

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017**

		The Group		The Bank	
		31 March 2017 RM'000	31 December 2016 RM'000	31 March 2017 RM'000	31 December 2016 RM'000
<b>Assets</b>					
Cash and short term funds	A6	8,824,378	8,315,442	8,824,332	8,315,396
Deposits and placements with banks and other financial institutions	A7	305,597	90,398	305,597	90,398
Financial assets held for trading	A8	3,651,096	2,730,665	3,651,096	2,730,665
Financial investments available-for-sale	A9	1,699,229	1,625,071	1,699,229	1,625,071
Financial investments held-to-maturity	A10	3,516,896	3,330,600	3,516,896	3,330,600
Islamic derivative financial instruments	A28 (i)	608,557	870,650	608,557	870,650
Financing, advances and other financing/loans	A11	49,284,055	47,172,873	49,284,055	47,172,873
Other assets	A12	620,386	883,378	620,386	883,378
Deferred taxation		14,327	15,427	14,327	15,427
Amount due from related companies		690	906	690	906
Statutory deposits with Bank Negara Malaysia		1,395,329	1,384,859	1,395,329	1,384,859
Investment in subsidiaries		-	-	11	11
Property, plant and equipment		8,396	9,581	8,396	9,581
Intangible assets		78,577	81,041	78,577	81,041
Goodwill		136,000	136,000	136,000	136,000
<b>Total assets</b>		<b>70,143,513</b>	<b>66,646,891</b>	<b>70,143,478</b>	<b>66,646,856</b>
<b>Liabilities</b>					
Deposits from customers	A13	54,674,343	52,762,288	54,769,069	52,833,806
Investment accounts of customers	A14	255,349	254,408	255,349	254,408
Deposits and placements of banks and other financial institutions	A15	2,790,807	1,232,801	2,790,807	1,232,801
Investment accounts due to designated financial institutions	A16	4,725,505	3,912,011	4,725,505	3,912,011
Financial liabilities designated at fair value	A17	2,194	2,181	2,194	2,181
Islamic derivative financial instruments	A28 (i)	721,018	979,011	721,018	979,011
Amount due to holding company		18,370	495,087	18,370	495,087
Amount due to related companies		1,104	1,089	1,104	1,089
Other liabilities	A18	383,335	253,015	840,614	767,985
Provision for tax and Zakat		41,623	47,384	41,623	47,384
Recourse obligation on loans and financing sold to Cagamas		1,065,610	1,353,390	1,065,610	1,353,390
Sukuk		553,461	586,488	-	-
Subordinated Sukuk	A19	610,079	617,563	610,079	617,563
<b>Total liabilities</b>		<b>65,842,798</b>	<b>62,496,716</b>	<b>65,841,342</b>	<b>62,496,716</b>
<b>Equity</b>					
<b>Capital and reserves attributable to equity holder of the Bank</b>					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		3,080,715	2,930,175	3,082,136	2,930,140
		4,080,715	3,930,175	4,082,136	3,930,140
Perpetual preference shares		220,000	220,000	220,000	220,000
<b>Total equity</b>		<b>4,300,715</b>	<b>4,150,175</b>	<b>4,302,136</b>	<b>4,150,140</b>
<b>Total equity and liabilities</b>		<b>70,143,513</b>	<b>66,646,891</b>	<b>70,143,478</b>	<b>66,646,856</b>
<b>Commitments and contingencies</b>	A28 (ii)	<b>49,749,593</b>	53,080,505	<b>49,749,593</b>	53,080,505
Net assets per ordinary share attributable to owners of the Parent (RM)		4.08	3.93	4.08	3.93

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

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED 31 MARCH 2017**

		The Group			
		Individual Quarter		Cumulative Quarter	
		1st Quarter Ended		3 Months Ended	
		31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Income derived from investment of depositors' funds and others	A20	666,496	601,583	666,496	601,583
Income derived from investment of investment account	A21	52,030	42,578	52,030	42,578
Income derived from investment of shareholder's funds	A22	77,956	49,080	77,956	49,080
Allowances for impairment losses on financing advances and other financing/loans (made)/written-back	A23	(6,029)	12,877	(6,029)	12,877
Allowances for impairment losses on other receivables (made)/written-back		(37)	33	(37)	33
<b>Total distributable income</b>		<b>790,416</b>	706,151	<b>790,416</b>	706,151
Income attributable to depositors	A24	(429,231)	(357,072)	(429,231)	(357,072)
Profit distributed to investment account holder	A25	(36,439)	(29,480)	(36,439)	(29,480)
<b>Total net income</b>		<b>324,746</b>	319,599	<b>324,746</b>	319,599
Personnel expenses	A26	(8,488)	(9,174)	(8,488)	(9,174)
Other overheads and expenditures	A27	(123,039)	(119,285)	(123,039)	(119,285)
<b>Profit for the the period</b>		<b>193,219</b>	191,140	<b>193,219</b>	191,140
Taxation		(47,064)	(47,039)	(47,064)	(47,039)
<b>Net profit for the period</b>		<b>146,155</b>	144,101	<b>146,155</b>	144,101

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 31 MARCH 2017**

<b>Profit for the period</b>		<b>146,155</b>	144,101	<b>146,155</b>	144,101
<b>Other comprehensive income/(expense):</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Revaluation reserve financial investments available-for-sale					
- Net gain from change in fair value		6,491	12,385	6,491	12,385
- Realised gain transferred to statement of income on disposal and impairment		(554)	(1,189)	(554)	(1,189)
- Income tax effects		(1,425)	(2,687)	(1,425)	(2,687)
Other comprehensive income for the period, net of tax		4,512	8,509	4,512	8,509
<b>Total comprehensive income for the period</b>		<b>150,667</b>	152,610	<b>150,667</b>	152,610
Earnings per share (sen)	B3	14.62	14.41	14.62	14.41

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

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED 31 MARCH 2017**

		The Bank			
		Individual Quarter		Cumulative Quarter	
		1st Quarter Ended		3 Months Ended	
		31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Income derived from investment of depositors' funds and others	A20	666,496	601,583	666,496	601,583
Income derived from investment of investment account	A21	52,030	42,578	52,030	42,578
Income derived from investment of shareholder's funds	A22	78,651	49,080	78,651	49,080
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	A23	(6,029)	12,877	(6,029)	12,877
Allowances for impairment losses on other receivables (made)/written-back		(37)	33	(37)	33
<b>Total distributable income</b>		<b>791,111</b>	706,151	<b>791,111</b>	706,151
Income attributable to depositors	A24	(428,557)	(357,072)	(428,557)	(357,072)
Profit distributed to investment account holder	A25	(36,439)	(29,480)	(36,439)	(29,480)
<b>Total net income</b>		<b>326,115</b>	319,599	<b>326,115</b>	319,599
Personnel costs	A26	(8,488)	(9,174)	(8,488)	(9,174)
Other overheads and expenditures	A27	(122,952)	(119,285)	(122,952)	(119,285)
<b>Profit before taxation</b>		<b>194,675</b>	191,140	<b>194,675</b>	191,140
Taxation		(47,064)	(47,039)	(47,064)	(47,039)
<b>Profit for the financial period</b>		<b>147,611</b>	144,101	<b>147,611</b>	144,101

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 31 MARCH 2017**

<b>Profit for the period</b>	<b>147,611</b>	144,101	<b>147,611</b>	144,101
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**Other comprehensive income/(expenses):**
**Items that may be reclassified subsequently to profit or loss**

