spectrum of 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 financings, to derivatives, structured products and debt capital market.

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

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

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

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

#### **Investments**

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

#### **Support and others**

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

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

**A25 Segmental reporting (continued)**

<b>The Group 30 June 2016</b>	<b>Consumer Banking RM'000</b>	<b>Commercial Banking RM'000</b>	<b>Wholesale Banking RM'000</b>	<b>Investments RM'000</b>	<b>Support and others RM'000</b>	<b>Total RM'000</b>
Net income:						
- external	510,536	101,175	(143,800)	49,649	-	517,560
- inter-segment	(198,941)	(38,024)	225,785	11,180	-	-
	311,595	63,151	81,985	60,829	-	517,560
Other income	55,809	6,914	15,098	7,382	351	85,554
Operating income	367,404	70,065	97,083	68,211	351	603,114
Overhead expenses	(171,863)	(24,134)	(35,299)	(873)	(9,277)	(241,446)
Consist of :						
Depreciation of property,	(2,038)	-	(239)	(51)	-	(2,328)
Amortisation of intangible	(4,107)	-	(1,482)	-	-	(5,589)
Profit/(loss) before allowances	195,541	45,931	61,784	67,338	(8,926)	361,668
Allowances for losses on financing, advances and other financing/loans	(4,830)	4,390	6,658	-	-	6,218
Write-back/(allowances for) impairment losses on other receivables	-	-	-	-	(115)	(115)
Segment results	190,711	50,321	68,442	67,338	(9,041)	367,771
Taxation						(89,549)
<b>Net profit for the financial year</b>						<b>278,222</b>

<b>The Group 30 June 2015</b>	<b>Consumer Banking RM'000</b>	<b>Commercial Banking RM'000</b>	<b>Wholesale Banking RM'000</b>	<b>Investments RM'000</b>	<b>Support and others RM'000</b>	<b>Total RM'000</b>
Net income:						
- external	489,205	81,706	(126,203)	43,669	-	488,377
- inter-segment	(182,911)	(28,544)	201,380	10,075	-	-
	306,294	53,162	75,177	53,744	-	488,377
Other income	48,947	4,865	21,432	(5)	-	75,239
Operating income	355,241	58,027	96,609	53,739	-	563,616
Overhead expenses	(197,475)	(27,730)	(27,352)	(4,116)	1,525	(255,148)
Consist of :						
Depreciation of property,	(1,918)	-	(70)	-	-	(1,988)
Amortisation of intangible	(4,999)	-	(63)	-	-	(5,062)
Profit/(loss) before allowances	157,766	30,297	69,257	49,623	1,525	308,468
(Allowances for)/write-back of losses on financing, advances and other financing/loans	(47,978)	7,815	(10,985)	-	-	(51,148)
Allowances for impairment losses on other receivables	-	-	(56)	-	(11)	(67)
Segment results	109,788	38,112	58,216	49,623	1,514	257,253
Taxation						(67,673)
<b>Net profit for the financial year</b>						<b>189,580</b>

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

**A25 Segmental reporting (continued)**

<b>The Group</b>	<b>Consumer</b>	<b>Commercial</b>	<b>Wholesale</b>		
<b>30 June 2016</b>	<b>Banking</b>	<b>Banking</b>	<b>Banking</b>	<b>Investments</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment assets	24,033,479	4,898,979	28,190,099	2,652,339	59,774,896
Unallocated assets					849,649
<b>Total assets</b>					<b>60,624,545</b>
Segment liabilities	13,077,389	2,753,328	39,619,246	607,529	56,057,492
Unallocated liabilities					670,097
<b>Total liabilities</b>					<b>56,727,589</b>
<b>Other segment items</b>					
Capital expenditure	1,113	-	225	18	1,356
<b>The Group</b>	<b>Consumer</b>	<b>Commercial</b>	<b>Wholesale</b>		
<b>31 December 2015</b>	<b>Banking</b>	<b>Banking</b>	<b>Banking</b>	<b>Investments</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment assets	22,475,239	4,826,615	24,195,343	2,807,853	54,305,050
Unallocated assets					254,131
<b>Total assets</b>					<b>54,559,181</b>
Segment liabilities	13,245,560	2,819,463	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

## PART A - EXPLANATORY NOTES (CONTINUED)

### A26 Fair Value Estimation

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

#### Determination of fair value and fair value hierarchy

##### Valuation Model Review and Approval

- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Valuation methodologies for the purpose of determining Mark-to-Market prices will be verified by Group Risk Management Quantitative Analysts before submitting to the Group Market Risk Committee for approval;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification;
- Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Regional Head, Market Risk Management or / and the Group Market Risk Committee;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodologies. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

The fair value hierarchy has the following levels:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

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

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

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

**A26 Fair Value Estimation (continued)**

- (i) The following table represents the assets and liabilities measured at fair value and classified by level with the following fair value hierarchy as at 30 June 2016 and 31 December 2015.