Revaluation reserve of financial investments available-for-sale

- Net gain from change in fair value

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

- Income tax effects

Other comprehensive income for the period, net of tax

**Total comprehensive income for the period**

6,491	12,385	6,491	12,385
(554)	(1,189)	(554)	(1,189)
(1,425)	(2,687)	(1,425)	(2,687)
4,512	8,509	4,512	8,509
<b>152,123</b>	152,610	<b>152,123</b>	152,610

Earnings per share -basis (sen)	B3	14.76	14.41	14.76	14.41
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The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

← Attributable to owners of the Parent →

The Group	Ordinary share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
<b>31 March 2017</b>											
<b>At 1 January 2016</b>	1,000,000	1,080,953	(25,697)	(2,457)	458	201,344	580	1,674,994	3,930,175	220,000	4,150,175
Net profit for the financial period	-	-	-	-	-	-	-	146,155	146,155	-	146,155
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	4,512	-	-	-	-	-	4,512	-	4,512
Total comprehensive income for the period	-	-	4,512	-	-	-	-	146,155	150,667	-	150,667
Share-based payment expense	-	-	-	-	-	-	185	-	185	-	185
Transfer to regulatory reserve	-	-	-	-	-	18,830	-	(18,830)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(312)	-	(312)	-	(312)
<b>At 31 March 2017</b>	<b>1,000,000</b>	<b>1,080,953</b>	<b>(21,185)</b>	<b>(2,457)</b>	<b>458</b>	<b>220,174</b>	<b>453</b>	<b>1,802,319</b>	<b>4,080,715</b>	<b>220,000</b>	<b>4,300,715</b>
<b>31 March 2016</b>											
<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	-	-	-	-	-	-	-	144,101	144,101	-	144,101
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	8,509	-	-	-	-	-	8,509	-	8,509
Total comprehensive income for the period	-	-	8,509	-	-	-	-	144,101	152,610	-	152,610
Share-based payment expense	-	-	-	-	-	-	92	-	92	-	92
Transfer to regulatory reserve	-	-	-	-	-	38,300	-	(38,300)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(311)	-	(311)	-	(311)
<b>At 31 March 2016</b>	<b>1,000,000</b>	<b>945,153</b>	<b>(18,011)</b>	<b>(2,457)</b>	<b>458</b>	<b>99,257</b>	<b>328</b>	<b>1,513,781</b>	<b>3,538,509</b>	<b>220,000</b>	<b>3,758,509</b>

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

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

← Non-distributable → Distributable

The Bank	Ordinary share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
<b>31 March 2017</b>											
<b>At 1 January 2016</b>	<b>1,000,000</b>	<b>1,080,953</b>	<b>(25,697)</b>	<b>(2,457)</b>	<b>458</b>	<b>201,344</b>	<b>580</b>	<b>1,674,959</b>	<b>3,930,140</b>	<b>220,000</b>	<b>4,150,140</b>
Net profit for the financial period	-	-	-	-	-	-	-	147,611	147,611	-	147,611
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	4,512	-	-	-	-	-	4,512	-	4,512
Total comprehensive income for the period	-	-	4,512	-	-	-	-	147,611	152,123	-	152,123
Share-based payment expense	-	-	-	-	-	-	185	-	185	-	185
Transfer to regulatory reserve	-	-	-	-	-	18,830	-	(18,830)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(312)	-	(312)	-	(312)
<b>At 31 March 2017</b>	<b>1,000,000</b>	<b>1,080,953</b>	<b>(21,185)</b>	<b>(2,457)</b>	<b>458</b>	<b>220,174</b>	<b>453</b>	<b>1,803,740</b>	<b>4,082,136</b>	<b>220,000</b>	<b>4,302,136</b>
<b>31 March 2016</b>											
<b>At 1 January 2016</b>	<b>1,000,000</b>	<b>945,153</b>	<b>(26,520)</b>	<b>(2,457)</b>	<b>458</b>	<b>60,957</b>	<b>547</b>	<b>1,407,945</b>	<b>3,386,083</b>	<b>220,000</b>	<b>3,606,083</b>
Net profit for the financial period	-	-	-	-	-	-	-	144,101	144,101	-	144,101
Other comprehensive income (net of tax)											
- Financial investments available-for-sale	-	-	8,509	-	-	-	-	-	8,509	-	8,509
Total comprehensive income for the period	-	-	8,509	-	-	-	-	144,101	152,610	-	152,610
Share-based payment expense	-	-	-	-	-	-	92	-	92	-	92
Transfer to regulatory reserve	-	-	-	-	-	38,300	-	(38,300)	-	-	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(311)	-	(311)	-	(311)
<b>At 31 March 2016</b>	<b>1,000,000</b>	<b>945,153</b>	<b>(18,011)</b>	<b>(2,457)</b>	<b>458</b>	<b>99,257</b>	<b>328</b>	<b>1,513,746</b>	<b>3,538,474</b>	<b>220,000</b>	<b>3,758,474</b>

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

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2017**

	The Group		The Bank	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Profit before taxation	193,219	191,140	194,675	191,140
Adjustments for non-cash items	<u>(76,974)</u>	<u>(82,545)</u>	<u>(76,974)</u>	<u>(82,545)</u>
Operating profit before changes in working capital	116,245	108,595	117,701	108,595
Net changes in operating assets	(2,989,452)	(942,210)	(2,989,452)	(942,210)
Net changes in operating liabilities	3,973,019	(194,842)	3,938,536	(194,843)
Tax paid	<u>(53,150)</u>	<u>(52,304)</u>	<u>(53,150)</u>	<u>(52,304)</u>
<b>Net cash generated from operating activities</b>	<b>1,046,662</b>	<b>(1,080,761)</b>	<b>1,013,635</b>	<b>(1,080,762)</b>
Net cash flows used in investing activities	(201,726)	338,704	(201,726)	338,704
Net cash flows generated (used in)/from financing activities	<u>(336,000)</u>	<u>837,407</u>	<u>(302,973)</u>	<u>837,407</u>
<b>Net change in cash and cash equivalents</b>	<b>508,936</b>	<b>95,350</b>	<b>508,936</b>	<b>95,349</b>
Cash and cash equivalents at beginning of the financial period	<u>8,315,442</u>	<u>5,644,137</u>	<u>8,315,396</u>	<u>5,644,092</u>
Cash and cash equivalents at end of the financial period	<u><b>8,824,378</b></u>	<u><b>5,739,487</b></u>	<u><b>8,824,332</b></u>	<u><b>5,739,441</b></u>

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

## **PART A - EXPLANATORY NOTES**

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

The unaudited condensed interim financial statements for the financial period ended 31 March 2017 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale, derivative financial instruments and financial liabilities designated at fair value, that have been measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board.

The unaudited condensed interim financial statements should be read in conjunction with the Group's and the Bank's audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2016.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2016, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2017:

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

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

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

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

**A2. CHANGES IN ESTIMATES**

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

**A3. ISSUANCE AND REPAYMENT OF DEBT EQUITY SECURITIES**

During the period, Ziya Capital Bhd ("Ziya") undertook a partial redemption of its Sukuk amounting to RM33 million.

**A4. PROPOSED DIVIDEND**

There were no dividends paid or proposed for the period ended 31 March 2017.

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

There were no significant events other than those disclosed under issuance and repayment of debt equity securities that had occurred between 31 March 2017 and the date of this announcement.



PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	31 March 2017 RM'000	31 December 2016 RM'000	31 March 2017 RM'000	31 December 2016 RM'000
<b>A6 Cash and short-term funds</b>				
Cash and balances with banks and other financial institutions	828,810	662,603	828,764	662,557
Money at call and deposit placements maturing within one month	7,995,568	7,652,839	7,995,568	7,652,839
	<b>8,824,378</b>	<b>8,315,442</b>	<b>8,824,332</b>	<b>8,315,396</b>
			<b>The Group and the Bank</b>	
			<b>31 March</b>	<b>31 December</b>
			<b>2017</b>	<b>2016</b>
			<b>RM'000</b>	<b>RM'000</b>
<b>A7 Deposits and placements with banks and other financial institutions</b>				
Licensed banks			<b>305,597</b>	90,398
<b>A8 Financial assets held for trading</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Malaysian Government treasury bills			170,644	120,987
Islamic negotiable instruments of deposits			2,921,204	2,425,600
Islamic commercial papers			150,007	-
Government Investment Issues			265,634	55,459
			<b>3,507,489</b>	2,602,046
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk			57,123	40,778
<u>Outside Malaysia</u>				
Corporate Sukuk			86,484	87,841
			<b>3,651,096</b>	2,730,665
<b>A9 Financial investments available-for-sale</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Government Investment Issues			192,176	111,863
Islamic Cagamas bonds			61,262	40,772
Malaysian Government Sukuk			29,253	29,622
			<b>282,691</b>	182,257
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk			1,342,703	1,368,768
Placement with IBFIM			575	575
<u>Outside Malaysia</u>				
Corporate Sukuk			73,260	73,471
			<b>1,699,229</b>	1,625,071
<b>A10 Financial investments held-to-maturity</b>				
<b>Money market instruments</b>				
<b>Unquoted</b>				
<u>In Malaysia</u>				
Government Investment Issues			999,638	811,683
Islamic Cagamas bonds			30,937	30,945
Khazanah bonds			12,662	12,662
			<b>1,043,237</b>	855,290
<b>Unquoted securities</b>				
<u>In Malaysia</u>				
Corporate Sukuk			2,470,736	2,472,854
Amortisation of premium less accretion of discount			2,923	2,456
			<b>3,516,896</b>	3,330,600

PART A - EXPLANATORY NOTES (CONTINUED)

A11 Financing, advances and other financing/loans

A (i) Financing by types and Shariah contracts

At amortised cost:

The Group and the Bank

	Sale-based contracts				Lease-based contracts		Loan contract	Others	Total
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik	Al-Ijarah Thumma Al-Bai'	Qard	
31 March 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line <sup>^</sup>		20,116	5,317		647,272			4,130	676,835
Term financing									
House Financing		6,780,025			4,369,191	1,471,841			12,621,057
Syndicated Financing			259,083		1,692,443	97,570			2,049,096
Hire purchase receivables							4,346,960		4,346,960
Other term financing		1,907,441	9,894,262		13,753,921	57,094			25,612,718
Bills receivable				70,127					70,127
Islamic trust receipts	33,427								33,427
Claims on customers under acceptance credits	642,171			61,247					703,418
Staff financing					21,737				21,737
Credit card receivables								118,784	118,784
Revolving credits					3,218,339				3,218,339
Share purchase financing	1,767								1,767
Gross financing, advances and other financing/loans	677,365	8,707,582	10,158,662	131,374	23,702,903	1,626,505	4,346,960	4,130	49,474,265
Fair value changes arising from fair value hedge									91,654
									49,565,919
Less: Allowance for impairment losses									(37,618)
- Individual impairment allowance									(244,246)
- Portfolio impairment allowance									(281,864)
<b>Total net financing, advances and other financing/loans</b>									<b>49,284,055</b>

Less: Allowance for impairment losses

- Individual impairment allowance

- Portfolio impairment allowance

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

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

The Group and the Bank

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

Less: Allowance for impairment losses

- Individual impairment allowance

- Portfolio impairment allowance

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

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

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

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

(a) The Group and the Bank have undertaken fair value hedges on the profit rate risk of financing, advances and other financing/loans of RM3,575,000,000 (2016: RM3,575,000,000) using Islamic profit rate swaps.

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

As at 31 March 2017, the gross exposures to RPSIA financing is RM4,134,944,000 (31 December 2016: RM3,236,229,000) and the portfolio impairment allowance relating to this RPSIA amounting to RM5,671,000 (31 December 2016: RM5,374,000) is recognised in the Financial Statements of CIMB Bank Berhad.

There was no individual impairment provided on this RPSIA financing.

(c) Movement of Qard financing

	<b>The Group and the Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 January 2017/2016	<b>4,283</b>	17,267
New disbursement	<b>2,898</b>	1,740
Repayment	<b>(3,051)</b>	(14,724)
As at 31 March/31 December	<b>4,130</b>	4,283
Sources of Qard fund:		
Depositors' fund	<b>3,869</b>	4,027
Shareholders' fund	<b>261</b>	256
	<b>4,130</b>	4,283
Uses of Qard fund:		
Personal use	<b>491</b>	664
Business purpose	<b>3,639</b>	3,619
	<b>4,130</b>	4,283

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

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

	<b>The Group and the Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) By geographical distribution:</b>		
Malaysia	<u>49,474,265</u>	<u>47,352,815</u>
	<u>49,474,265</u>	<u>47,352,815</u>
<b>(iii) By type of customer :</b>		
Domestic banking institutions	29,201	28,897
Domestic non-bank financial institutions	1,582,555	1,583,695
Domestic business enterprises		
- Small medium enterprises	6,398,443	6,666,599
- Others	6,511,424	5,553,813
Government and statutory bodies	6,827,176	7,279,784
Individuals	27,901,170	26,024,320
Other domestic entities	87,260	92,658
Foreign entities	137,036	123,049
	<u>49,474,265</u>	<u>47,352,815</u>
<b>(iv) By profit rate sensitivity :</b>		
Fixed rate		
- House financing	112,235	118,366
- Hire purchase receivables	4,021,145	3,959,825
- Others	9,931,014	9,975,909
Variable rate		
- House financing	12,508,822	12,006,662
- Other financing	22,901,049	21,292,053
	<u>49,474,265</u>	<u>47,352,815</u>
<b>(v) By economic purpose :</b>		
Personal use	2,466,054	2,502,702
Credit card	118,784	121,558
Construction	1,304,071	1,341,384
Residential property	12,946,125	12,434,227
Non-residential property	3,847,480	3,816,548
Purchase of fixed assets other than land and building	131,840	140,923
Merger and acquisition	2,029	2,262
Purchase of securities	7,144,349	6,071,444
Purchase of transport vehicles	4,891,028	4,511,483
Working capital	12,220,883	11,863,283
Other purpose	4,401,622	4,547,001
	<u>49,474,265</u>	<u>47,352,815</u>
<b>(vi) By residual contractual maturity :</b>		
Within one year	6,142,559	5,861,918
One year to less than three years	5,080,442	5,119,510
Three years to less than five years	5,944,703	6,154,384
Five years and more	32,306,561	30,217,003
	<u>49,474,265</u>	<u>47,352,815</u>

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

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

	<b>The Group and the Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vii) Impaired financing by economic purpose :</b>		
Personal use	20,104	22,088
Credit card	2,801	3,768
Construction	33,300	34,221
Residential property	92,779	91,091
Non-residential property	64,345	67,424
Purchase of securities	1,347	654
Purchase of transport vehicles	98,167	106,758
Working capital	41,020	85,428
Other purpose	35,156	54,933
	<u>389,019</u>	<u>466,365</u>
<b>(viii) Impaired financing by geographical distribution:</b>		
Malaysia	389,019	466,365
	<u>389,019</u>	<u>466,365</u>
<b>(ix) Movement in impaired financing, advances and other financing/loans :</b>		
As at 1 January	466,365	424,384
Classified as impaired during the financial year	94,661	597,298
Reclassified as non-impaired during the period/year	(116,849)	(290,211)
Amount written-back in respect of recoveries	(27,931)	(139,866)
Amount written off	(27,227)	(125,240)
As at 31 March/31 December	<u>389,019</u>	<u>466,365</u>
Ratio of gross impaired financing to total financing advances, and other financing/loans	<u>0.79%</u>	<u>0.98%</u>
<b>(x) Movements in allowance for impaired financing :</b>		
<b>Individual impairment allowance</b>		
As at 1 January	48,062	46,168
Net allowance (written-back)/made during the period/year	(10,444)	1,894
As at 31 March/31 December	<u>37,618</u>	<u>48,062</u>
<b>Portfolio impairment allowance</b>		
As at 1 January	242,862	314,054
Net allowance made during the period/year	28,918	54,681
Transfer from intercompany	-	(596)
Amount written off	(27,540)	(125,315)
Exchange fluctuation	6	38
As at 31 March/31 December	<u>244,246</u>	<u>242,862</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	<u>1.20%</u>	<u>1.20%</u>