	Fair Value				Fair Value			
	30 June 2016				31 December 2015			
	Carrying amount	Observable inputs (Level 2)	Fair Value Significant unobservable inputs (Level 3)	Total	Carrying amount	Observable inputs (Level 2)	Fair Value Significant unobservable inputs (Level 3)	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group and the Bank</b>								
<b>Financial assets</b>								
Financial assets held for trading								
-Money market instruments	1,467,010	1,467,010	-	1,467,010	2,388,675	2,388,675	-	2,388,675
-Unquoted securities	126,220	126,220	-	126,220	303,263	303,263	-	303,263
Financial investments available-for-sale								
-Money market instruments	101,988	101,988	-	101,988	317,082	317,082	-	317,082
-Unquoted securities	1,376,110	1,375,535	575	1,376,110	1,608,966	1,608,391	575	1,608,966
Derivative financial instruments								
-Trading derivatives	457,956	457,956	-	457,956	476,056	476,056	-	476,056
-Hedging derivatives	-	-	-	-	222	222	-	222
<b>Total</b>	<b>3,529,284</b>	<b>3,528,709</b>	<b>575</b>	<b>3,529,284</b>	<b>5,094,264</b>	<b>5,093,689</b>	<b>575</b>	<b>5,094,264</b>
<b>Financial liabilities</b>								
Derivative financial instruments								
-Trading derivatives	440,317	440,317	-	440,317	457,528	457,528	-	457,528
-Hedging derivatives	165,489	165,489	-	165,489	128,533	128,533	-	128,533
Financial liabilities designated at fair value	164,216	164,216	-	164,216	199,063	199,063	-	199,063
<b>Total</b>	<b>770,022</b>	<b>770,022</b>	<b>-</b>	<b>770,022</b>	<b>785,124</b>	<b>785,124</b>	<b>-</b>	<b>785,124</b>

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



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

**A27 Credit transactions and exposures with connected parties**

	<b>The Group and the Bank</b>	
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RM'000</b>	RM'000
Outstanding credit exposures with connected parties	<b>2,268,778</b>	1,717,545
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>3.60%</b>	3.10%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<b>0.00%</b>	0.00%

**A28 Change in accounting policies**

There were no changes in the accounting policy during the financial period.

## PART B

### B1 GROUP PERFORMANCE REVIEW

The Group recorded a higher pre-tax profit of 43.0% or RM110.5 million from RM257.3 million to RM367.8 million for the six months ended 30 June 2016. The increase was mainly due to higher income derived from investment of investment account by RM92.4 million, higher income derived from investment of depositors' funds and others by RM78.3 million and lower allowances made for impairment losses on financing, advances and other financing/loans by RM57.4 million compared to the same period last year. This was offset by higher profit distributed to investment account holder by RM65.6 million and lower income derived from investment of shareholder's funds by RM80.7 million.

### B2 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

CIMB Islamic expects a gradual pick up in financing assets following various ongoing initiatives, corporates' and listed companies' increased preference towards Islamic financing, and the Overnight Placement Rate cut. Similarly Islamic deposits are likely to grow in tandem with the industry following similar initiatives put in place. The Treasury and Markets business will likely face continued capital market volatility, although the sukuk market will have a much better second half of 2016. Corporate activities are opportunistic given the cautious sentiment.

### B3 COMPUTATION OF EARNINGS PER SHARE (EPS)

#### a) Basic EPS

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

	The Group			
	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	134,121	107,304	278,222	189,580
Weighted average number of ordinary shares in issue ( '000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (expressed in sen per share)	13.41	10.73	27.82	18.96

	The Bank			
	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	134,121	107,295	278,222	189,571
Weighted average number of ordinary shares in issue ( '000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (expressed in sen per share)	13.41	10.73	27.82	18.96

#### b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 30 June 2016 and 30 June 2015.