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

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

**A12 Other assets**

Deposits and prepayments	4,472	4,105
Sundry debtors	72,140	82,493
Credit Support Annex for derivative transactions	371,895	575,445
Clearing accounts	171,879	221,335
	<b>620,386</b>	<b>883,378</b>

The Group		The Bank	
31 March 2017	31 December 2016	31 March 2017	31 December 2016
RM'000	RM'000	RM'000	RM'000

**A13 Deposits from customers**

**(i) By type of deposit**

Savings deposits	3,161,795	2,927,769	3,161,795	2,927,769
Wadiah	3,161,795	2,927,769	3,161,795	2,927,769
Demand deposits	9,904,805	8,966,724	9,904,804	8,966,724
Wadiah	9,746,334	8,764,805	9,746,333	8,764,805
Qard	158,471	201,919	158,471	201,919
Term deposits	41,593,907	40,854,091	41,688,634	40,925,609
Commodity Murabahah (via Tawarruq arrangement)*	41,399,660	40,647,443	41,494,387	40,718,961
Islamic negotiable instruments	35,594	38,031	35,594	38,031
Mudharabah	35,594	38,031	35,594	38,031
General investment account	3,730	12,260	3,730	12,260
Mudharabah	3,730	12,260	3,730	12,260
Specific investment account	154,923	156,357	154,923	156,357
Mudharabah	154,923	156,357	154,923	156,357
Others - Qard	13,836	13,704	13,836	13,704
	<b>54,674,343</b>	<b>52,762,288</b>	<b>54,769,069</b>	<b>52,833,806</b>

\*included Qard contract of RM246,112,000 (31 December 2016:RM554,168,000)

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

	The Group		The Bank	
	31 March 2017 RM'000	31 December 2016 RM'000	31 March 2017 RM'000	31 December 2016 RM'000
	<b>A13 Deposits from customers (continued)</b>			
<b>(ii) Maturity structures of term deposits</b>				
Due within six months	36,868,279	37,827,618	36,963,006	37,899,136
Six months to less than one year	4,469,660	2,854,039	4,469,660	2,854,039
One year to less than three years	93,515	8,530	93,515	8,530
Three years to less than five years	20,758	21,776	20,758	21,776
Five years and more	141,695	142,128	141,695	142,128
	<u>41,593,907</u>	<u>40,854,091</u>	<u>41,688,634</u>	<u>40,925,609</u>
<b>(iii) By type of customer</b>				
Government and statutory bodies	3,738,492	4,019,392	3,738,492	4,019,392
Business enterprises	18,945,741	18,362,661	18,945,741	18,362,661
Individuals	13,267,608	13,608,703	13,267,608	13,608,703
Others	18,722,502	16,771,532	18,817,228	16,843,050
	<u>54,674,343</u>	<u>52,762,288</u>	<u>54,769,069</u>	<u>52,833,806</u>
<b>A14 Investment accounts of customers</b>				
Unrestricted investment accounts				
-without maturity				
Special Mudharabah Investment Account			255,349	254,408
			<u>255,349</u>	<u>254,408</u>
<b>A15 Deposits and placements of banks and other financial institutions</b>				
<u>Non-Mudharabah</u>				
Licensed Islamic banks			477,069	-
Licensed investment banks			-	920
Licensed banks			2,092,392	911,149
Other financial institutions			221,346	320,732
			<u>2,790,807</u>	<u>1,232,801</u>
The maturity structure of deposits and placements from financial institutions are as follows:				
Due within six months			2,788,560	1,229,419
Six months to less than one year			2,247	3,382
			<u>2,790,807</u>	<u>1,232,801</u>

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

	<b>The Group and the Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>A16 Investment accounts due to designated financial institutions</b>		
Restricted investment accounts		
Mudharabah	<u>4,725,505</u>	<u>3,912,011</u>
By type of counterparty		
Licensed banks	<u>4,725,505</u>	<u>3,912,011</u>
<b>A17 Financial liabilities designated at fair value</b>		
Deposits from customers - structured investments	<u>2,194</u>	<u>2,181</u>

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

The carrying amount of the Group and the Bank as at 31 March 2017 of financial liabilities designated at fair value were RM48,000 (31 December 2016:RM62,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>A18 Other liabilities</b>				
Accruals and other payables	<b>201,490</b>	75,505	<b>201,490</b>	75,505
Clearing accounts	<b>167,774</b>	162,710	<b>167,774</b>	162,710
Others	<b>14,071</b>	14,800	<b>471,350</b>	529,770
	<u><b>383,335</b></u>	<u>253,015</u>	<u><b>840,614</b></u>	<u>767,985</u>



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

### **A19 Subordinated sukuk**

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

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

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

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

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

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

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

On 21 September 2016, the Bank had issued RM10 million Tier-2 Junior Sukuk at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum. Proceeds from the issuance will be used for the Bank’s working capital, general banking and other corporate purposes which are Shariah compliant.

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

	1st Quarter Ended		3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<b>A20 Income derived from investment of depositors' funds and others</b>				
<b>The Group and The Bank</b>				
Income derived from investment of :				
a) General investment deposits	464,153	408,352	464,153	408,352
b) Specific investment deposits	1,132	4,741	1,132	4,741
c) Other deposits	201,211	188,490	201,211	188,490
	<u>666,496</u>	<u>601,583</u>	<u>666,496</u>	<u>601,583</u>
<b>a) Income derived from investment of general investment deposits</b>				
Financing, advances and other financing/loans				
- Profit income	352,311	305,673	352,311	305,673
- Unwinding income <sup>^</sup>	2,088	2,002	2,088	2,002
Financial assets held for trading	5,561	3,918	5,561	3,918
Financial investments available-for-sale	11,397	10,925	11,397	10,925
Financial investments held-to-maturity	22,716	12,541	22,716	12,541
Money at call and deposit with financial institutions	44,656	28,123	44,656	28,123
	<u>438,729</u>	<u>363,182</u>	<u>438,729</u>	<u>363,182</u>
Accretion of discount less amortisation of premium	15,333	13,511	15,333	13,511
Total finance income and hibah	<u>454,062</u>	<u>376,693</u>	<u>454,062</u>	<u>376,693</u>
Other operating income				
- Net gain arising from financial assets held for trading				
- realised gain	703	1,513	703	1,513
- unrealised gain	88	75	88	75
- Net gain from sale of financial investments available-for-sale	362	756	362	756
- Net gain from foreign exchange transactions	8,065	28,593	8,065	28,593
	<u>9,218</u>	<u>30,937</u>	<u>9,218</u>	<u>30,937</u>
Fee and commission income	873	722	873	722
	<u>464,153</u>	<u>408,352</u>	<u>464,153</u>	<u>408,352</u>
<b>b) Income derived from investment of specific investment deposits</b>				
Money at call and deposit with financial institutions	<u>1,132</u>	<u>4,741</u>	<u>1,132</u>	<u>4,741</u>

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

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

<b>1st Quarter Ended</b>		<b>3 Months Ended</b>	
<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

**A20 Income derived from investment of depositors funds and others (continued)**

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

Financing, advances and other financing/loans				
- Profit income	<b>152,727</b>	141,096	<b>152,727</b>	141,096
- Unwinding income <sup>^</sup>	<b>905</b>	924	<b>905</b>	924
Financial assets held for trading	<b>2,411</b>	1,808	<b>2,411</b>	1,808
Financial investments available-for-sale	<b>4,940</b>	5,043	<b>4,940</b>	5,043
Financial investments held-to-maturity	<b>9,848</b>	5,789	<b>9,848</b>	5,789
Money at call and deposit with financial institutions	<b>19,359</b>	12,981	<b>19,359</b>	12,981
	<b>190,190</b>	167,641	<b>190,190</b>	167,641
Accretion of discount less amortisation of premium	<b>6,647</b>	6,237	<b>6,647</b>	6,237
Total finance income and hibah	<b>196,837</b>	173,878	<b>196,837</b>	173,878
Other operating income				
- Net gain arising from financial assets held for trading				
- realised gain	<b>305</b>	698	<b>305</b>	698
- unrealised gain	<b>38</b>	34	<b>38</b>	34
- Net gain from sale of financial investments available-for-sale	<b>157</b>	349	<b>157</b>	349
- Net gain from foreign exchange transactions	<b>3,496</b>	13,198	<b>3,496</b>	13,198
	<b>3,996</b>	14,279	<b>3,996</b>	14,279
Fee and commission income	<b>378</b>	333	<b>378</b>	333
	<b>201,211</b>	188,490	<b>201,211</b>	188,490

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

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

**The Group and The Bank**

Financing, advances and other financing/loans				
- Profit income	<b>47,132</b>	40,710	<b>47,132</b>	40,710
- Unwinding income <sup>^</sup>	<b>11</b>	8	<b>11</b>	8
Money at call and deposit with financial institutions	<b>4,887</b>	1,860	<b>4,887</b>	1,860
	<b>52,030</b>	42,578	<b>52,030</b>	42,578

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

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

	1st Quarter Ended		3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<b>A22 Income derived from investment of shareholder's funds</b>				
<b>The Group</b>				
Financing, advances and other financing/loans				
- Profit income	<b>34,018</b>	34,113	<b>34,018</b>	34,113
- Unwinding income <sup>^</sup>	<b>202</b>	223	<b>202</b>	223
Financial assets held for trading	<b>537</b>	437	<b>537</b>	437
Financial investments available-for-sale	<b>1,100</b>	1,219	<b>1,100</b>	1,219
Financial investments held-to-maturity	<b>2,193</b>	1,400	<b>2,193</b>	1,400
Money at call and deposit with financial institutions	<b>4,312</b>	3,139	<b>4,312</b>	3,139
	<b>42,362</b>	40,531	<b>42,362</b>	40,531
Accretion of discount less amortisation of premium	<b>1,480</b>	1,508	<b>1,480</b>	1,508
Total finance income and hibah	<b>43,842</b>	42,039	<b>43,842</b>	42,039
Other operating income				
- Net gain arising from financial assets held for trading				
- realised gain	<b>68</b>	169	<b>68</b>	169
- unrealised gain	<b>9</b>	8	<b>9</b>	8
- Net gain from sale of financial investments available-for-sale	<b>35</b>	84	<b>35</b>	84
- Net gain from foreign exchange transactions	<b>779</b>	3,191	<b>779</b>	3,191
- Net loss arising from hedging activities	<b>(216)</b>	(469)	<b>(216)</b>	(469)
-Net gain/(loss) arising from financial liabilities designated at fair value		-		
- realised gain/(loss)	<b>10</b>	(462)	<b>10</b>	(462)
- unrealised loss	<b>(14)</b>	(7,103)	<b>(14)</b>	(7,103)
-Net gain/(loss) arising from derivative financial instrument				
- realised gain	<b>1,847</b>	30,630	<b>1,847</b>	30,630
- unrealised loss	<b>(782)</b>	(46,138)	<b>(782)</b>	(46,138)
	<b>1,736</b>	(20,090)	<b>1,736</b>	(20,090)
Fee and commission income	<b>29,390</b>	25,452	<b>29,390</b>	25,452
Less : fee and commission expense	<b>(533)</b>	(842)	<b>(533)</b>	(842)
Net fee and commission income	<b>28,857</b>	24,610	<b>28,857</b>	24,610
Other income				
- Sundry income	<b>3,521</b>	2,521	<b>3,521</b>	2,521
	<b>77,956</b>	49,080	<b>77,956</b>	49,080

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

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

	1st Quarter Ended		3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<b>A22 Income derived from investment of shareholder's funds (cont'd.)</b>				
<b>The Bank</b>				
Financing, advances and other financing/loans				
- Profit income	<b>34,018</b>	34,113	<b>34,018</b>	34,113
- Unwinding income <sup>^</sup>	<b>202</b>	223	<b>202</b>	223
Financial assets held for trading	<b>537</b>	437	<b>537</b>	437
Financial investments available-for-sale	<b>1,100</b>	1,219	<b>1,100</b>	1,219
Financial investments held-to-maturity	<b>2,193</b>	1,400	<b>2,193</b>	1,400
Money at call and deposit with financial institutions	<b>4,312</b>	3,139	<b>4,312</b>	3,139
	<b>42,362</b>	40,531	<b>42,362</b>	40,531
Accretion of discount less amortisation of premium	<b>1,480</b>	1,508	<b>1,480</b>	1,508
Total finance income and hibah	<b>43,842</b>	42,039	<b>43,842</b>	42,039
Other operating income				
- Net gain from sale of financial investments held for trading				
- realised gain	<b>68</b>	169	<b>68</b>	169
- unrealised gain	<b>9</b>	8	<b>9</b>	8
- Net gain from sale of financial investments available-for-sale	<b>35</b>	84	<b>35</b>	84
- Net gain from foreign exchange transactions	<b>779</b>	3,191	<b>779</b>	3,191
- Net loss arising from hedging activities	<b>(216)</b>	(469)	<b>(216)</b>	(469)
Net gain/(loss) arising from financial liabilities designated at fair value		-		
- realised gain/(loss)	<b>10</b>	(462)	<b>10</b>	(462)
- unrealised loss	<b>(14)</b>	(7,103)	<b>(14)</b>	(7,103)
- Net gain/(loss) arising from derivative financial instrument		-		
- realised gain	<b>1,847</b>	30,630	<b>1,847</b>	30,630
- unrealised loss	<b>(782)</b>	(46,138)	<b>(782)</b>	(46,138)
	<b>1,736</b>	(20,090)	<b>1,736</b>	(20,090)
Fee and commission income	<b>30,085</b>	25,452	<b>30,085</b>	25,452
Less : fee and commission expense	<b>(533)</b>	(842)	<b>(533)</b>	(842)
Net fee and commission income	<b>29,552</b>	24,610	<b>29,552</b>	24,610
Other income				
- Sundry income	<b>3,521</b>	2,521	<b>3,521</b>	2,521
	<b>78,651</b>	49,080	<b>78,651</b>	49,080

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

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

**The Group and The Bank**

Individual impairment allowance				
- (Written-back)/made during the period	<b>(10,444)</b>	671	<b>(10,444)</b>	671
Portfolio impairment allowance				
- Made during the period	<b>28,918</b>	1,365	<b>28,918</b>	1,365
Impaired financing :				
- recovered	<b>(13,770)</b>	(15,620)	<b>(13,770)</b>	(15,620)
- written off	<b>1,325</b>	707	<b>1,325</b>	707
	<b>6,029</b>	(12,877)	<b>6,029</b>	(12,877)

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

	1st Quarter Ended		3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<b>A24 Income attributable to depositors</b>				
<b>The Group</b>				
<b>Deposits from customers</b>				
- Mudharabah	1,419	2,005	1,419	2,005
- Non-Mudharabah	391,486	328,577	391,486	328,577
- Financial liabilities designated at fair value	19	1,842	19	1,842
<b>Deposits and placements of banks and other financial institutions</b>				
- Non-Mudharabah	8,933	4,665	8,933	4,665
<b>Others</b>				
- Subordinated Sukuk	13,089	10,306	13,089	10,306
- Recourse obligation on loans and financing sold to Cagamas	13,611	9,677	13,611	9,677
- Sukuk	674	-	674	-
	<b>429,231</b>	<b>357,072</b>	<b>429,231</b>	<b>357,072</b>
<b>The Bank</b>				
<b>Deposits from customers</b>				
- Mudharabah	1,419	2,005	1,419	2,005
- Non-Mudharabah	391,486	328,577	391,486	328,577
- Financial liabilities designated at fair value	19	1,842	19	1,842
<b>Deposits and placements of banks and other financial institutions</b>				
- Non-Mudharabah	8,933	4,665	8,933	4,665
<b>Others</b>				
- Subordinated Sukuk	13,089	10,306	13,089	10,306
- Recourse obligation on loans and financing sold to Cagamas	13,611	9,677	13,611	9,677
	<b>428,557</b>	<b>357,072</b>	<b>428,557</b>	<b>357,072</b>
<b>A25 Profit distributed to investment account holder</b>				
<b>The Group and The Bank</b>				
-Restricted	36,303	29,353	36,303	29,353
-Unrestricted	136	127	136	127
	<b>36,439</b>	<b>29,480</b>	<b>36,439</b>	<b>29,480</b>
<b>A26 Personnel expenses</b>				
<b>The Group and The Bank</b>				
Salaries, allowances and bonuses	7,062	7,107	7,062	7,107
Pension costs (defined contribution plan)	900	932	900	932
Staff incentives and other staff payments	81	733	81	733
Medical expenses	353	267	353	267
Others	92	135	92	135
	<b>8,488</b>	<b>9,174</b>	<b>8,488</b>	<b>9,174</b>

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

<b>1st Quarter Ended</b>		<b>3 Months Ended</b>	
<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

**A27 Other overheads and expenditures**

**The Group**

**Establishment**

Depreciation of property, plant equipment	<b>1,309</b>	1,101	<b>1,309</b>	1,101
Amortisation of intangible assets	<b>1,713</b>	2,814	<b>1,713</b>	2,814
Rental	<b>679</b>	952	<b>679</b>	952
Repairs and maintenance	<b>276</b>	564	<b>276</b>	564
Outsourcing expenses	<b>(126)</b>	175	<b>(126)</b>	175
Security expenses	<b>16</b>	6	<b>16</b>	6
Utility expenses	<b>28</b>	17	<b>28</b>	17
Others	<b>(81)</b>	1,029	<b>(81)</b>	1,029
	<b>3,814</b>	6,658	<b>3,814</b>	6,658

**Marketing**

Advertisement and publicity	<b>(604)</b>	1,312	<b>(604)</b>	1,312
Others	<b>264</b>	403	<b>264</b>	403
	<b>(340)</b>	1,715	<b>(340)</b>	1,715

**General expenses**

Communication	<b>25</b>	12	<b>25</b>	12
Consultancy and professional fees	<b>331</b>	81	<b>331</b>	81
Legal expenses	<b>2</b>	98	<b>2</b>	98
Stationery	<b>125</b>	209	<b>125</b>	209
Postages	<b>984</b>	1,226	<b>984</b>	1,226
Donation	<b>(110)</b>	1,026	<b>(110)</b>	1,026
Incidental expenses on banking operations	<b>999</b>	1,109	<b>999</b>	1,109
Takaful	<b>2,442</b>	2,317	<b>2,442</b>	2,317
Others	<b>2,161</b>	1,738	<b>2,161</b>	1,738
	<b>6,959</b>	7,816	<b>6,959</b>	7,816

Total other overheads and expenditures	<b>10,433</b>	16,189	<b>10,433</b>	16,189
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Shared service costs	<b>112,606</b>	103,096	<b>112,606</b>	103,096
	<b>123,039</b>	119,285	<b>123,039</b>	119,285

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

	1st Quarter Ended		3 Months Ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<b>A27 Other overheads and expenditures (continued)</b>				
<b>The Bank</b>				
<b>Establishment</b>				
Depreciation of property, plant equipment	1,309	1,101	1,309	1,101
Amortisation of intangible assets	1,713	2,814	1,713	2,814
Rental	679	952	679	952
Repairs and maintenance	276	564	276	564
Outsourcing expenses	(126)	175	(126)	175
Security expenses	16	6	16	6
Utility expenses	28	17	28	17
Others	(81)	1,029	(81)	1,029
	<b>3,814</b>	<b>6,658</b>	<b>3,814</b>	<b>6,658</b>
<b>Marketing</b>				
Advertisement and publicity	(604)	1,312	(604)	1,312
Others	264	403	264	403
	<b>(340)</b>	<b>1,715</b>	<b>(340)</b>	<b>1,715</b>
<b>General expenses</b>				
Communication	25	12	25	12
Consultancy and professional fees	331	81	331	81
Legal expenses	2	98	2	98
Stationery	125	209	125	209
Postages	984	1,226	984	1,226
Donation	(110)	1,026	(110)	1,026
Incidental expenses on banking operations	999	1,109	999	1,109
Takaful	2,442	2,317	2,442	2,317
Others	2,074	1,738	2,074	1,738
	<b>6,872</b>	<b>7,816</b>	<b>6,872</b>	<b>7,816</b>
Total other overheads and expenditures	<b>10,346</b>	<b>16,189</b>	<b>10,346</b>	<b>16,189</b>
Shared service costs	<b>112,606</b>	103,096	<b>112,606</b>	103,096
	<b>122,952</b>	<b>119,285</b>	<b>122,952</b>	<b>119,285</b>



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

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

**(i) Islamic derivative financial instruments**

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

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

The Group and the Bank	31 March 2017			31 December 2016		
	Principal Amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000	Principal amount RM'000	Fair values assets RM'000	Fair values liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency forwards	5,451,465	227,486	(159,180)	6,269,523	372,409	(185,239)
- Less than one year	4,649,967	132,546	(72,814)	5,575,198	273,449	(95,454)
- One year to three years	220,059	8,584	(7,556)	76,800	3,123	(2,967)
- More than three years	581,439	86,356	(78,810)	617,525	95,837	(86,818)
Currency swaps	10,740,504	75,081	(137,544)	12,016,387	124,021	(306,096)
- Less than one year	10,600,422	71,233	(133,684)	12,013,950	124,021	(305,378)
- One year to three years	140,082	3,848	(3,860)	-	-	-
- More than three years	-	-	-	2,437	-	(718)
Currency spots	132,490	8	(24)	24,545	19	(34)
- Less than one year	132,490	8	(24)	24,545	19	(34)
Currency options	54,661	198	(198)	2,512	93	(93)
- Less than one year	54,661	198	(198)	2,512	93	(93)
Cross currency profit rate swaps	3,736,855	189,817	(183,389)	4,312,432	252,303	(245,706)
- Less than one year	315,400	686	(547)	891,000	21,919	(21,902)
- One year to three years	1,461,202	35,300	(33,595)	1,292,048	46,779	(45,137)
- More than three years	1,960,253	153,831	(149,247)	2,129,384	183,605	(178,667)
	<b>20,115,975</b>	<b>492,590</b>	<b>(480,335)</b>	<b>22,625,399</b>	<b>748,845</b>	<b>(737,168)</b>
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	14,231,336	112,563	(104,329)	15,467,449	117,223	(107,721)
- Less than one year	3,242,299	1,482	(1,311)	2,479,351	1,741	(1,665)
- One year to three years	2,932,335	8,057	(6,686)	4,759,747	8,653	(7,135)
- More than three years	8,056,702	103,024	(96,332)	8,228,351	106,829	(98,921)
<u>Equity related derivatives</u>						
Equity options	410,781	3,042	(3,042)	447,152	3,713	(3,632)
- Less than one year	50,378	206	(206)	93,021	737	(737)
- One year to three years	37,717	1,282	(1,282)	39,438	1,327	(1,327)
- More than three years	322,686	1,554	(1,554)	314,693	1,649	(1,568)
<u>Credit related contracts</u>						
Total return swaps	78,450	362	(362)	81,150	869	(869)
- More than three years	78,450	362	(362)	81,150	869	(869)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,895,421	-	(132,950)	3,895,703	-	(129,621)
- Less than one year	300,000	-	(389)	300,000	-	(911)
- One year to three years	1,675,000	-	(54,399)	1,675,000	-	(59,700)
- More than three years	1,920,421	-	(78,162)	1,920,703	-	(69,010)
<b>Total derivative assets/(liabilities)</b>	<b>38,731,963</b>	<b>608,557</b>	<b>(721,018)</b>	<b>42,516,853</b>	<b>870,650</b>	<b>(979,011)</b>

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

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

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

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

##### **Market Risk**

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

##### **Credit Risk**

Credit risk arises when counterparties to derivative contracts, such as profit rate swaps, are not able to or willing to fulfil their obligation to pay the Group the positive fair value or receivable resulting from the execution of contract terms. As at 31 March 2017, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM608,557,000 respectively (31 December 2016: RM870,650,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

##### **Liquidity Risk**

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

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

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 31 March 2017, the Group has posted cash collateral of RM371,895,000 (31 December 2016: RM575,445,000) on their derivative contracts.

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

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

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are disclosed in the audited annual financial statements for the financial year ended 31 December 2016.

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

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

**(ii) Commitments and contingencies**

	<b>31 March 2017 Principal amount</b>	<b>31 December 2016 Principal amount</b>
<b>The Group and the Bank</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Credit-related</u>		
Direct credit substitutes	188,822	207,083
Certain transaction-related contingent items	529,615	520,884
Short-term self-liquidating trade-related contingencies	162,558	153,685
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	6,711,199	6,236,307
- maturity exceeding one year	3,392,079	3,388,319
Miscellaneous commitments and contingencies	33,357	57,374
Total credit-related commitments and contingencies	<u>11,017,630</u>	<u>10,563,652</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	15,752,941	18,507,205
- one year to five years	3,138,671	2,841,450
- more than five years	1,224,363	1,276,744
Profit rate related contracts :		
- less than one year	3,542,299	2,779,351
- one year to five years	13,862,796	15,846,824
- more than five years	721,662	736,977
Equity related contracts :		
- less than one year	50,378	93,021
- one year to five years	76,877	78,876
- more than five years	283,526	275,255
Credit related contracts:		
- more than five years	78,450	81,150
Total treasury-related commitments and contingencies	<u>38,731,963</u>	<u>42,516,853</u>
	<u>49,749,593</u>	<u>53,080,505</u>

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

**A29 Capital Adequacy**

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

The risk-weighted assets of the Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). 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>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
Common equity tier 1 ratio	<b>13.635%</b>	14.711%	<b>13.634%</b>	14.711%
Tier 1 ratio	<b>14.361%</b>	15.526%	<b>14.360%</b>	15.526%
Total capital ratio	<b>16.356%</b>	18.025%	<b>16.356%</b>	18.025%

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

	<b>31 March 2017</b>	31 December 2016	<b>31 March 2017</b>	31 December 2016
	<b>RM’000</b>	RM’000	<b>RM’000</b>	RM’000
Credit risk	<b>22,596,593</b>	20,854,017	<b>22,596,707</b>	20,854,131
Market risk	<b>678,418</b>	537,923	<b>678,418</b>	537,923
Operational risk	<b>2,204,100</b>	2,166,460	<b>2,204,932</b>	2,166,412
Total risk-weighted assets	<b>25,479,111</b>	23,558,400	<b>25,480,057</b>	23,558,466

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

	<b>31 March 2017</b>	31 December 2016	<b>31 March 2017</b>	31 December 2016
	<b>RM’000</b>	RM’000	<b>RM’000</b>	RM’000
<b>Common Equity Tier I capital</b>				
Ordinary share capital	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
Other reserves	<b>2,953,390</b>	2,930,175	<b>2,953,355</b>	2,930,140
Common Equity Tier I capital before regulatory adjustments	<b>3,953,390</b>	3,930,175	<b>3,953,355</b>	3,930,140
<u>Less: Regulatory adjustments</u>				
Goodwill	<b>(136,000)</b>	(136,000)	<b>(136,000)</b>	(136,000)
Intangible assets	<b>(78,559)</b>	(80,961)	<b>(78,559)</b>	(80,961)
Deferred tax assets	<b>(14,345)</b>	(15,507)	<b>(14,345)</b>	(15,507)
Others	<b>(250,503)</b>	(231,914)	<b>(250,504)</b>	(231,915)
Common Equity Tier I capital after regulatory adjustments	<b>3,473,983</b>	3,465,793	<b>3,473,947</b>	3,465,757
<b>Additional Tier I capital</b>				
Perpetual preference shares	<b>185,000</b>	192,000	<b>185,000</b>	192,000
Additional Tier I capital before regulatory adjustments	<b>185,000</b>	192,000	<b>185,000</b>	192,000
<u>Less: Regulatory adjustments</u>				
Investment in capital instruments of unconsolidated financial and takaful entities	-	-	-	-
Additional Tier I capital after regulatory adjustments	<b>185,000</b>	192,000	<b>185,000</b>	192,000
<b>Total Tier I capital</b>	<b>3,658,983</b>	3,657,793	<b>3,658,947</b>	3,657,757
<b>Tier II capital</b>				
Subordinated notes	<b>435,000</b>	520,000	<b>435,000</b>	520,000
Portfolio impairment allowance and regulatory reserves ^	<b>73,498</b>	68,593	<b>73,499</b>	68,594
<b>Total Tier II capital</b>	<b>508,498</b>	588,593	<b>508,499</b>	588,594
<b>Total capital</b>	<b>4,167,481</b>	4,246,386	<b>4,167,446</b>	4,246,351

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

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

### **A30 Segmental reporting**

#### **Definition of segments**

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

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

#### **Business segment reporting**

##### **Definition of segments:**

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

#### **Consumer Banking**

Consumer Banking provides everyday banking solutions to individual customers covering Islamic financial products and services such as residential property financing, non-residential property financing, personal financing, hire purchase financing, credit cards, wealth management, bancassurance, remittance and foreign exchange, deposits and internet banking services. It also offers products and services through Enterprise Banking to micro and small enterprises, which are businesses under sole proprietorship, partnership and private limited.

#### **Commercial Banking**

Commercial Banking is responsible for offering products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include core banking credit facilities, trade financing, remittance and foreign exchange, as well as general deposit products.

Commercial Banking also secured several cash management mandates from SMEs in various sectors by leveraging on the Bank's online business banking platform, which allows customers to conduct their commercial banking transactions over the internet.

#### **Wholesale Banking**

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

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

Corporate Banking offers a broad spectrum of Islamic funding solutions ranging from trade, working capital lines and capital expenditure to leveraging, merger and acquisition, leveraged and project financing. Corporate Banking's client managers partner with product specialists within the Group to provide a holistic funding solution, from cash management, trade finance, foreign exchange, custody and corporate financings, to derivatives, structured products and debt capital market.

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

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

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

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

#### **Investments**

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

#### **Support and others**

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

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

**A30 Segmental reporting (continued)**

<b>The Group 31 March 2017</b>	<b>Wholesale Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Commercial Banking RM'000</b>	<b>Investments RM'000</b>	<b>Support and others RM'000</b>	<b>Total RM'000</b>
Net income:						
- external	(59,129)	260,305	53,789	27,267	-	282,232
- inter-segment	110,187	(92,125)	(18,127)	65	-	-
	51,058	168,180	35,662	27,332	-	282,232
Other income	11,991	31,786	2,842	1,961	-	48,580
Operating income	63,049	199,966	38,504	29,293	-	330,812
Overhead expenses	(20,734)	(92,167)	(13,740)	(453)	(4,433)	(131,527)
Consist of :						
Depreciation of property,	(224)	(956)	-	(129)	-	(1,309)
Amortisation of intangible	200	(1,913)	-	-	-	(1,713)
Profit/(loss) before allowances	42,315	107,799	24,764	28,840	(4,433)	199,285
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	3,414	(9,805)	362	-	-	(6,029)
Allowances for impairment losses on other receivables (made)/written-back	-	-	-	-	(37)	(37)
Segment results	45,729	97,994	25,126	28,840	(4,470)	193,219
Taxation						(47,064)
<b>Net profit for the financial year</b>						<b>146,155</b>

<b>The Group 31 March 2016</b>	<b>Wholesale Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Commercial Banking RM'000</b>	<b>Investments RM'000</b>	<b>Support and others RM'000</b>	<b>Total RM'000</b>
Net income:						
- external	(72,704)	248,604	52,702	24,774	-	253,376
- inter-segment	109,225	(95,577)	(19,065)	5,417	-	-
	36,521	153,027	33,637	30,191	-	253,376
Other income	15,642	26,606	2,579	8,214	272	53,313
Operating income	52,163	179,633	36,216	38,405	272	306,689
Overhead expenses	(20,089)	(94,109)	(12,133)	(250)	(1,878)	(128,459)
Consist of :						
Depreciation of property,	(123)	(978)	-	-	-	(1,101)
Amortisation of intangible	(716)	(2,098)	-	-	-	(2,814)
Profit/(loss) before allowances	32,074	85,524	24,083	38,155	(1,606)	178,230
Allowances for impairment losses on financing, advances and other financing/loans (made)/written-back	3,458	4,191	5,228	-	-	12,877
Allowances for impairment losses on other receivables made	-	-	-	-	33	33
Segment results	35,532	89,715	29,311	38,155	(1,573)	191,140
Taxation						(47,039)
<b>Net profit for the financial year</b>						<b>144,101</b>

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

**A30 Segmental reporting (continued)**

<b>The Group</b>	<b>Wholesale</b>	<b>Consumer</b>	<b>Commercial</b>		
<b>31 March 2017</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	32,287,517	28,893,633	5,370,605	2,869,382	69,421,137
Unallocated assets					722,376
<b>Total assets</b>					<u><u>70,143,513</u></u>
Segment liabilities	42,622,590	18,135,118	3,474,716	1,165,942	65,398,366
Unallocated liabilities					444,432
<b>Total liabilities</b>					<u><u>65,842,798</u></u>
<b>Other segment items</b>					
Capital expenditure	130	(656)	-	24	(502)
<b>The Group</b>	<b>Wholesale</b>	<b>Consumer</b>	<b>Commercial</b>		
<b>31 December 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	30,636,308	26,974,030	5,248,223	2,797,997	65,656,558
Unallocated assets					990,333
<b>Total assets</b>					<u><u>66,646,891</u></u>
Segment liabilities	38,881,015	18,650,148	2,962,764	1,206,214	61,700,141
Unallocated liabilities					796,575
<b>Total liabilities</b>					<u><u>62,496,716</u></u>
<b>Other segment items</b>					
Capital expenditure	2,092	7,709	-	494	10,295

## PART A - EXPLANATORY NOTES (CONTINUED)

### A31 Fair Value Estimation

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

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

The fair value hierarchy has the following levels:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

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

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

#### Valuation Model Review and Approval

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



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

**A31 Fair Value Estimation (continued)**

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

The Group and the Bank	Fair Value 31 March 2017				Fair Value 31 December 2016			
	Carrying amount	Observable inputs (Level 2)	Fair Value Significant unobservable inputs (Level 3)	Total	Carrying amount	Observable inputs (Level 2)	Fair Value Significant unobservable inputs (Level 3)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Financial assets</u></b>								
Financial assets held for trading								
-Money market instruments	3,507,489	3,507,489	-	3,507,489	2,602,046	2,602,046	-	2,602,046
-Unquoted securities	143,607	143,607	-	143,607	128,619	128,619	-	128,619
Financial investments available-for-sale								
-Money market instruments	282,691	282,691	-	282,691	182,257	182,257	-	182,257
-Unquoted securities	1,416,538	1,415,963	575 ^	1,416,538	1,442,814	1,442,239	575 ^	1,442,814
Derivative financial instruments								
-Trading derivatives	608,557	608,557	-	608,557	870,650	870,650	-	870,650
-Hedging derivatives	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,958,882</b>	<b>5,958,307</b>	<b>575</b>	<b>5,958,882</b>	<b>5,226,386</b>	<b>5,225,811</b>	<b>575</b>	<b>5,226,386</b>
<b><u>Financial liabilities</u></b>								
Derivative financial instruments								
-Trading derivatives	588,068	588,068	-	588,068	849,390	849,390	-	849,390
-Hedging derivatives	132,950	132,950	-	132,950	129,621	129,621	-	129,621
Financial liabilities designated at fair value	2,194	2,194	-	2,194	2,181	2,181	-	2,181
<b>Total</b>	<b>723,212</b>	<b>723,212</b>	<b>-</b>	<b>723,212</b>	<b>981,192</b>	<b>981,192</b>	<b>-</b>	<b>981,192</b>

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

## PART B

### B1 Group performance review

The Group recorded a higher pre-tax profit of 1.1% or RM2.1 million from RM191.1 million to RM193.2 million for the three months ended 31 March 2017. The increase was mainly due to higher income derived from investment of depositors' funds and others by RM64.9 million and higher income derived from investment of shareholders funds by RM28.9 million. This was offset by higher income attributable to depositors by RM72.2 million and higher allowances for losses on financing, advances and other financing/loans by RM18.9 million.

### B2 Prospects for the current financial year

CIMB Islamic is cautiously optimistic on the business outlook for 2017. The financing book is expected to grow in line with 2016 despite the slower consumer spending. Financing and deposit growth are expected to be driven by government agencies and corporates' growing preference for Islamic products. The Bank is also working on an alternative product proposition to attract more Shariah-compliant deposits. Ringgit Sukuk issuances are projected to increase in 2017.

### 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			
	1st Quarter Ended		3 Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	146,155	144,101	146,155	144,101
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)	14.62	14.41	14.62	14.41

	The Bank			
	1st Quarter Ended		3 Months Ended	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period (RM '000)	147,611	144,101	147,611	144,101
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)	14.76	14.41	14.76	14.41

#### b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 31 March 2017 and 31 March 2016.